



MEETING OF THE BOARD OF DIRECTORS
MINUTES
BELLEVUE CITY HALL
SEPTEMBER 23, 2009

1. CHIEF EXECUTIVE OFFICER'S REPORT

A. Staff Reports

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

Mr. Clarke reported on the following items:

- The Lake Tapps Reservoir Workshop Agenda was included in the Desk packet. The agenda is being compiled in conjunction with Puget Sound Energy.
- Joe Mickelson was recently hired as Cascade's Operations Manager.
- The priorities of Cascade and staff will be discussed at the January Board meeting.
- Member staff meetings have been reinstituted. These will be held monthly as needed.
- The Seattle/Tacoma negotiations are accelerating. Cascade is in a favorable position.
- The University of Washington's risk model will be a starting point to develop Cascade's internal/external formal risk program.
- Ms. Kraft will provide a report at the next Board meeting about her recent visit with administration officials and Congressional staff in Washington, DC.

2. CALL TO ORDER

At 3:46 p.m. Chair Lloyd Warren called the meeting to order.

3. ROLL CALL

Board Members or Alternate Board Members from the City of Bellevue (Degginger¹/Davidson), Covington Water District (Knight), the City of Issaquah (Traeger), the City of Kirkland (Burleigh²), the City of Redmond (McCormick³), the City of Tukwila (Haggerton), Sammamish Plateau Water and Sewer District (Warren), and Skyway Water and Sewer District (Ault) were present, constituting a quorum.

¹ Departed at 5:04 p.m.

² Departed at 5:06 p.m.

³ Departed at 4:42 p.m.

4. EXECUTIVE SESSION

At 3:47 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 20 minutes unless the time was extended by further notice.

At 4:10 p.m., the Executive Session was extended for 7 minutes.

The Executive Session adjourned at 4:18 p.m.

5. PUBLIC COMMENT

Scott Hemmingway, General Manager, Ames Lake Water Association

Mr. Hemmingway explained that Ames Lake Water Association is in negotiations with Seattle Public Utilities regarding a wholesale water contract. In order for Ames Lake to utilize Seattle water, water must be wheeled through the City of Redmond and the Sammamish Plateau Water and Sewer District.

Ames Lake Water Association requested that Cascade Water Alliance work with the Association on a wheeling agreement. In addition, Ames Lake Water Association would like to continue pursuing the wholesale contract agreement with Seattle Public Utilities.

Mr. Clarke clarified that a recommendation has not been made. The Board will evaluate the issue to determine the best option.

6. APPROVAL OF AGENDA

Motion by Mr. Degginger and second by Vice-Chair Burleigh to approve the meeting agenda. Motion carried unanimously (8-0).

7. CONSENT ACTION ITEMS

- A. August 26, 2009 Regular Board Meeting Minutes.
- B. Motion to approve payment of warrants, including payroll, for the month of September 2009.
- C. Motion to authorize execution of the Beautify Bonney Lake event Sponsorship Agreement in the amount of \$2,000.

Motion by Mr. Haggerton and second by Vice-Chair Burleigh to approve Consent Action Items A-C. Motion carried unanimously (8-0).

8. OTHER ACTION ITEMS

- A. Motion to approve Resolution No. 2009-13 setting the Regional Capital Facilities Charge for the Year 2010.

Mr. Hardin explained that Resolution 2009-13 would establish the RCFC for 2010. Staff recommends holding the connection charge at the 2009 level of \$6,005 into 2010. The recommendation to keep the RCFC unchanged is made for the following reasons:

- The 2010 TSP, and its resulting impact in the CIP will remain a work-in-progress until mid-2010;
- The current CIP for 2011 through 2020 includes substantial investments over the next ten years (almost \$100 million in current dollars), which could justify a higher RCFC;
- Until the planning process is complete, there is not a firm basis for increasing or decreasing the charge, and freezing it for one year will stabilize the RCFC revenue stream, which is important because Cascade's debt service is a real expense that rates would have to cover to the extent that RCFCs do not.

Further information was included in the Board packet.

Motion by Vice-Chair Burleigh and second by Mr. Haggerton to adopt Resolution No. 2009-13 to establish the 2010 RCFC rate at the same level as 2009. Motion carried unanimously (8-0).

- B. Motion to approve Resolution Number 2009-14 adopting the 2010 Cascade Budget, and Motion to approve Resolution Number 2009-15 establishing the 2010 Rates and Charges.

Mr. Hardin explained that the budget is being presented a month earlier than in prior years to provide members further planning time for their own budget process. He highlighted some of the items presented at the June 24, 2009 meeting. The final 2010 budget was included in the Desk Packet.

Mr. Hardin clarified that previous versions of the budget have had the same total amount of member charges of \$28.2 million for 2010 and an average member increase of 7.3%. However, the distribution of the total amongst members has shifted during the summer, due in particular to adjustments to CERUs and demand.

Some of the items highlighted in the 2010 budget included:

- Total operating expenditure budget for 2010 is \$30.1 million, which is \$3.3 million more than 2009. This increase is driven mostly by Cascade's first full year of ownership of Lake Tapps, by the 2010 TSP update, by anticipated cost increases in the Seattle and Tacoma water contracts, and by more conservation rebate volume. A full list of increases was included in the Board Packet.
- Cascade will be fully staffed in 2010 with its full compliment of ten staff members.
- The 2010 budget includes no general inflation increase over the 2009 budget and there are no staff cost of living adjustments.
- The Capital Improvement Program for 2010 is \$605,000, mainly dedicated to White River flow monitoring equipment and Bellevue-Issaquah pipeline maintenance.

Mr. Hardin reviewed the final distribution of charges and amounts included in the Desk Packet. Due to the favorable bond pricing and reduced debt expense, a 5% average increase is expected for the next six years beyond 2010 (pending the outcome of the planning process).

Mr. Hardin discussed the following items raised by member staff:

- Sammamish Plateau Water & Sewer District has requested a one-time acceleration of the reconciliation of its 2009 New Water Surcharge, based on the fact that the surcharge was based on a transitional demand forecast that proved to be unrealistically high. Per

Cascade's fiscal policies however, reconciliations normally occur on a two year lag. Sammamish Plateau Water & Sewer District has requested that 2008 and 2009 be reconciled in one year. Since this is a deviation from the fiscal policies, it would require Board approval. The District's adjustment amount would be \$304,256, which Cascade could cover from the Operating Fund Reserve without impacting other Members' 2010 charges.

- There was a recommendation to change the CERU projection census date to actual counts on July 1 of the current year, rather than estimating January 1 counts for the following year. This would allow collection of actual data before projections are made for the following year.
- The City of Issaquah has requested a one-time adjustment for its 2008 Demand Share Charge based on its actual (rather than assigned) 2008 demand, asserting that the City's 2008 Demand Share Charge was based on a demand estimate that proved to be too high in light of Issaquah's cooperation with Cascade in supply management during 2008. If an adjustment for 2008 is granted, the adjustment would be reflected in the 2011 budget.

Mr. Hardin reminded Board Members that approval to prepare biennial budgets and rate setting will be proposed for Board consideration in 2010. The first biennium would be 2011/2012. A formal request for this process will be presented in 2010.

Motion by Vice-Chair Burleigh and second by Mr. Haggerton to approve Resolution 2009-14 adopting the 2010 Cascade Budget.

Mr. Hardin clarified that most of the adjustments to member charges were largely due to demand share adjustments. Chair Warren recommended a new process be developed for new members to Cascade so new member surcharge calculations are more accurate.

At the question, motion carried unanimously (8-0) to approve Resolution 2009-14.

Motion by Vice-Chair Burleigh and second by Mr. Ault to approve Resolution 2009-15 establishing the 2010 Rates and Charges. Motion carried unanimously (7-0).

- C. Motion to reimburse Sammamish Plateau Water & Sewer District a one-time acceleration of the reconciliation of its 2009 New Water Surcharge.

Motion by Vice-Chair Burleigh and second by Mr. Degginger to approve the Sammamish Plateau Water & Sewer District's request for a one-time acceleration of the reconciliation of its 2009 New Water Surcharge.

Mr. Hardin clarified that the request for reimbursement by Sammamish Plateau Water & Sewer District is unique and does not set precedence. In addition, the reimbursement would not adversely impact member charges or bond covenants.

At the question, motion carried unanimously (6-0). Chair Warren abstained from the vote.

9. STAFF PRESENTATION

None.

10. COMMITTEE REPORTS

- A. Audit Committee – Mr. Haggerton provided a recap of the June 18, 2009, auditor's meeting.
- B. Executive Committee – No meetings held.
- C. Public Affairs Committee – September – No meetings held.

- D. Resource Management Committee – Mr. Knight and Mr. Gagliardo summarized the recent Resource Management Committee meeting report, including the Supply Options ranking process. A meeting recap was included in the Board packet.

The Ames Lake Water Association's request will be discussed at the next Resource Management Committee meeting.

11. NEW BUSINESS

None.

12. NEXT REGULAR MEETING

The next regular Board meeting will be held October 28, 2009 at 3:30 p.m.

13. ADJOURN

The meeting was adjourned at 5:09 p.m.

APPROVED BY:

Lloyd Warren, Chair

Mary-Alyce Burleigh, Vice Chair