



MEETING OF THE BOARD OF DIRECTORS

MINUTES

BELLEVUE CITY HALL

MARCH 24, 2010

1. CALL TO ORDER

At 3:35 p.m. Vice-Chair John Marchione called the meeting to order.

2. ROLL CALL

Board Members or Alternate Board Members from the City of Bellevue (Don Davidson), the City of Issaquah (John Traeger¹), the City of Kirkland (Penny Sweet), the City of Redmond (Marchione), the City of Tukwila (Jim Haggerton), Covington Water District (David Knight), Sammamish Plateau Water and Sewer District (Bob Brady), and Skyway Water and Sewer District (Jon Ault) were present, constituting a quorum.

3. EXECUTIVE SESSION

At 3:36 p.m. Vice-Chair Marchione announced that there would be an Executive Session 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.

The Executive Session was adjourned at 3:45 p.m.

4. PUBLIC COMMENT

None.

5. APPROVAL OF AGENDA

Motion by Mr. Haggerton and second by Ms. Sweet to approve the meeting agenda.

Mr. Marchione suggested that Other Action Item 8c be eliminated from the meeting agenda. In addition, he suggested that an Audit Committee report be provided under Committee Reports, since the Audit Committee met prior to the Board meeting.

At the question, motion carried unanimously (8-0) to approve the meeting agenda as amended.

6. CHIEF EXECUTIVE OFFICER'S REPORT

Chuck Clarke recently attended an Association of Metropolitan Water Agencies (AMWA) meeting in Washington, D.C. Discussions included the aging water infrastructure across the country and funding necessary for the infrastructure.

¹ Arrived during Executive Session.
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Mr. Clarke will attend a Johnson Foundation conference, in June 2010, to discuss how to be proactive about future strategies with other water and wastewater agencies. He added that the foundation wants to determine a set of recommendations and action items for future strategies.

Mr. Clarke will meet with the City of Tacoma to discuss water supply options. This is the first meeting of many discussions. Discussions will also occur with Seattle.

Discussions are underway with the US Army Corps of Engineers to clarify their responsibility with the diversion damn. Mr. Clarke explained that a letter will be sent to the Corps reminding them of previous conversations/commitments and their roles and obligations for the diversion damn.

General Counsel TC Richmond explained the process that will take place to determine public liability in and around Lake Tapps.

Mr. Clarke noted that milfoil control mechanisms within Lake Tapps are being determined. An aggressive plan will be created.

A. Staff Reports

1. Finance and Administration.
2. Conservation.
3. Capital Projects Report.

Jon Shimada summarized the discussions taking place with WSDOT to negotiate the contract discrepancies for the WSDOT SR900 Road Widening Pipeline Installation. A meeting is tentatively scheduled for March 23, 2010, with WSDOT and Cascade's construction attorney to resolve the issue. Further information was included in the Board packet.

4. Planning.
5. Intergovernmental and Communications.

7. CONSENT ACTION ITEMS

- A. February 24, 2010 Annual Meeting Minutes.
- B. Motion to approve payment of warrants, including payroll, for the month of March.
- C. Motion to authorize the Chief Executive Officer to execute two Joint Finding Agreements with the U.S. Geological Survey (USGS); 1) installation and operation of stream flow gages and water quality monitoring stations; and 2) collection of hydrologic and water quality data in the White River Basin and Lake Tapps in an amount not to exceed \$390,000 for both agreements.

Motion by Dr. Davidson and second by Mr. Ault to approve Consent Action Items A-C. Motion carried unanimously (8-0).

8. OTHER ACTION ITEMS

- A. Motion to adopt Resolution No. 2010-05 authorizing and directing the Chief Executive Officer to execute the Agreement for the Operations and Maintenance of Cascade Water Alliance Transmission Facilities to Issaquah and Sammamish Plateau Water and Sewer District Connections substantially in the form attached in the Board packet.

Motion by Mr. Ault and second by Ms. Sweet to adopt Resolution No. 2010-05 authorizing and directing the Chief Executive Officer to execute the Agreement for the Operations and Maintenance of Cascade Water Alliance Transmission Facilities to Issaquah and Sammamish Plateau Water and Sewer District Connections substantially in the form attached in the Board packet. Motion carried unanimously (8-0).

B. Protocol for Use of Service Agreements between Cascade's legal counsel and consultants.

Since there were questions raised at the previous Board meeting about the Protocol for Use of Service Agreements between Cascade's legal counsel and consultants, Ms. Richmond clarified the following items:

- Service Agreements
- Attorney—Client Work Groups
- Public Records

Board Members concurred with the suggested protocol.

9. STAFF PRESENTATION

A. Internal controls and organization topics

Scott Hardin explained that an audit of fiscal year 2007, by an outside consulting firm, confirmed the Board's assessment that Cascade needed quick and substantial improvements, especially in the areas of accounting, internal controls, and organizational structure. Mr. Hardin discussed some of the internal controls that have been implemented to-date to provide key benefits. These internal controls assist Cascade to: protect assets, become more efficient, enhance transparency, and improve managerial oversight. Mr. Hardin noted that Cascade's improved internal controls assisted with S&P's two-step upgrade of Cascade's credit rating (from AA- to AA+). Other corrective actions and improvements included:

- Accounting improvements.
- Internal control improvements.
- Organizational improvements.

Mr. Hardin discussed other steps that are currently in progress or are scheduled for future completion. Further information was included in the Desk Packet.

Board Members commended staff for the progress that has been made on internal controls.

B. Board retreat

Mr. Clarke reviewed the proposed outline for Cascade's Board retreat, as well as the notes from the December 21, 2006, Public Affairs Committee Retreat. Vice-Chair Marchione suggested that Board Members review the outline and notes provided in the Desk Packet and forward any comments to the Public Affairs Committee for planning purposes.

Board Members debated the value of using a facilitator for the retreat. If a facilitator is used, Board Members would like the facilitator to be knowledgeable with water systems and focused on results/outcomes.

10. COMMITTEE REPORTS

A. Audit Committee – Meeting held March 24, 2010.

Mr. Haggerton reported that the Audit Committee reviewed the 2Q09 and 3Q09 audit reports, which were completed by Clark Nuber. Although there were areas for improvement, there were no major report findings. A few items of note included:

- Need to pay closer attention to capitalization.
- The government auditing standards, identified by the State Auditor, have become slightly in conflict with Clark Nuber's standards.
- New accounting standards in 2010 won't significantly affect Cascade.

B. Executive Committee – No meetings held.

C. Public Affairs Committee – March 2, 2010. Report included in Board Packet.

D. Resource Management Committee – March 11, 2010.

Mr. Knight reported that a Supply Portfolios Comparison workshop was conducted.

11. NEW BUSINESS

None.

12. NEXT REGULAR MEETING

The next regular Board meeting will be held April 28, 2010, at 3:30 p.m.

13. ADJOURN

The meeting was adjourned at 4:38 p.m.

APPROVED BY:

Jim Haggerton, Secretary/Treasurer