



MEETING OF THE BOARD OF DIRECTORS
MINUTES
BELLEVUE CITY HALL
SEPTEMBER 22, 2010

1. CALL TO ORDER

At 3:32 p.m. Chair Lloyd Warren called the meeting to order.

2. ROLL CALL

Board Members or Alternate Board Members from the Covington Water District (David Knight), City of Bellevue (Grant Degginger), Skyway Water and Sewer District (Jon Ault), City of Kirkland (Penny Sweet), Sammamish Plateau Water and Sewer District (Lloyd Warren, Chair,) City of Redmond (Jon Marchione, Vice Chair), City of Tukwila (Jim Haggerton, Secretary/Treasurer), and City of Issaquah (Jon Traeger) were present constituting a quorum.

3. PUBLIC COMMENT

Dr. Leon Stucki, VP, Lake Tapps Community Council

Dr. Stucki read a letter to Mr. Clarke into the record. The letter expressed support for the Record of Examination regarding the Lake Tapps Water Rights. The Lake Tapps Community Council is pleased that Cascade has honored and incorporated the Cascade/Community Agreements into the Water Rights. They are appreciative of the 'New Neighbor' philosophy and expressed appreciation to Mr. Clarke and his team for what they have done. He commended them for their out-of-the-box thinking and ability to go outside the norms resulting in their ability to stop the lake loss at the powerhouse, improve control over inflows, and timely refill this spring. He congratulated and thanked the Board, especially Mr. Warren, for his personal willingness to get the parties together to try to resolve this. He expressed concern about the failure to provide a mechanism for dealing with unforeseen long-term low river flows; however the community looks forward to a warm, long-term mutually beneficial relationship as they move into the future.

Chair Warren asked what the Agreement says about acceptance of the Agreement. CEO Chuck Clark explained that the first step was a consult with the community. Cascade would then write a letter to the community after issuance of the water right informing them of the issuance of the water rights. The community would have five days after that letter to send a note back if they are going to protest or appeal the water rights. Chair Warren stated that they have appreciated the support they have received from the community and they have learned a lot in the process. The Board Members thanked Dr. Stucki for his comments.

Other:

Chair Warren announced that Pam Higbee will be leaving the organization. He read a commendation to her thanking her for her ten years of dedicated service to Cascade Water Alliance. Ms. Higbee thanked everyone for ten wonderful years. She wished them all success in the future.

4. EXECUTIVE SESSION

At 3:45 Chair Warren announced that there would be an Executive Session for approximately 30 minutes 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. At 4:15 Executive Session was extended 10 minutes. The meeting was called back to order at 4:25 p.m.

5. APPROVAL OF AGENDA

Motion by Ms. Sweet and second by Mr. Haggerton to approve the meeting agenda included in the Desk Packet. Motion carried unanimously (8-0).

6. 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 the following:

- The Record of Examination (ROE) issued by the Department of Ecology last week is considered their final issuance and is followed by a 30-day period for appeals. After the 30 days they issue a permit with all the terms and conditions from the ROE. Mr. Clarke was not aware of any appeals to the ROE. Chair Warren asked if there is any requirement that we have to accept what Ecology has issued. General Counsel TC Richmond said that they did not because they already gave direction to the staff via the June 23 decision.
- Pictures of the outage and sediment removal were distributed. Approximately 200,000 cubic yards need to be removed. Ms. Sweet asked what they plan to do with it. Mr. Clarke noted that several people have expressed an interest, but a process will be determined when we get closer to the end. There was a feeling that it may be useful somewhere. There have been exceedingly good relations with the tribes in this process. Mr. Clarke discussed how the tribes have advocated for Cascade to the regulatory agencies and assisted with fish recovery. There are some problems with the flume which will be explored. The lake level model has been extremely accurate.
- Mr. Clarke stated that they will probably schedule a short Special Meeting of the Board in mid-October to discuss the fish screen facility. He discussed the bid process regarding this item. This will allow us to repair and modify the fish structure.
- The Executive Summary regarding Cascade's recent organizational assessment was distributed. The full report is also available. Jim Haggerton will be addressing this at October's Finance and Management Committee meeting.
- Two treatments have been done on the lake for milfoil. A third treatment will be done in mid-October. We will know in the spring how effective these treatments have been.
- Mr. Clark reviewed Consent Agenda item F regarding additional temporary space in the building to use for a record-keeping documentation process. He explained that since Pam Higbee is leaving this project is up in the air. They may not need this space immediately, but it would be useful to secure Board approval in advance.

- Mr. Clarke reported that he spent a couple days in Washington DC last week where he did some work with the Johnson Foundation on a piece called *Charting New Waters*. He participated in a meeting with the President's Council on Environmental Quality and also a panel meeting which was moderated by Gwen Ifill of NPR. This was covered by the media and significantly raised Cascade's national profile.

7. CONSENT ACTION ITEMS

- A. August 13, 2010 Special Board Meeting Minutes
July 28, 2010 Special Board Meeting Minutes – 12:30pm (Boat Tour)
July 28, 2010 Special Board Meeting Minutes
- B. Motion to approve payment of warrants, including payroll, for the month of August and September 2010.
- C. Motion to authorize the Chief Executive Officer to execute a contract with Alliant Insurance Services, Inc. (Alliant) to provide insurance broker services for a two-year term, with an option for Cascade to renew for two additional one-year terms.
- D. Motion to authorize the Chief Executive Officer to execute the Beautify Bonney Lake Sponsorship agreement in the amount of \$2,000.
- E. Motion to adopt Resolution No. 2010-13 establishing employee awards programs and an annual awards/recognition event for Cascade Water Alliance ("Cascade") employees as components of compensation for services. (This item was removed from the Consent Agenda)
- F. Motion to authorize the Chief Executive Officer to execute an amended lease agreement with Bellevue Gateway I Realty, LLC, to lease temporary additional office space for an amount not to exceed \$5,000 per month for up to six months or \$30,000 total.
- G. Motion to authorize the Chief Executive Officer to amend Cascade's 2010 contract with AdVentures, Inc. web design to increase the contract authorization amount by \$10,001, from \$24,999 to \$35,000, to fully ensure that all public announcements and actions of Cascade Water Alliance will be posted to the web in a timely and transparent manner.
- H. Motion to adopt Resolution 2010-17, replacing the Cascade Water Alliance Construction Bid and Procurement Policy (approved by the Board of Directors on June 25, 2008) with a new comprehensive contracting and purchasing policy.
- I. Motion to adopt Resolution No. 2010-18, rules for public inspection and copying of Cascade Water Alliance public records, substantially in the form attached, and rescind Resolution No. 2003-15.

Item E - Mr. Degginger expressed some concern about cash awards. Mr. Clarke gave some background on this item. He noted that they have done nothing with regard to cash rewards at this point. He explained that staff is fine with setting criteria and limits. Mr. Degginger said he would like to have some kind of parameters with cash awards. There was consensus to remove item E from the Consent Agenda and to bring it back next month.

Motion by Degginger and second by Marchione to approve Consent Agenda Items A through I with the exception of item E. Motion passed unanimously (8-0).

8. OTHER ACTION ITEMS

- A. Motion to adopt Resolution No. 2010-14 approving the 2011-2012 Cascade Budget and Resolution Number 2010-15 establishing the 2011 Rates & Charges and Forecasted 2012 Rates & Charges.

Scott Hardin reviewed the PowerPoint presentation regarding the *Cascade Water Alliance 2011-12 Budget and Rates*, focusing on changes since June. The average member charge increase for 2011 and 2012 has been revised from 7.0% to 6.0% for both years. The rate model includes a revised application of Cascade's fiscal policy coverage test to include gross v. net RCFC revenues. The distribution of member charges in 2011 and 2012 has changed considerably in percentage terms since June (mostly due to the Bellevue Adjustment). Fund balances have increased based on more recent estimates, due partly to budget savings. Other changes include revised information including additional 2009 data, revised demand histories, and recalculated CERUs based on meter counts, revised growth estimates, reduced forecast for the Four Cities' revenue and one-time adjustments from fund balances for Bellevue and Issaquah and Sammamish Plateau.

Mr. Hardin reminded the Board that this is Cascade's first biennial budget. The cost of water in 2011 has gone down quite a bit since the June forecast (due to SPU true-up of 2009). Operational and capital expenditure budgets are largely unchanged since June. The 2011 Operating Budget is 4.3% lower than 2010, and the 2012 Operating Budget is 4.9% higher than 2011, and there was no inflation or COLA added. Other key points were that the Capital Improvement Program (CIP) will be under \$2 million each year; CERU growth projections have been revised downward; the New Water Surcharge expires after 2011; and RCFC held at \$6,005.

Mr. Hardin reviewed the Expenditures Budgets for operating and capital; a breakdown of the operating expenditures; operating budget reductions and additions over the 2010 budget; Capital Improvement Program; watch list; rate forecast history; 2011 rate increase derivation; a summary of rate changes; and correction of a Bellevue demand error since 2006.

Reasons for changes in rates are that Bellevue is down (and other members are up) because the demand history for Bellevue had inadvertently been double-counting volumes going to Issaquah and Sammamish Plateau WSD through the BIP. Covington is up because the cap on Administrative Dues is higher. Issaquah is up because prior estimates of Issaquah's 2011 charges were based on a "hardwired" estimate of Issaquah's 2009 demand. Issaquah's actual demands, which were higher than the previous estimates, were entered into the rate model, but the hardwired cells were not corrected until after the June 2010 forecast had been released. Ms. Sweet asked about the Kirkland Annexation. Mr. Hardin replied that some of the annexation is part of Northshore, but there is a small segment that is part of Redmond's service area that will transfer over to Kirkland.

Rate changes for Cascade members and average monthly increases for 2011-2012 were reviewed as well as CERU growth, both actual and projected. Charts showing the Average Cost per ccf of Total payments (short term and long term) were also briefly discussed. The last slide showed the stabilizing of the RCFC during this period of low growth.

Jim Haggerton commented that Cascade needs to work closely with Pat Brodin and the staff at Tukwila because they need to make a very good presentation to the Utilities Committee and the City Council on this and what caused it. Mr. Hardin indicated he would contact Mr. Brodin.

Motion by Sweet and second by Degginger to adopt Resolution No. 2010-14 approving the 2011-2012 Cascade Budget. Motion passed unanimously (8-0).

Motion by Sweet and second by Marchione to adopt Resolution Number 2010-15 establishing the 2011 Rates & Charges and Forecasted 2012 Rates & Charges. Motion passed unanimously (8-0).

- B. Motion to adopt Resolution No. 2010-16 establishing Regional Capital Facilities Charge (RCFC) for 2011 and projecting the Regional Capital Facilities Charge for the year 2012.

Motion by Haggerton and second by Traeger to adopt Resolution No. 2010-16 establishing the Regional Capital Facilities Charge (RCFC) for 2011 and projecting the Regional Capital Facilities Charge for the year 2012. Motion passed unanimously (8-0).

- C. Motion to provide retirement benefit contributions in lieu of Social Security on behalf of eligible employees, up to the maximum annual Social Security wage limit, retroactive to the August 2010 payroll period, provided that individual employees contribute at least a matching amount to their defined contribution 401 or 457 retirement plan.

Item C was pulled until the next meeting.

- D. Motion to authorize the Chief Executive Officer to execute a Cooperative Agreement with the US Army Corps of Engineers for the Interim Operations of the White River diversion dam.

Motion by Sweet and second by Ault to authorize the Chief Executive Officer to execute a Cooperative Agreement with the US Army Corps of Engineers for the Interim Operations of the White River diversion dam. Motion passed unanimously (8-0).

Chair Warren said he had been interested in how this might affect the funding on the diversion dam. Mr. Clarke has assured him that it won't impact the funding.

- E. Motion to authorize the Chief Executive Officer to execute Johansen Contract No. 20100801, Amendment 1 for sediment excavation of Cascade's Lake Tapps flow line and associated temporary erosion control measures. The amendment is necessary as the amount of sediment in Wolslegal Basin is far greater than what was estimated initially, from 90,000 CY maximum to current estimates of up to 230,000 CY. The amendment will increase the contract maximum amount by an additional \$150,000 from \$400,000 to \$550,000.

Mr. Clarke commented on the increased number of yards in this Agreement. Ms. Sweet asked where they are putting this. Mr. Clarke replied that it is in the footprint that PSE had used just north of the flume.

Motion by Degginger and second by Sweet to authorize the Chief Executive Officer to execute Johansen Contract No. 20100801, Amendment 1 for sediment excavation of Cascade's flow line and associated temporary erosion control measures. The amendment is necessary as the amount of sediment in Wolslegal Basin is far greater than what was estimated initially, from 90,000 CY maximum to current estimates of up to 230,000 CY. The

amendment will increase the contract maximum amount by an additional \$150,000 from \$400,000 to \$550,000. Motion passed unanimously (8-0).¹

9. STAFF INFORMATION REPORTS

A. Conservation Policy Paper

Mr. Clarke reviewed details of the conservation program as contained in the packet on page 127 through 130. He added that a number of member staff had asked how much they have paid in and how much they had gotten back in their jurisdictions. He reviewed the chart at the top of page 128 which shows that members are getting back almost as much as they are putting in. Ms. Sweet expressed appreciation for the report. Chair Warren concurred.

10. COMMITTEE REPORTS

A. Audit Committee – *No meetings held.*

B. Executive Committee – *No meetings held.*

C. Finance Committee - *Scheduled for October 21.*

D. Public Affairs Committee – Mr. Marchione reported the following:

- He gave an update on efforts regarding the White River Fish Passage Project and Cascade's request to participate in the Mud Mountain Dam Issue Resolution Conference where the funding, formerly deemed a federal project, is now being considered a project that should have some local match from Cascade. Ms. Kraft added that she just heard from Senator Murray's office that there will likely be an issues resolution meeting to hopefully get some resolution.
- Mr. Marchione then reviewed efforts regarding the Joint Municipal Utility Services Proposal. Ms. Kraft asked all the counsels to review this and provide feedback prior to October 1. She explained that Representative Deb Eddy said she will sponsor it and will try to get some of her colleagues to sponsor it as well. A summary of the proposal is contained in this meeting's packet on page 133. Committee Work Plan is attached to the packet and shows what we are going to do month by month.
- Ms. Kraft added that there is a draft Lake Tapps Management Vision and Public Planning Process on page 141.

E. Resource Management Committee – *No meetings held.*

11. NEW BUSINESS

None.

12. NEXT REGULAR MEETING – Wednesday, October 27, 2010, Bellevue City Hall – 3:30 p.m.

13. ADJOURN

The meeting was adjourned at 5:14 p.m.

¹ At 5:05 p.m. Mr. Degginger left the meeting.

APPROVED BY:

Lloyd Warren, Chair

John Marchione, Vice-Chair