

A SPECIAL PLANNING-SESSION MEETING OF THE BOARD OF COMMISSIONERS OF MANCHESTER WATER DISTRICT

November 1, 2008

SPECIAL PLANNING-SESSION MEETING - Chairman Kyle Galpin called the Special Planning-Session Meeting of the Board of Commissioners to order at 9:10 a.m. Present were Chairman Galpin, Secretary Jim Strode, and Commissioner Steve Pedersen. Staff present included Alan Fletcher, General Manager, and Dennis O'Connell, Operations Manager. The Special Meeting was held at the District office.

The purpose of the special study meeting was for the Board of Commissioners to work with staff in the development of plans, strategies, and priorities for District activities over time and to identify projects and initiatives for Fiscal Year 2009 (FY-09) budget year. The Board reviewed its decision making model, identifying basic criteria for arriving at good solutions, including, maintain a good appearance in facilities and vehicles, managing public perception (ensuring that the public agrees with our direction), questioning our assumptions, and avoiding "group-think".

The Board and staff discussed various activities including a review of 2007-2008 goals and lessons learned, emerging trends, staffing, growth management, and FY-09 budget projections and goals. Further discussion ensued on industry and local trends, as follows:

2007-2008 Accomplishments

Budget Goals

- . Enhancing Website (on-line Bill Pay put on hold)
- . Adjust Water Rates per CWSP
- . Continuing public education of long-term infrastructure needs.
- . Adjust GFC and LFC (connection charges).
- . Successful completion Capital Projects.
- . Increase Board Training Opportunities
- . Research new/expanded facilities.
- . Continue Automated Meter Reading conversion program.

Operations

- . PZ-1, PZ-3 Projects
- . Eliminate Service Installation Backlog.
- . AMR Conversion.
- . Process Control / PC Training.
- . Replace Well-2 Roof & improve facility appearances (Good Neighbor Program).
- . Remove Dangerous Trees
- . Develop Strategies for Staff retention.

Emerging Trends

Industry-Wide

- . Water Industry Regulation
- . Managing the balance between cost and revenues
- . Infrastructure replacement
- . Expanding and protecting water resources
- . System security
- . Planning for the future workforce

Community

- . Service District approach for providing community services (sewer, port, park, water, lights).
- . Facility Planning.
- . Tracking community and volunteer projects. Projects should generally conform to the PSA Policy as to the type of project that might qualify for District sponsorship.
- . Capital Improvement Program.
- . Rates & Charges

There was discussion on various policy issues and interest that might affect the District and how it delivers services, forming a community services district, Leak Adjustments, Fees, Charges and Rates, insurance pooling, rebate programs, and employee works guidelines, wages and benefits, tenant-landlord billings, surplus property sales, and reviewing and adjusting all prior policies for compliance. The Board emphasized balancing community interests with revenues, coupled with common sense approaches in developing policies and conducting District business.


The Board reviewed the projected FY-09 budget Revenues & Expenditures, as well as proposed rate adjustments. There was consensus to stay with the scheduled 7% increase (about \$2.00 per month on typical bill); noting that inflation last year averaged 5.9% (August-August CPI-W). Rate adjustments will also be discussed in the November and December Regular Meetings.


The Board reviewed the proposed Capital Outlays for FY-09, discussing the facility planning and a potential move of Administrative functions to a leased location. It was acknowledged that the District has run out of room with its current facilities and would like to see improvements. However, due to size that cannot be accomplished while in the building. Pros and Cons of a move were analyzed; Pros: ADA compliance, reduced vehicle trips on residential streets (safety, good neighbor), improved customer access, ability to help manage other community programs, expanding operations footprint for laboratories, locker room, and general maintenance; Cons: up-front costs (+\$25,000), public perception and communicating needs, downtown parking, lost opportunity cost (leasing property versus ownership). Staff was asked to meet with the builder of the proposed lease property and firm up numbers for decision-making.


Further discussion ensued regarding the Salary Administration Program and progress in offering competitive wage and benefits to attract and retain a qualified workforce. There was discussion on employee benefit levels, including sick leave, vacation, and stand-by pay, with no changes being proposed. The Board was comfortable continuing to pay the Group Health Cooperative employee-only Rate for medical/dental premiums. This allowed employees to choose their level of coverage based on HMO, PPO, and Kaiser Plans. Adjustments to the wage schedule were discussed noting the State of Washington raised minimum wage 5.9%. Some Board members were not comfortable with that level of adjustment noting a drop in water sales and lack of meter sales during the last year. Additional conversation occurred with some desiring to keep Salary Administration Program current with market changes, while others sighted balancing district-wide needs, recognizing the lack of money to fund all programs. It was pointed out that a lot of progress has been made in prior years to be more competitive in wages and benefits, however, conditions may not allow aggressive moves every year. The Board asked for additional comparisons to help in determining salary structure adjustments.

Due to the late hour, the Board did not complete its agenda. Further discussion on rates, FY-09 budget goals and capital projects will occur at the November meeting. The Board took no action during the Special Meeting. The Board acknowledged that the projects, items, and issues discussed during the planning session would be brought back to the Board for further consideration, public input, and any formal action.

There being no further business to discuss, the meeting adjourned at 4:20 p.m.



Kyle D. Galpin,
Chair

James E. Strode,
Secretary

Steve Pedersen,
Commissioner

THE REGULAR MEETING OF THE BOARD OF THE COMMISSIONERS OF MANCHESTER WATER DISTRICT

November 12, 2008

REGULAR MEETING

Board Chair Kyle Galpin called the regular meeting of the Manchester Water District Board of Commissioners to order at 5:30 p.m. Present were Commissioners Kyle Galpin, James Strode, and Steve Pedersen. Present were Alan Fletcher, General Manager, Dennis O'Connell, Operations Manager, and Jamie Hatton.

1.0* **Consent Agenda**

- 1.1 **Approval of October 14 2008, Regular Meeting Minutes.**
- 1.2 **Approval of November 1, 2008, Special Planning-Session Meeting Minutes.**
- 1.3 **Approval of Vouchers** - Vouchers that have been audited and certified by the Auditing Officer as required by RCW 42.24.090. Vouchers have been recorded on a listing that was reviewed by the Board prior to the meeting. Approval for payment of these vouchers includes General Fund vouchers 472-477, 479-503, totaling \$39,819.06; Capital Fund voucher 478, totaling \$1,680.78.
- 1.4 **Approval of District Payroll Vouchers.**

Commissioner Pedersen moved to approve the Consent Agenda. Commissioner Strode seconded. **The motion was unanimously approved.**

2.0 **Public Comment.** There was no public comment.

3.0 **Regular Agenda**

- 3.1* **FY-09 Annual Budget.** Staff thanked the Board for attending the November 1, Planning-Session and that work was not complete on the FY-09 budgetary planning. Staff then presented revised budget numbers that reflect the Planning-Session's conversation, including Personal Services, Capital Outlay, and CIP. At that meeting, the Board advocated a cautious stance in dealing with District finances due to the current economy.
 - 3.1.1 **2009 Water Adjustment.** Staff reported that at the last two meetings, the Board has discussed possible rate adjustments due to increased costs in operations and maintenance and for funding capital improvements. During the Planning Session, the Board expressed interest in a moderate rate increase of approximately \$2.00 per month in water bills. While hesitant to increase rates, the Board felt an adjustment was prudent and justified for needed capital projects and inflation. Staff was directed to prepare a rate adjustment for the December Regular Meeting.
 - 3.1.2 **Resource & Expenditure Projections.** The Board reviewed the proposed budgetary Revenues & Expenditures. Staff reported that the numbers have changed to reflect lease property payments and the changes in Personal Services that were discussed November 1.

- 3.1.3 **Personal Services, Capital Outlay, CIP, & Budget Goals.** Staff noted that the presentation includes changes to Personal Services and Capital Outlay sections the Capital Improvement Program has not changed. Staff noted that as with all schedules, they are subject to change following Board recommendations.

Personal Services – Staff reported that the State’s index number for the minimum wage adjustment was 5.9%, effective in January. A lower market adjustment number is suggested for the District, as the index is trending downward due to the economic crisis and lower energy costs. The Board reviewed a spreadsheet that shows wage changes overtime, illustrating the Districts efforts to increase pay and benefits to a competitive level with similar service providers. It also demonstrates that the District has been aggressive in past years. Unfortunately, the current economic crisis has reduced meter sales and slowed our contributions to Capital and Main Replacement Funds, which means dipping into reserves to fund some needed projects. In addition, each wage increase compounds annually, as it becomes the new base line. Staff felt that sustaining that level of funding is uncertain in the current economy. The General Manager recommended a 3.5% increase in the District Salary Structure and the elimination of one field position from Personal Services, which is reflective of fewer construction projects and meter installations. Wage increases are given on a merit basis as determined during a formal performance review. The Board supported using these numbers for budgetary purposes.

Capital Outlay – The Capital Outlay Schedule was reviewed noting it has been updated to show the effects of leasing property. The Office Improvement and Computerization sections now show the one-time upfront costs. Lease payments have been shown in the O & M Expenditure section.

Capital Improvement Program – The CIP program, unchanged from the planning session, was reviewed. While all projects are needed, the Board supported a hold on most projects until a mid-2009 assessment. The Board supports moving forward with purchasing an industrial portable generator-set, funding the automated metering conversion project, and a desire to utilize the PWTF loan for design and engineering of the Banner Tank & Transmission Main.

Budget Goals – The Board discussed budget goals for FY-09 focusing on stewardship of District resources, adjusting General Facility Charges with ENR 20-city index, public education, on-line bill paying, Board training, AMR program, evaluating Street Light Utility, and exploring grant opportunities.

The Board again expressed that a cautious approach was needed due to economic conditions and that while revenues are somewhat consistent; they did not want to be aggressive on projects at this time. Also, understanding that not all needed programs and expenditures are possible and that balancing District needs and resources is priority. All areas of the budget will be reviewed mid-2009. Staff was directed to finalize the budget and return in December for action.

- 3.2* **Proposed Lease Agreement.** Staff presented a proposed lease agreement with HDC Manchester Commons LLC for 788 SF office space in the new Anchors development. Pricing came in at an annual rate of \$21 per square foot, with estimated triple-net (Common Area Maintenance, Taxes) costs of \$315 per month. The terms are 3-years with no escalation factor.

Lease Rate (\$21 SF)	Estimated CAM, Taxes	Annual Rate (Net Utilities)	Up-Front Costs	3-Year Cost (+ Est. Utilities)
\$16,548	\$3,780	\$20,328	+\$30,000	+\$100,000

The Board supported the advantages of moving the administrative office feeling the case for doing so is clear, compelling, and desirable. The Board again discussed the Pros and Cons of a move. Pros: ADA compliance, reduced vehicle trips on residential streets (safety, good neighbor), improved customer access, ability to help manage other community programs, expanding operations footprint for laboratories, locker room, and general maintenance. Cons: up-front costs (+\$30,000), public perception and communicating needs, downtown parking, lost opportunity cost (leasing property versus ownership). The costs for moving into the building are approximated \$50,000 in the first year and +\$24,000 annually thereafter when adding in utilities. In view of those numbers and considering the challenges facing our local and national economy, the Board did not support entering a lease at this time. The concept is still viable and they reserve the ability to revisit this issue later in the year. There was no action taken on the proposed lease and staff was directed to communicate this to the lessor and to adjust the budget numbers accordingly.

- 3.3 **Developer Extension & Capital Improvement Projects Update.** New home construction on Indiana Street, east of Nevada Avenue has begun. Design work continues through RH2 Engineering on the Harper Hill PRV Station relocation (PZ-3).
- 3.4 **Port of Manchester Update.** Staff briefed the Board on the latest news and services provided by the District.
- 3.5 **Review of Financials**
 - 3.5.1 **Water Sales Data.** The Board reviewed metered water sales data through October 31, 2008.
 - 3.5.2 **Income & Expense Report.** The Board reviewed the September financial reports. Staff responded to questions on the financials and water sales.

4.0 **Miscellaneous**

- 4.1 **Operations Updates.** October water quality samples were all satisfactory. However, sampling results for September and October were not reported to the State. This function is part of the laboratory service and staff was not aware of the reporting error until notified by the State Department of Health. Corrective measures have been taken, including repeat sampling of the entire service area and direct communication with State offices.

Staff has also been working closely with RH2 Engineering and the equipment manufacturer to resolve calibration and programming issues with our well level sensors. Dennis O'Connell and Scott Wolf attended a "Maximizing Your Performance" seminar at the West Sound Utility District offices. The one-day seminar focused on improved customer service strategies and team building within our organization. There were three new service installations in October. Staff has installed 18 new services year-to-date. The District produced 14,501,000 gallons in October, representing an approximate 1.6% increase over this period in 2007.

4.2 **Administration Update.** Staff reported on a routine Labor & Industries accounting audit. There was one finding (an inadvertent spreadsheet error) and the L & I auditors were complimentary of the District's accounting and record keeping and for having all requested information available for their inspection. Also discussed was a proposed directional sign that local community groups and the Port are considering. The sign would be located at the intersection of Mile Hill Road and Colchester Drive. Staff noted that locating the District office could be difficult for customers and that if we participate with either dollars and/or in-kind services for installation, it would be a wise investment. The Board agreed with this approach and Commissioner Pedersen will present it to the Friends of the Library and Port Advisory Committee.

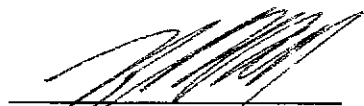
4.3 **Board of Commissioners.** No additional comments were offered.

5.0* **Future Meeting Dates**

5.1 December 9, 2008, 5:30 p.m. – Regular Meeting

5.2 January 13, 2009, 5:30 p.m. – Regular Meeting

6.0* **Adjournment.** There being no further business to come before the Board, the Commissioners adjourned the meeting at 8:05 p.m. Commissioner Strode made a motion to adjourn the meeting Commissioner Pedersen seconded the motion.



Kyle D. Galpin,
Chairman



James E. Strode,
Secretary



Steve Pedersen,
Commissioner