

PUBLIC UTILITY DISTRICT NO. 1
OF ASOTIN COUNTY, WASHINGTON
MEETING MINUTES
June 25, 2013

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President Judy Ridge presiding, the Public Utility District No. 1 of Asotin County Meeting was called to order at 5:30 p.m. at the PUD Office at 1500 Scenic Way.
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ROLL CALL: PRESENT Commissioners: Judy Ridge, Gary Hicks and Don Nuxoll.

PUD Staff: General Manager Tim Simpson, Treasurer Bob Sischo and Counsel Scott Broyles.

Members of the public were present.

MINUTES OF MEETING AND VOUCHER APPROVAL:

MOTION by Commissioner Don Nuxoll and seconded by Commissioner Gary Hicks to approve the consent agenda approving the minutes of the June 11, 2013 Regular Meeting and payment of the Transaction Vouchers covering vouchers #2772EFT through #2786EFT in the amount of \$25,785.73 and Blanket Transaction Voucher Approval Document covering vouchers #31536 through #31569, and Electronic Transaction Vouchers #130620, #13062102, #13062501 and #13070201 in the amount of \$193,672.70. The question was called for on the motion. The motion passed 3-0.

OLD BUSINESS

Port of Wilma Progress Report for Water System Transfer and Sewer System Upgrades

The manager reported that he was contacted after the last meeting by Port of Whitman County Executive Director Joe Poire. Mr. Poire stated that he had dropped the ball on the manager's initial inquiry about starting the process of ownership title transfer of the Port of Wilma water system to the PUD. In the email Mr. Poire told the manager that he would contact their attorney Bruce Ensley and find a date the next week to get things rolling. The manager stated that since the contact by Mr. Poire he has not heard back from him. Counsel Scott Broyles stated that he would contact Mr. Ensley regarding the transfer.

The manager reported that there has not been any movement regarding the Port's wastewater system since receiving the letter from Whitman County Health Department (WCHD) requesting further clarification of the Port's plans submitted for a new septic system drain field in the Port of Wilma. The letter requested verification of a number of items crucial for determining if the new septic system could handle the Port of Wilma wastewater flow. The manager stated that water meters will be read again this week and the data will be provided to WCHD.

2nd Avenue to Scenic Way Sewer Main Extension Project

The manager reported that as directed he reviewed and developed an estimate of what it would cost for the PUD operations crew to complete the 2nd Avenue to Scenic Way Sewer Main Extension Project and spoke with Richard Bigelow who, as a new property owner, initiated the discussion of extending sewer to his lot. The manager stated that at the last meeting the Commission chose to reject the lone bid because it was approximately 70% higher than the project estimated cost.

The manager presented a breakdown of the estimated cost of the project utilizing PUD staff to construct the sewer main line. He stated that the total cost of material and equipment is estimated at \$25,884 and labor costs for the approximate 4 week long project is estimated at \$36,000. Labor represents 5 employees for 120 hours each at \$36/hour including benefits. The manager stated that although we will be paying our staff regardless of what work they are doing at the time he felt it was important for the Board to see the labor cost associated. The total cost of the project with material, equipment and labor is estimated at \$61,884.

The manager went on to present alternative options including having Mr. Bigelow construct the sewer main and the PUD pay for the incremental cost between a 6 inch line and a standard 8 inch line, having Mr. Bigelow construct the sewer connection without PUD involvement or having the PUD construct only 300 feet of the proposed 600 foot project making sure the line reaches Mr. Bigelow's property. The manager stated that this option with material and equipment is estimated to cost \$17,460. Including labor the total is estimated at \$35,460.

The Commissioners stated that they would prefer that the PUD crew construct the sewer main and complete the project but discussed in detail the 300 foot option versus the full 600 foot option. Commissioner Nuxoll raised the concern regarding the fact that only one customer would be able to connect to the line running up to 2nd Avenue whereas 7 to 8 customers could connect to the lower half of the line running from Scenic Way to Mr. Bigelow's property. His concern was with the lack of experience with our crew installing sewer main on a steep grade and the stranded cost of this upper portion of the project.

Commissioner Hicks stated that as a PUD we have always taken water lines through a customer's property to the point where the next customer can pick it up. He stated that we should do this for the sewer system as well. He stated that since we are there and mobilized the incremental cost to complete the project would minimal and put us in a position for future expansion. The manager stated that the estimated cost difference of material and labor between the 300 foot and 600 foot option was \$8,424. The labor cost estimate difference is approximately \$18,000.

Since the item was listed for discussion only, Commissioners postponed a decision on the project until the next regular meeting.

NEW BUSINESS

2012 annual Audit Exit Conference Recommendations

The manager stated that Commissioner Ridge, Treasurer Bob Sischo and he attended an Audit Exit Conference on Thursday, June 13th via conference call with Karen Wilson, Assistant Audit Manager for the State Auditor's Office. He reported that at the Exit Conference the Financial and Accountability audits performed by the State Auditor's Office for our Fiscal Year 2012 Audit were discussed. The manager reported that the audit went well resulting in three (3) exit recommendations and notation of a minor error on our financial statements.

The manager stated that the two of the three exit item recommendations were regarding payroll. The Auditor recommended that we work to make sure compensatory leave is accurately calculated and recorded according to District policy and that overtime and compensatory time recorded is supported by the approved Overtime Authorization Form. The manager stated that the calculation errors were minor but staff is resolved to pay closer attention to calculation of overtime and comp time and ensure what is entered into the payroll system and what is paid matches both the timesheets and the Overtime Authorization Form. For comp time overages staff has corrected this problem by use of an overage warning in our payroll system. When comp time goes beyond the 80 hours provided in our Personnel Policy a warning is provided and the correction is made.

The manager reported that the third exit item recommendation was regarding utility adjustments. The Auditor recommended that the District should ensure that all customer account adjustments and clerical errors are supported, monitored, processed and approved according to policy. The manager stated that the issue which prompted the audit recommendation was voids created when a cashier entered the wrong payment amount, voided the transaction and then reentered the correct payment. These errors were few and far between but because the system handles these as generic processes there is no way of tracking them. The Auditor views this as a deficient control item. Another part of this recommendation is that for years we have utilized the Water Administrative Code for guidance when making adjustments to a customer's account in the event of a major leak or removal of a fee. This is not acceptable to the Auditor because we have no management or administrative policy for adjustments to point to or audit to that provides for the approval and processing of adjustments.

Resolution of these items will result in a log to track voids and other clerical adjustments that will be reviewed and signed off by either our Auditor Joy Welch or our Treasurer Bob Sischo or both. For customer account adjustments and voids, a policy will be developed for review and approval by the Board of Commissioners. If approved, this policy will become a part of our Management and Administrative Policy.

The manager reported that the error in our financial statements is considered an uncorrected misstatement. The Auditor agreed that the misstatement is immaterial to the fair presentation of the financial statements. The Cash Flows statement's reported Construction in Progress does not reconcile to the financial statements by \$16,000. The issue is regarding two assets purchased in 2011 but not put into the fixed asset system until 2012. We found the assets and identified the amount but because of the cross-over of reporting years it skewed the cash flow statement for 2012. We chose not to do a prior period adjustment and therefore it is reflected as a minor immaterial issue in the financial statements.

The manager reported that there were no material misstatements in the financial statements corrected during the audit, no significant deficiencies in internal control over financial reporting were identified and no instances of noncompliance were identified that could have a direct and material effect on the determination of financial statement amounts. There were no findings or management letter items. He stated that is our 26th consecutive clean audit.

Resolution 13-400 – Investment Authorization with Washington State LGIP

The manager presented Resolution 13-400 which provides authorization for the investment of PUD funds into the Washington State Local Government Investment Pool (LGIP). The PUD has been a member of the LGIP since our takeover of operations in April 1987. Money pooled with other local governmental entities and invested by the State Treasurer has provided the PUD with good returns under a conservative investment model. He stated that the language of the required Resolution was developed by the LGIP for use by local governmental entities. The purpose of the Resolution is to provide PUD staff authorization to deposit and withdraw funds into the LGIP and to designate and authorize an individual within the governmental entity to make these deposits and withdrawals and to amend, change or alter the LGIP Transaction Authorization Form. Bob Sischo, Treasurer, has been identified as this "authorized individual" in the Resolution to perform these functions. Counsel has reviewed and approved the Resolution.

MOTION by Commissioner Gary Hicks and seconded by Commissioner Don Nuxoll to approve Resolution 13-400 authorizing investment of PUD funds into the Washington State Local Government Investment Pool (LGIP) and identifying Treasurer Bob Sischo as the "authorized individual" to make deposits and withdrawals into the LGIP and to amend, change or alter the LGIP Transaction Authorization Form . The question was called for on the motion. The motion passed 3-0.

Resolution 13-401 – Commissioner Compensation

The manager presented Resolution 13-401 which provides for the setting of Commissioner compensation. He stated that in 2008, RCW 54.12.080, which provides

for commissioner compensation, was amended by the Legislature increasing monthly salary and per diem (meeting attendance) compensation. As a part of the amendment the Office of Financial Management (OFM) was directed to adjust the dollar thresholds for per diem compensation and salaries for inflation every five years, beginning July 1, 2008. The adjustment is based upon changes in the consumer price index compiled by the Bureau of Labor and Statistics, U.S. Department of Labor during that five year period. On July 1, 2008 OFM adjusted the per diem compensation from \$90 to \$104.

Over the five-year period from April 2008 to April 2013, the Consumer Price Index for the category that includes PUD Commissioners increased by 8.66 percent. In accordance with the requirements, the Office of Financial Management submitted for publication the new dollar thresholds for per diem compensation and monthly salaries. Based on Asotin PUDs annual revenue, Commissioner per diem compensation will increase to \$114 per day, up from \$104 and the monthly salary will increase to \$1,650 per month, up from \$1,300. The per diem and salary increases are effective July 1, 2013.

MOTION by Commissioner Gary Hicks and seconded by Commissioner Don Nuxoll to approve Resolution 13-401 approving the increase in Commissioner per diem compensation and monthly salary per State Statute and the Office of Financial Management new dollar threshold publication submittal effective July 1, 2013. The question was called for on the motion. The motion passed 3-0.

Change Tuesday July 9, 2013 Meeting to Tuesday July 16, 2013

The manager requested changing the next meeting from Tuesday July 9, 2013 to Tuesday July 16, 2013 at 5:30 pm to accommodate his vacation schedule.

MOTION by Commissioner Gary Hicks and seconded by Commissioner Don Nuxoll to approve changing the Tuesday July 9, 2013 to Tuesday July 16, 2013 at 5:30 pm. The question was called for on the motion. The motion passed 3-0.

MANAGER'S REPORT

Cherry Street Water Main Extension – the manager stated that work on installation of approximately 1,000 feet of 8-inch water line and a pressure reduction valve and vault running from Cherry Street to Clemans Road concluded today with the installation of the PRV and vault. The manager showed pictures of the PRV installation. He stated that the line will be chlorinated and tested and if found satisfactorily will be filled with water and the PRV set at a psi lower than the PRV on 13th Street. The goal is for the PRV only to open in the event of a main break or a fire flow event. If the PRV is set at a higher pressure then the River's Bend Reservoir would drain quickly.

Watershed Planning Funding – the manager reported that funding for watershed planning activities and project is awaiting the legislature and their second extended session to agree on a biennial budget. If the budget is adopted an approximate total of \$380,000 will be available for support of the WRIA 35 Watershed Planning Director for two (2) years and for projects undertaken. Additional funding may come in the amount of \$40,000 for completion of the instream flow rule-making process. Funding for stream flow gauge maintenance is unlikely with several of the stream gauges being removed.

COMMISSIONER'S REPORT

Commissioner Ridge discussed the Washington PUD Association meeting being held in Asotin on July 17-19, 2013 and our activities as host of the meeting.

ADJOURNMENT

There being no further business the meeting was adjourned at 6:30 p.m.