

WATER DISTRICT 19
BOARD OF COMMISSIONERS MEETING
Tuesday, September 6, 2018

SPECIAL MEETING 5:30 PM

A Special Meeting of the Board of Commissioners was held in the district's board room. **President Bob Powell** called the Special Meeting to order at 5:40 PM. Those also in attendance were **Commissioner Seth Zuckerman, General Manager Jim McRae, Operations Lead Jamie Hatton, Operations Technicians Keith Kassik, Bradley Davidson** and **Office Administrator Melody Snyder**. Warren Perkins of Gray & Osborne was also in attendance. The purpose of the Special Meeting was to discuss the Capital Comprehensive Plan and other business as necessary.

• **VISITOR BUSINESS**

- Warren Perkins (G&O) -
- Guests

• **BOARD – ACTION REQUIRED**

- The District needs to better understand the approval process after the Board approves the Water System Plan (presentations to WA Department of Health, King County, and the public). The District has not updated the production and financial numbers, so **General Manager McRae** requested the board to consider updating the plan to reflect the 2017 actuals as the baseline and 2018 as the first forecast year. Warren Perkins of G&O estimated that the cost to make the changes would be between \$20,000 - \$25,000. **General Manager McRae** commented that if the District had the tables, some of the changes could be completed by District staff, thus reducing the time and cost of G&O making all of the changes. **Commissioner Zuckerman** questioned if there had been significant changes between the current numbers in the plan and the 2017 numbers. **Operations Lead Hatton** indicated that there had been some recent improvements in well production, but not necessarily material, and **General Manager McRae** concurred that there had not been material changes to the financial data. **Commissioner Powell** expressed some pros and cons, but **Commissioner Zuckerman** asked that the **General Manager McRae** contact WA DOH to determine if we could continue with the current plan – maintaining the 2016 numbers.

The proposal **General Manager McRae** to make to WA DOH – Contact Richard Rodriguez and let him know where we are and that our proposal is to continue with the 2016 data to use as our starting point (base year). For planning purposes continue to work from there using 2017 as first year forecast and make revisions as needed in the future; **Commissioner Powell** indicated that we are not going to have the long-term capacity numbers until some of the changes being made have been measured over time.

Commissioner Powell suggested the Beall well be included in the capacity numbers at its full potential, with a policy to use it in production for one day per month, blended to meet arsenic requirements, as a compromise to ensure it can be depended upon when needed, but with on average only an insignificant increase in overall arsenic levels. Beyond ensuring its reliable function, the Beall well would only ever be pumped when required in addition to all other sources to meet peak demand, or in an emergency. At such a time as our experience actually using the Beall well suggests it has the capacity to be depended upon at higher volume use, the District should consider investing in equipment to directly remove the arsenic, so that the Beall well can be operated independent of the

stream sources, and without adding arsenic to the system. The District should revisit this plan in 3 to 5 years.

Commissioner Powell commented on Operations Lead Hatton's notes regarding improved production at the main well field, which, significantly, suggests a higher sustainable production than presently in the draft capacity numbers; sustainable specifically meaning the wells are operating with a safe drawdown. With the Beall well and these higher production numbers in the capacity calculations, the District should be in a good position to submit a system plan showing the District has the source capacity to meet demand through the timeframe of the plan.

After discussion of the pros and cons of updating the system plan to use the 2017 numbers, **Commissioner Powell** asked if the DOH would accept the plan using the 2016 numbers, and if there's any specific need to update the numbers, given the unexpectedly high cost for G&O to revise the plan. **Commissioner Powell** suggested there is no fundamental need for the plan submitted to DOH to have the latest numbers, so long as the plan truthfully reflects a snapshot in time, and the District is clear about its own internal calculations and projections moving forward. We should include the Beall well capacity, and the revised main well field capacity. The budget and CIP in the WSP should be adjusted to delete revenue from water unit sales for the next year or two, until we get more data about true capacity of the well field.

Commissioner Powell summarized a high altitude view of the issues and prospects. The District should submit a plan to satisfy the DOH, using the 2016 production numbers, and our most current snapshot of planned capital improvements, but without specific concern for the planned timeframe for the larger efforts. The District should then continue the ongoing process of determining the specific CIP to act on, including how much to borrow, and adjusting rates to provide revenue in support of the work. This CIP should focus on priority main replacements, and well field maintenance in support of higher sustainable production. As soon as we have an adequate understanding of the sustainable capacity of the well field, we'll know our true surplus capacity and with luck quickly sell enough units to clear the wait list and begin a new era. This should happen over approximately the next two years.

- Capital Improvement Plan (CIP) – The board was asked by **General Manager McRae** to utilize some of current reserves to begin the engineering on a short list of critical CIP projects so that they are ready to submit when opportunities to borrow low interest money are available. The proposed CIP (attached) represents a subset of system critical projects that are impacting the lower section of our distribution system. Since these projects represent “backbone” sections of the system, these initial projects should present justification for the need to increase rates. **General Manager McRae** needs to begin work on a request for pre-construction (engineering) loans for 2019. While we can and will revise some of the numbers, with Warren's assistance, we will present a range of costs tailored the complexity of the project; for example, the 216th project will cost less per foot than the Vashon Hwy project due to traffic, terrain, etc. Also, a 25% contingency is included in the cost per linear foot.
- The main replacement along 107th was not initially in the plan, but the renovation of the Mukai property may require the addition of a 900-foot section of the main. The board will work with Katy Isaksen's rate model to develop the rate increases to pay for capital improvements. General Manager McRae will bring revisions of the CIP to the board in two weeks for final approval. Commissioner Zuckerman wants to do an in depth analysis of overall revenue requirements of the district.

• **BOARD – DISCUSSION/TABLE/MORE INFORMATION**

- Questions on the duration of Planning Cycle
- Final review and agreement of CIP – prioritization & project timing,
- Decision **NOT** to use 2017 financial data as the base year Water System Plan,
- Timeline of Water System Plan completion

• **ADDITIONAL INFORMATION NEEDED**

- Contact the applicants – invite them to come to the board meeting. Bob has set up a meeting with one of the applicants.

Commissioner Zuckerman made a Motion to conclude the meeting at 8:12 PM; **Commissioner Powell** seconded. Motion passed unanimously.