



MEETING OF THE BOARD OF DIRECTORS

MINUTES

BELLEVUE CITY HALL

JUNE 24, 2009

**1. CALL TO ORDER**

At 3:33 p.m. Chair Lloyd Warren called the meeting to order.

**2. ROLL CALL**

Board Members or Alternate Board Members from the City of Bellevue (Degginger), Covington Water District (Knight), the City of Issaquah (Traeger), the City of Redmond (Marchione), Sammamish Plateau Water and Sewer District (Warren), and Skyway Water and Sewer District (Ault) were present, constituting a quorum.

**3. EXECUTIVE SESSION**

At 3:35 p.m. Chair Warren announced that there would be two Executive Sessions:

- a. To discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency.
- b. To consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price.

The Executive Sessions were expected to take approximately 45 minutes unless the time was extended by further notice.

At 4:25 p.m., the Executive Session was extended for 5 minutes.

The Executive Session adjourned at 4:36 p.m.

**4. PUBLIC COMMENT**

No members of the audience in attendance commented.

**5. CHIEF EXECUTIVE OFFICER'S REPORT**

A. Staff Reports

1. Finance and Administration
2. Conservation
3. Capital Projects Report
4. Planning
5. Intergovernmental and Communications

## **6. APPROVAL OF AGENDA**

**Motion by Mr. Degginger and second by Mr. Marchione to approve the agenda. Motion carried unanimously (6-0).**

## **7. CONSENT ACTION ITEMS**

- A. May 27, 2009 Regular Board Meeting Minutes.
- B. Motion to approve payment of warrants, including payroll, for the month of June 2009.
- C. May 5, 2009 Corrected Special Board Meeting Minutes.
- D. Motion to approve Resolution No. 2009-07 rescinding superseded or outdated Resolutions.
- E. Lake Tapps Community Council sponsorship.

**Motion by Mr. Marchione and second by Mr. Degginger to approve Consent Action Items A-E. Motion carried unanimously (6-0).**

## **8. OTHER ACTION ITEMS**

- A. Motion to approve Resolution No. 2009-08 authorizing the Board Executive Committee to finalize negotiations and execute with King County the franchise it requires to grant Cascade the rights and authority to construct, operate, and maintain water transmission and delivery pipelines and systems as part of its transmission in, over, along, and under county roads and rights-of-way located in King County.

Further information about Resolution No. 2009-08 was in the Board Desk Packet. Board Members requested that a special Board meeting be held to discuss this Resolution, if a decision needs to be made prior to the next Board meeting.

- B. Motion to authorize CEO to select and retain an underwriter for Cascade's 2009 bond issue.

*See discussion below.*

- C. Motion to approve execution of Amendment #1 to HDR Engineering, Inc. Contract No. 6, increasing the maximum compensation amount by \$20,000 to a total of \$168,000 and extending the contract from April 30, 2009 to August 31, 2009.
- D. Motion to approve execution of a consultant contract amendment No. 1 with Mayes Testing Engineers, Inc., for construction in section and testing services associated with the Tacoma Cascade Pipeline SR900 Road Widening Reach project to a) increase the contract maximum from \$47,430 to \$90,000; and b) extend the completion date from June 30 to August 31, 2009.
- E. Motion to approve execution of amendment #3 to the Hainline and Associates Contract No. 2, increasing the contract amount by \$30,000 to \$318,800 and extending the termination date from June 30, 2009 to October 31, 2009.

Mr. Shimada explained the occurrences that took place to cause the increase and extension for the HDR Engineering, Inc. Contract No. 6. The project was stamped, engineered, and approved. Then, WSDOT placed a stop work order on the project. The stop work order was lifted. However, this caused a delay in the project until an agreement was reached.

**Motion by Mr. Degginger and second by Mr. Ault to approve the following items subject to the satisfactory review by Cascade's CEO of the HDR Engineering, Inc. Contract No. 6 to determine if there is contractor liability for payment:**

- **Execution of Amendment #1 to HDR Engineering, Inc. Contract No. 6, increasing the maximum compensation amount by \$20,000 to a total of \$168,000 and extending the contract from April 30, 2009 to August 31, 2009.**
- **Execution of a consultant contract amendment No. 1 with Mayes Testing Engineers, Inc., for construction in section and testing services associated with the Tacoma Cascade Pipeline SR900 Road Widening Reach project to a) increase the contract maximum from \$47,430 to \$90,000; and b) extend the completion date from June 30 to August 31, 2009.**
- **Execution of amendment #3 to the Hainline and Associates Contract No. 2, increasing the contract amount by \$30,000 to \$318,800 and extending the termination date from June 30, 2009 to October 31, 2009.**

**At the question, motion carried unanimously (6-0).**

*Item 8B continued:*

**Motion by Mr. Degginger and second by Mr. Marchione to authorize Cascade's CEO to select and retain an underwriter for Cascade's 2009 bond issue. Motion carried unanimously (6-0).**

## **9. STAFF PRESENTATION**

### **A. Bond Planning**

Mr. Hardin provided a 2009 Bond Issue Update. The purpose of the 2009 bond is to implement Cascade's finance plan and the 2009 adopted budget. Mr. Hardin clarified that the bond issue has been anticipated and has already been built into current and future rates; there will be no additional rate impacts. The total bond amount is estimated to be \$101 million (reduced to \$82 million without purchase of the Eastside Reservoir) with a 25-year term, most of which is to fund the acquisition and transfer of Lake Tapps. Approximately \$7.1 million of the bond amount is designated for the SR900 road widening project, currently in progress.

Mr. Hardin clarified that the bond team is the same as it was in 2006 for Cascade's successful first bond issue. He also explained that there is a new development in the bond market called the Build America Bonds (BABS). These are a new financing tool that allows government entities to sell taxable bonds. The advantage of BABS to Cascade is that the federal government would rebate 35% of Cascade's interest cost (resulting in approximately ½% lower interest rate to Cascade than tax-exempt bonds). Since BABS are relatively new, these would be sold on a negotiated basis rather than a competitive basis.

Mr. Hardin reviewed the bond calendar and key dates for the Cascade Board. The bond is anticipated to close and funds delivered on August 26, 2009.

### **B. Preliminary budget and CIP**

Mr. Hardin provided an overview of the 2010 preliminary budget and member rates. Some of the points discussed include:

- The recommended average 2010 member charge increase will be 7.5%.
- The Operating Budget is projected to be \$1.4 million more in 2010.
- Inflation is low.
- The 2010 CIP of approximately \$1.6 million will mostly be for capital contingency.

Mr. Hardin also noted that a recommendation to keep the 2010 RCFC at the 2009 level will likely follow later in the summer. In addition, the multi-year budgeting and rate-setting will commence in 2011-2012. This will help the process synch with Cascade members that have biennial budgets.

Mr. Hardin explained that a large part of the operating budget change is due to Cascade's ownership of Lake Tapps, thus necessitating a full year of operation and maintenance expenses. The final adoption of Cascade's 2010 Preliminary Budget is anticipated in September 2009.

#### C. Demand forecast update

Mr. Gagliardo summarized the Cascade baseline water demand projected and actual figures. The data compared was with and without conservation. He noted that the two contingencies for the baseline forecast include:

- Members losing independent supply, which would add approximately 2-3 million gallons per day;
- Other regional needs, which are still being determined.

A sensitivity analysis is currently being compiled to determine if the contingencies can be incorporated in the planning process.

### 10. COMMITTEE REPORTS

- A. Audit Committee – The June 18, 2009 meeting recap was included in the Desk Packet. Further Audit Committee discussions were tabled until the next Board meeting.
- B. Executive Committee – No meetings held.
- C. Public Affairs Committee – The June 2, 2009 meeting recap was included in the Board Packet.
- D. Resource Management Committee – The June 18, 2009 meeting recap was included in the Desk Packet.

### 11. NEW BUSINESS

None.

### 12. NEXT REGULAR MEETING

The next regular Board meeting will be held July 22, 2009 at 3:30 p.m.

### 13. ADJOURN

The meeting was adjourned at 5:26 p.m.

APPROVED BY:

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Lloyd Warren, Chair

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Mary-Alyce Burleigh, Vice Chair