

## A SPECIAL MEETING OF THE BOARD OF COMMISSIONERS OF MANCHESTER WATER DISTRICT

October 5, 2010

**SPECIAL MEETING** - Chairman Kyle Galpin called the Special Meeting of the Board of Commissioners to order at 5:30 p.m. Present were Chairman Kyle 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 Spring Street Operations Building.

The purpose of the special meeting was for the Board of Commissioners to work with staff in the further development of plans, strategies, and priorities for District activities over time and to identify projects and initiatives for Fiscal Year 2011 (FY-11) budget year. The Chair noted that the Board has held prior planning sessions in June and August.

The Board reviewed its decision making model, identifying basic criteria for arriving at good solutions, including, balancing water rates with program funding needs. Board and staff discussed various activities including a review of 2009-2010 goals and lessons learned, emerging trends, and FY-11 budget projections and goals. Further discussion ensued on industry and local trends.

The group reviewed policy issues including forming a community services district, leak adjustments, rates, fees and charges, rebate programs, and employee works guidelines, wages, and benefits. The Board emphasized balancing community interests with revenues, coupled with common sense approaches in developing policies and conducting District business. The Board agreed to no changes in policies at this time.

The Board examined the proposed FY-11 budget Revenues & Expenditures and discussed water rate adjustments. The Board anticipates a \$2.00 per month increase in rates effective January 2011, noting that notice of this proposal is being sent to all customers. A public meeting for the proposed increase is slated for November 9, Regular Business Meeting. The rate change is prompted by increases in general operating expenses and funding for capital construction projects. The District's last rate change was in late 2008.

The Board reviewed the Salary Administration Program and progress in offering competitive wage and benefits. There was discussion on employee benefit levels, including sick leave, vacation, and stand-by pay, with no changes being proposed in accruals or the basic plan.

Staff recommended that there again be no increase in the wage schedule, as the CPI-W index was basically flat, however, observed that some employees are eligible for step/merit increases, pending satisfactory performance reviews. The Board supported the proposal and that there be no changes in the salary schedule for a second year.

The Board then reviewed proposed Capital Outlays for FY-11, which included only minor spending. Monies were earmarked for routine renewals and replacements of essential construction, plant, office, and computer equipment.

Proposed Capital Improvement Plans were reviewed and the Board acknowledged the small number of projects. Planned is work required by Kitsap County Public Works' replacement of the failing Curley Creek Bridge, which holds a transmission pipeline.


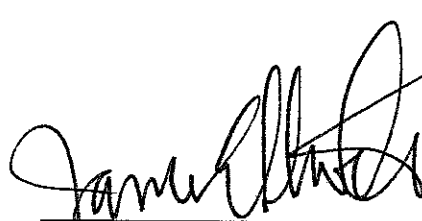

Other capital improvements include financing for replacement of the Banner Road pipeline and storage tank. These facilities are over 50-years old and quickly deteriorating. The District is approved for Public Works Trust Fund financing for these projects, however, those monies are contingent on legislative approval in a very tight budget year. As a fallback position, the Board will also consider selling bonds and asked staff to return in early 2011 with financial projections and comparisons.

General goals were discussed for follow-up and possible inclusion into the budget. Interests included:

- Taking advantage of the favorable bid climate
- Exploring financial options, comparing bonding to loans.
- Examine ERU needs and invest in projects that have highest return.
- Examine street light rates and returns. Street light charges have remained static for years and are no longer providing a sufficient rate of return.
- La Niña storm & inclement weather preparation.
- Examine all aspects of ensuring the greatest value for our dollars.

The Board took no action during the Special Meeting, stating that the other items, projects, 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 8:10 p.m.

  
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Kyle D. Galpin,  
Chair  
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James E. Strode,  
Secretary  
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Steve Pedersen,  
Commissioner