

MINUTES
KING COUNTY WATER DISTRICT 125
Thursday, April 25, 2002

The meeting was called to order at 4:00 PM.

Present

Commissioners	President John Thompson, Secretary Mike Hihn, Gary Johnson
Staff	Mark Parsons, Jamie Mann
Consultants	Steve Moen, General Counsel; Bob Stanton, Engineers
Guests	Jim Rick and Art Rosengren, Ratepayers

Consent Agenda

Agenda Approval (not on the Agenda) Commissioner Hihn noted that he had proposed five Agenda items, introduced his own agenda request dated April 22 (attached) which also clarified that Agendas are the responsibility of the presiding chair, and asked why President Thompson had refused to include three of Hihn's proposed items. Thompson responded that he would not start preparing agendas until the next meeting.

Commissioner Johnson, previous presiding chair, stated that staff had been preparing the agendas. Hihn asked for clarification: that staff had been deciding the content of Commissioner meeting agendas, instead of merely typing them. Johnson said that had been the case. Hihn objected to what he called yet another improper board practice. Hihn also noted that "Approving the Agenda" was not an agenda item, which implies the agenda could not even be changed.

Hihn moved to add two of the three deleted items to the Agenda: Cost Overruns and Open Meetings. The Agenda was then approved, as amended. Commissioners discussed a general policy for meeting agendas, reached a consensus including the following items, and directed staff to prepare a written Policy Resolution for board approval:

- 1) Agenda items may be submitted by anyone, for automatic inclusion.
- 2) All such proposals must be submitted by the close of business, on the Friday prior to a regular board meeting. This includes all documents and materials to be submitted at the meeting in question, excluding Vouchers.
- 3) All other proposed agenda items, submitted or proposed after the Friday deadline, will be handled as "emergency" items, requiring a simple board vote for inclusion.
- 4) By Tuesday prior to each regular board meeting, a "meeting packet" of the Agenda and supporting documents will be available for pickup and/or review.

Minutes were approved as submitted, for the meeting on April 11, 2002.

Expenditure Vouchers numbered 17234-17250 for total expenditures of \$69,523.77 were reviewed by Commissioners, and approved as submitted.

Old Business

Budget SubCommittee. Commissioner Hihn reported that results had been largely negative, since the Board rejected a Budget SubCommittee last year: the District had lost five critical months, wasted

dozens of hours of staff time, and a non-financial (engineering) consultant had been retained improperly (without Board approval). Hihn added that in our District, especially with no General Manager, no staff member has budget responsibility, nor does any staff member have budgeting experience.

Hihn also noted that the Board was told that it would see final budget projections a month ago, on March 29, specifically to provide sufficient time for a rates/pricing decision. Hihn reported that the engineering consultant does not plan to attend a Board meeting for yet another month – making the data two months later than promised. Based on these delays, Hihn had prepared and submitted a “reverse calculated” estimated projection showing a likely net operating loss of \$98,000 for the current year – as justification for creating a Budget Subcommittee of seasoned professionals to generate accurate data – with an apparent cash flow problem to be addressed by rates and/or debt.

Hihn reported that he currently preferred debt as the solution to the District’s cash flow problem, or some combination of rates and debt, based on the financial management workshop attended by himself and Commissioner Thompson. The District had purchased land for cash, in part based on projections which assumed that cash reserves could be replenished fairly quickly (one year), which is now no longer true. One obstacle to selling bonds is the District’s past failure to formally budget and manage its cash. This could possibly be overcome, Hihn reported being told at the workshop, if the District was moving toward a suitably professional budget planning process, which is not now the case.

Hihn re-introduced his original motion to create a Budget SubCommittee, comprised of Mr. Hihn as Chair, Tom McAuliffe (the District CPA) and one staff member. As originally proposed, the staff member would also be trained in budgeting procedures, but Hihn thought the training objective was probably not possible at this late date.

President Thompson replied that he opposed a rate increase at this time, because he had seen nothing to support one. Hihn responded that the only board-sanctioned data was already two months later than promised, with no assurance that it would even be accurate – noting that Hihn’s “reverse” analysis showed the need for professionals to prepare accurate data for board consideration.

Thompson responded that he did not understand Hihn’s analysis. Hihn asked for clarification – that Thompson would not consider a rate increase or debt, based on (a) numbers Thompson had never seen, that would be two months late; and (b) numbers Thompson did not understand, but never asked about. Thompson responded that he wanted to see the next wholesale rate increase from Seattle. Hihn withdrew his motion.

Attorney Selection. From among the newly created Attorney Roster, Commissioners Thompson and Johnson each expressed a different preference. Commissioner Hihn said he would not read any of the resumes until he had received one from Steve Moen. Mr. Moen distributed his resume. Commissioner Hihn repeated earlier objections, that advertising for legal counsel had been based on false complaints regarding Moen’s work, a general misunderstanding of the role of a general counsel. The matter was tabled, on Hihn’s motion.

Engineer Selection. Commissioners voted to extend the District’s current agreement with Penhalegon Associates Consulting Engineers, through November, 2002. President Thompson cited Bob Stanton and Susan Boyd for their professional contributions to District operations.

In related discussion, as part of the Policy Manual project, Commissioners agreed it might be wise to establish a “planning calendar” – for all annual events like budgeting, advertising for professionals, etc. – to assure that the workload is spread out.

Cost Overruns. Commissioner Hihn referred to his earlier concern regarding severe cost overruns at the new maintenance site, now with conflicting reports on how much money was still required for site improvements. Specifically, a report from Page and Beard Architects titled, “*New Headquarters Program, Addendum #1*,” suggests, in letters from City of Tukwila, that required site improvements may be significantly more costly than Commissioners had been earlier advised – including letters dated prior to the purchase.

Commissioner Johnson stated that Tukwila had signed off on using the site for maintenance and storage. Hihn's concern was for necessary later use as the District's administrative office. Steve Moen was asked to review the contract and documents to determine if there are any current financial obligations for the job site, as demanded by City of Tukwila. The issue was Tabled, pending a legal review by Mr. Moen.

Resolution 340 (Joint Reservoir Agreement). This regards a new 20-year agreement for the operations of the six million gallon storage reservoir owned by Water District 20, for the use and benefit of Districts 20, 45, 85 and 125. Commissioners ratified and signed the contracts at the previous meeting, and now signed the final draft of this Resolution. There was discussion regarding which prior Resolutions had been repealed. Mr. Moen advised retaining Resolution 119 (4/11/1984), which mentions "old water" rates, a topic not mentioned in the new contract. Commissioners agreed. The following Resolutions were repealed: 130 and 403 (6/29/1977), 194 (3/9/1988)

New Business

Architectural Services. Commissioner Hihn moved that staff be directed to advertise for architectural services, to create a roster of available architects as required by law. In discussion, it was established that annual advertising is not needed unless there is a probability of requiring architectural services in the next 12 months. Hihn noted that it takes three months just to advertise and create a roster, and the intention was to keep our options open -- such as perhaps asking another architect to review the current architect's work and proposals. The motion was amended to specify that Steve Moen write the ad, and then passed unanimously.

Commissioner Resignation. President Thompson read Gary Johnson's letter of resignation from Commissioner Position #3, effective May 1. Thompson commended Gary for 16 years of service to the District. Commissioner Hihn moved that Jamie Mann prepare a Resolution of Commendation. Mark Parsons said how much he appreciated working with Gary. Jamie Mann thanked Gary for his help at this District and at District 20.

President Thompson authorized Jamie Mann to notify the election board of the vacancy, after May 1. In response to a question by Mr. Moen, Gary confirmed that his term expires at the end of 2003.

Announcements

John Thompson confirmed that the labor agreement had been retyped and signed by the union representative. The Board had ratified a draft agreement at its previous meeting, authorizing President Thompson to sign a retyped agreement on behalf of the entire Board. Thompson said he would sign the following day.

Thompson asked if he needed Board approval to send commendation letters to the law firm which employs Kimberley Gearity, the Board's labor counsel and chief negotiator -- plus the district's Ann Wilson who Gearity had praised for Wilson's swift and helpful providing of documents and records. Commissioner's Hihn and Johnson suggested that the letter express the gratitude of the entire board. Thompson agreed.

Thompson has been appointed to the Retrospective Rating Committee at the water/sewer association, and confirmed that the District would be receiving its share of a \$30,000 rebate from the state Dept. of Labor and Industry.

Gary Johnson has been attending various City of Tukwila meetings as the Board's liaison to City. There were no items of direct interest to the District in the past two weeks, except as reported by Mark Parsons and Bob Stanton.

Mike Hihn reported that the water/sewer association would likely experience a shortfall this year, on revenues anticipated from the Spring and Fall conferences. The Spring conference date is in conflict with another association. The Fall conference is in Spokane this year, a city which tends to have lower registrations. Hihn, who sits on the association's finance and conference planning committees, reported that this shortfall might possibly affect association dues for the next calendar year.

Mark Parsons reported that a new casing of our main had been completed, as requested by the railroad (see Minutes of 2/28/2002). Projects by other agencies may require assistance by District maintenance staff: a road widening in SeaTac, a sewer project on 144th, and a bypass on 134th.

Bob Stanton reported on various construction projects by Val-Vue Sewer, and distributed backup financial forecasting data from Susan Boyd.

Board Vacancy

President Thompson asked for a motion to adjourn into Executive Session. Commissioner Hihn objected to ending the meeting with no discussion on filling a board vacancy. Thompson said he intended to nominate a candidate at the next meeting. Hihn objected to the lack of candidate interviews, in executive session, as permitted by law. In response to Hihn's question, Thompson confirmed that he planned no candidate interviews.

Hihn stated that he had objected all along to filling a board vacancy, when the Board had explicitly refused to announce that a vacancy even exists – and that Hihn now also objects to Thompson's announced refusal to even hold candidate interviews. Thus, Hihn stated he could not vote for any candidate under circumstances – which he described as appointing “a friend of a friend” – a process he called “cronyism” – also when the previous Board President (Gary Johnson) had originally refused to consider any candidates who had not first spoken personally with Johnson.

Johnson asked what had happened to Hihn's plan in February to recruit candidates on his own. Hihn said that his plan to mail announcements to all residents was delayed, and that he then decided he would not spend \$1000 of his own money on the project. Hihn explained that his own notice would have announced that Commissioners had explicitly refused to provide public notice of the pending vacancy, which did not seem productive.

Thompson said that the Board would operate with two people for 90 days, until the District lost its power to fill vacancies.

Thompson asked what Hihn would propose. Hihn replied that he had already proposed openly recruiting candidates from among all residents of the district, followed by interviewing of likely candidates, all tied in with the launch of a ratepayer newsletter, which the Board had earlier rejected. Johnson explained that this had never been done before, when there were vacancies in the District. Hihn responded that's why the District had failed to attract candidates.

Commissioner Johnson asked Steve Moen if there are any legal requirements for announcing board vacancies. Moen said there were no statutes. Johnson explained how, in the past, Commissioners would phone people they knew, and spread the word, but it had been very difficult to find anyone willing to serve. Hihn responded that again proves Hihn's point.

Moen confirmed that Commissioners lose their authority to fill vacancies after 90 days, at which time the appointment power transfers to County Council. With a May 1 resignation, County Council would assume the power on August 1. Hihn asked Thompson if he understood that his (Thompson's) action means that the Board would rather lose its power of appointment than notify ratepayers that a board vacancy exists. Thompson asked Hihn if he'd settle for an ad in Highline Times. Hihn replied in the negative.

Hihn stated objections to what he described as current practice of Commissioners asking staff's permission for various Board actions, in such matters as ratepayer newsletters and web sites. Hihn

said that he sees his job as an obligation to change that practice, and bring proper management to this Board. Just this evening, Hihn noted the Board had rejected consideration of a rate increase, regardless of what the numbers say – and the Board would rather lose its power to fill vacancies instead of openly recruiting candidates.

President Thompson ruled that further discussion on this matter would be out of order.

Executive Session (6:00-6:30)

The Board entered Executive Session, to discuss possible litigation and a personnel matter.

Budget SubCommittee

The Board returned to open session.. Commissioner ~~Thompson~~ ^{JOHNSON} had left. Steve Moen advised there was still a quorum, and the Board could take action. Commissioner Hihn referenced RCW 57.08.081, which defines the Commissioners' legal responsibilities to establish sufficient rates. Steve Moen suggested the primary risk was probably a Commissioner being recalled from office.

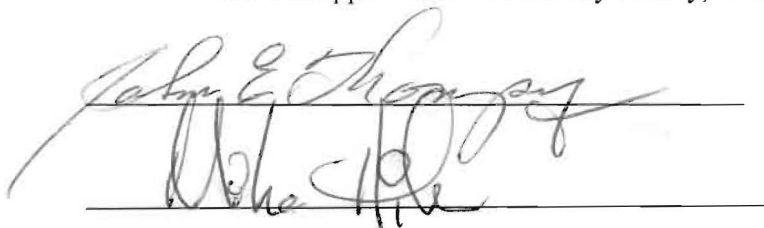
Commissioner Hihn asked President Thompson if there was anything Thompson could see, that would convince Thompson the District has a cash flow problem. Thompson responded that he would want a month-by-month budget and cash projection, not just annual totals, showing the consequences of no rate increase. Hihn responded that he could provide such data in four weeks, and that he'd already asked the district's CPA to help

Hihn revised his earlier motion for a Budget SubCommittee: Don't call it a Budget SubCommittee, include no staff, and authorize Commissioner Hihn and the district's CPA (Tom McAuliffe) to prepare a budget presentation for regular business meeting on May 23rd. Regarding growth assumptions, Hihn noted that recent projections assume 2% growth but the first quarter shows an 8% decline. Hihn proposed, as a compromise, that the main budget presentation assume 0% growth for unbilled months, plus such optional variations as may seem appropriate. The amended motion was seconded and passed.

The meeting was adjourned at 6:57 PM. The next scheduled meeting is May 9th, 2002.

Respectfully submitted by Michel J. Hihn, Secretary.

Minutes approved on this 9th day of May, 2002



Two handwritten signatures are present. The top signature is "John E. Thompson" written in cursive over a horizontal line. The bottom signature is "Michel J. Hihn" written in cursive over another horizontal line.