

DRAFT

2016 BOARD OF COMMISSIONERS

Michael J. Murphy, President

Paul D. Kenner, Vice President

Jeffrey L. McClure, Secretary

PUBLIC UTILITY DISTRICT No. 1
of Whatcom County

Agenda for the
Regular Meeting of August 23, 2016
8:00 a.m. at the PUD Office

1. Public Comment
2. Approval of the Minutes of the Meeting held August 9, 2016
3. Approval of Claims for August 23, 2016
4. Approve District's Medical/Dental/Vision Insurance Plan Renewal – September 2016
5. Manager's Report
6. Adjourn

Next Commission Meetings

September 13 and 27, 2016 – Regular Meetings

*All meetings begin at 8:00 a.m. at PUD Administration Office -
1705 Trigg Road, Ferndale, WA unless other location announced.*

PUD #1 of Whatcom County • (360) 384-4288

DRAFT

MINUTES OF THE MEETING OF THE COMMISSION

August 9, 2016

The regular meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 8:00 a.m. by Commissioner Mike Murphy. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Paul Kenner, and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Brian Walters, Director of Utility Operations; Duane Holden, Manager of Construction and Facilities; Alec Strand, Project Manager; Paul; Lew Gaskill, Accountant I; and Aaron Peterson, IT/SCADA Technician.

Public attending: Rick Maricle, Phillips66
Carole Perry, Citizen
Max Perry, Citizen
Dave Olson, Citizen
Karen Brown, Citizen, WRIA 1

◆ **Public Comment**

Max Perry had two comments related to the Ag Water Study that RH2 is charged with working on (as approved at the last Commission meeting with Sub-Recipient Agreement with Whatcom County). Perry thought that the timeframe for the study is very short (due at the end of September) and will use data that is out-of-date, explaining that irrigation methods have changed over the years, citing the drip system, and that data may not be as predictive as irrigation methods today. His other concern was that the Puget Sound Partnership who is providing the grant funds to pay for the study, never “gives out money without strings attached.”

Carole Perry added that she doesn’t understand why the study has to be done in that timeframe. Also, and as an observer from afar, she senses that the governing bodies want to get rid of the Planning Unit. However, under RCW 90.82, the Planning Unit does have legal standing. Mrs. Perry added that there seems to be a struggle over whether the governing bodies are making decisions or are the citizens? She said the Planning Unit is made up of caucuses and mentioned a motion that a citizen brought to the Planning Unit regarding Treaty Rights and that there were a total of nine (9) questions that were laid out. Perry also wonders if there will be provisions for famers to be heard in the WRIA1 decision making hierarchy. She thinks the whole thing is a mess and hopes that the Commission can make sense of it.

Jilk responded that the Commission will hold off until the first meeting of September to address all the questions as that is the time scheduled for a decision on the draft Interlocal Agreement. Commissioner Murphy thanked the Perry’s for their comments and acknowledged he is having a hard time following the process.

◆ **Approval of the Meeting Minutes and Claims**

The Commissioners were presented with the Minutes of the Regular Meeting July 26, 2016, and the following Claims of August 9, 2016:

VENDOR NAME	AMOUNT
3-D CORPORATION	2,019.23
AIR COMPRESSOR SERVICE	932.65
APERTURE ELECTRICAL	19,961.32
ASSOC EARTH SCIENCES, LLC	1,086.50
BAY CITY SUPPLY	473.79

DRAFT

CESCO NEW CONCEPT CHEMICAL PRODUCTS	176.39
CHMELIK SITKIN & DAVIS	7,957.50
CORNERSTONE MANAGEMENT, INC.	1,632.00
FASTENAL	73.66
FCS GROUP	1,770.00
FERNDALE ACE HARDWARE	32.02
FRONTIER	844.98
GUARDIAN SECURITY SYSTEMS, INC	72.00
HARDWARE SALES, INC.	791.98
HEALTH PROMOTIONS NORTHWEST	90.00
MALLORY SAFETY & SUPPLY LLC	78.43
MASSMUTUAL RETIREMENT SVCS LLC	10,258.33
MORTIMER, TOM	945.00
MURPHY, MICHAEL J	9.07
P&P EXCAVATING, LLC	12,976.31
PARAMOUNT SUPPLY COMPANY	485.13
PLATT ELECTRIC SUPPLY CO	788.39
PUD #1 OF WHATCOM COUNTY	4.15
PUGET SOUND ENERGY, INC	5,814.44
REGENCE BLUE SHIELD	35,227.10
REISNER DISTRIBUTION, INC	1,106.23
RH2 ENGINEERING, INC	3,333.70
RICOH USA	355.94
SCHWEITZER ENGINEERING LABS	559.86
SMITH MECHANICAL	1,584.93
SOUND SHREDDING & RECYCLING	28.00
SSC - SANITARY SERVICE COMPANY	554.96
SURETY PEST CONTROL	59.79
TEAMSTER LOCAL #231	410.00
UNICK, ROBERT F	130.41
UNITED WAY OF WHATCOM COUNTY	275.00
UTILITIES UNDERGROUND LOCATION	32.25
VERIZON WIRELESS	1,322.57
WA ST DEPT OF ECOLOGY-CASHIERING	6,806.00
WA ST DEPT OF HEALTH	400.00
WA ST SUPPORT REGISTRY	250.00
WASHINGTON DENTAL SERVICE	2,794.90
WASHINGTON TEAMSTERS WELFARE	9,747.90
WESTSIDE LUMBER	42.36
WHATCOM JANITORIAL	1,170.00
XEROX CORPORATION	137.11
GRAND TOTAL	\$135,602.28

ACTION: Commissioner Kenner motioned to approve the Minutes of the Regular Meeting held July 26, 2016, and the Claims of August 9, 2016. Commissioner Murphy second the motion. Motion passed unanimously.

DRAFT

◆ **2016 First Half Financial Report**

Finance Director Annette Smith presented an update on the 2016 Capital and Operating Budget to Actual figures for January – June, 2016.

2016 Operating Budget: January – June

	CURRENT YTD	PRIOR YTD	VARIANCE	%	BUDGET	%
TOTAL REVENUE	10,381,769	\$9,578,829	\$802,940	8.4%	\$10,158,408	2.2%
TOTAL EXPENSES	\$8,365,319	\$8,105,010	\$260,309	3.2%	\$9,059,943	-7.7%
INCOME	\$2,016,450	\$1,473,820	\$542,631	36.8%	\$917,985	83.6%

Smith said the District is on target for the first half of 2016. The recent refinance on the bonds has saved the District just under \$300,000 to make up the potential shortfall in the

Revenue Sources:

- Raw Water Sales
- Grandview Water Sales
- Electric Pass-Thru
- Electric General Services
- Assessment Income - (Grandview LUD) is down due to five assessments being paid in full.
- Interest Income - Interest rates are going up just a bit which reflects more interest income.
- Miscellaneous Income – The bulk of miscellaneous income comes from leases, grants and out of the ordinary projects. This amount fluctuates from year to year.

Expenses

- Purchased Power
- Water Purification –Under budget and significantly less than last year, due to a ‘cleaner’ river.
- Taxes/Process/Delivery Costs
- General O & M – The majority of the maintenance projects are dependent upon fair weather and usually commence during late summer and fall.
- General Administration
- Planning and Development/Business Services – Is the counterpart for grants (Misc. Income). The DOH Pilot Project grant was expected to begin work in January; however was delayed until March due to sign-off on the agreement
- Utility Tax Expense
- Interest Expense
- Depreciation Expense
- Amortization

2016 Capital Budget:

	2016 BUDGET	ACTUAL Jan. – June	ESTIMATED July –Dec.	PROJECTED Year End	OVER (UNDER)
TOTAL CWIP PROJECT COSTS	\$1,798,906	\$376,607	\$672,504	\$1,049,111	\$(749,795)
TOTAL MAINTENANCE COSTS	\$887,000	\$68,898	\$810,000	\$878,898	\$(8,102)
TOTAL COSTS	\$2,685,906	\$445,505	\$1,482,504	\$1,928,009	\$(757,897)

DRAFT

The bulk of the CWIP projects are:

Internal Service Projects – Trigg Road Entrance Project is now running about \$40,000 over the original budget, mainly due to a change in the scope of work. Communications Backbone project is running fiber from Plant 1 to Plant 2. This is slated as a two-year project with the bulk of the costs going into 2017.

Raw Water Projects– No large projects are budgeted. Some projects did not meet the capital improvement project threshold so these were downgraded to the extraordinary maintenance budget. Items in the “Unplanned CWIP” were rails and stair replacements for one of the basins at Plant 2.

Grandview Projects –The fire water system needs to be addressed and there are no solid cost figures yet. Although the Vista Waterline Extension will be included in the Raw Water Budget, Grandview will ultimately pay the cost.

Electric Projects – Transmission Line Pole and Conductor – A study of the District’s 115 kV line to identify which poles are in need of replacement and re-cabing the District’s high voltage electric line was completed in 2015 and there are a few poles left to be replaced. Fortunately no more conductors need replacing.

Maintenance Projects – With a budget of \$887,000, just \$68,898 has been spent on maintenance projects. However, as noted above, most projects will be accomplished in late summer and fall, so there will be a catch up for the second half of the year. There is also scheduled maintenance at Plant 1 for the remainder of the year. Phillips66 will have a planned shutdown in 2017 and funds have been budgeted for the District to do maintenance work at the refinery substation.

Cash Flow – Of the unrestricted cash balances, the District is projecting to end 2016 with a balance of approximately \$10.9 million.

Jilk reminded the Commissioners that the first budget discussion/workshop will be at the September 9th Commission meeting. The Commissioners thanked Smith for her presentation.

ACTION: Information only. No requested action by the Commission.

◆ **WRIA 1 Draft Interlocal Agreement**

Background: The WRIA 1 Watershed Joint Administrative Board and the Salmon Recovery Board have been considering action for some two years that would provide a more integrated approach for working on the implementation of the WRIA1 Salmon Recovery Plan and the WRIA1 Watershed Management Plan.

On July 25th, 2016 the two Boards met and considered a draft Interlocal Agreement (ILA) that, when approved by the represented elected bodies of the two boards, would officially combine the two boards into one and carry on the current duties of the individual boards. Consideration to integrate the Ag Water Board into a higher level of decision making was also brought to the table.

The action taken by the two boards on July 25th was to approve the draft ILA in order to send it to the decision makers, councils, commissions to consider for approval.

A brief overview of the ILA and related information to the Commission was forwarded prior to today’s meeting. The material included:

- 1) Draft ILA with proposed name change as agreed to by the two boards on July 25th;
- 2) Letter from the AG Water Board requesting more involvement in the WRIA1 decision making process;

DRAFT

- 3) Letter of Support from the Small Cities Caucus in support of the AG Water Board Request; and,
- 4) A PowerPoint presentation by County Staff to County Council on various groups working on water issues in the County.

The recommendation from PUD staff to the Commission is to review the draft ILA and accompanying information on the Watershed Planning and Salmon Recovery programs, and prepare to act on the ILA at the September 13th Commission meeting. Jilk anticipates that all governing boards will approve the agreement. Discussions with Ag board members indicate that the farmers don't feel that they are being represented by the County.

Following the discussion on the ILA today, Commissioners were asked to contact PUD staff to discuss the ILA and related material in order to make an informed decision on the agreement on September 13th. The presentation of this material today and allowing for a decision on September 13th will also allow for public comment on the draft ILA at the September 13th meeting before Commission action.

ACTION: Information only. No requested action by the Commission.

◆ **Public Records Request – Legal Counsel Update**

Legal Counsel Sitkin updated the Commissioners on the very large public disclosure request mostly related to the Bertrand Creek Watershed Improvement District and the Middle Fork Instream Flow Pilot Projects, that the District received. Staff is in the process of retrieving paper documents and creating an exemption log. The first installment response letter with required deposit amount for copying will be sent later this week and is due on August 15.

The requestor noted they are filing similar requests with the City of Bellingham, Whatcom County, and Bertrand WID. The District notified the Department of Ecology who said they had just received the disclosure request as well. Sitkin will request an Executive Session to discuss potential litigation of a confidentiality agreement related to the request.

ACTION: For information only. No action taken.

◆ **Manager's Report**

No report.

◆ **Executive Session**

Legal Counsel Sitkin requested an Executive Session to discuss potential litigation regarding a confidentiality agreement. Sitkin stated that no formal action will be taken following Executive Session. He estimated the time for Executive Session will be approximately 10 minutes. There being no further business for the regular meeting, the Commission adjourned to Executive Session at 8:45 a.m.

Executive Session Adjourn

There being no further business for Executive Session, the Commission reconvened to the regular meeting at 9:00 a.m.

◆ **WRIA 1/Joint Board Consideration**

Commissioner Murphy asked Sitkin for a legal opinion regarding the earlier discussion involving the combining of the WRIA 1 Administrative Joint Board and Salmon Recovery Boards.

DRAFT

◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:24 a.m.

President/Commissioner

Secretary/Commissioner

Commissioner

PUBLIC UTILITY DISTRICT No.1

of Whatcom County

1705 Trigg Road • Ferndale, WA 98248

P: (360) 384-4288 • F: (360) 384-4849

Memo

AGENDA ITEM 4
August 23, 2016

To: Commissioners Kenner, McClure and Murphy
From: Stephan Jilk
Date: August 17, 2016
Re: Medical/Dental/Vision Insurance Plans Renewal

Requested Action – Approve the District’s Medical/Dental/Vision Insurance Plan renewal with Regence BlueShield and Delta/Washington Dental beginning September 1, 2016.

Background – The District has received the health insurance plan renewal rate information for our medical, dental, prescription drug and vision coverage for non-union employees and Commissioners.

This year we were able to receive quotes from Regence Blue Shield and Washington Dental Service; and we researched the Association of Washington Cities’ anticipated rate increases as well with the possibility of rejoining their Benefits Trust. Due to new Affordable Care Act requirements and mandates, Regence is offering a brand new suite of products. Here is a summary of the options quoted that we have to consider: (Note that the increases or decreases quoted are based on the current census of covered employees and dependents and premiums are set based on the age of those covered.)

- Option A** *Regence Employee Choice Platinum 250 Plan*, very similar to the plan we currently have however, the annual Out-of-Pocket Maximum will go up from \$2,000 (individual)/\$4,000 (family) to \$2,500 (individual)/\$5,000 (family) with a **4 %** increase in premiums;
- Option B** *Regence Employee Choice Platinum 500 Plan*: A higher deductible, from \$250 to \$500, but the annual Out-of-Pocket Maximum is lower – back to \$2,000 (individual)/\$4,000 (family). All other costs/charges would stay the same with a **2.14%** increase in premiums;
- Option C** **Gold 500**: Deductible would be \$500; however coinsurance would be at 75% instead of 90%, with higher co-pays. This plan change would result in a **10%** decrease in premiums;
- Assoc. of WA Cities** Their Regence plans are anticipated to increase **4 – 6%**, with no increase slated in their Washington Dental Plans. The District would need to reapply this month, with the City of Blaine’s sponsorship in order to qualify. Their medical plan has higher co-pays and deductibles, and the Out-of-Pocket Maximum is \$3,000 (individual)/\$6,000 (family).
- WA Dental Service** Stay with the same plan we have now with a **2.1%** increase.

As noted above, there are cost saving options for the District which would result in increased cost sharing for District employees – a higher deductible or a lower coinsurance cost. Last year, the District experienced a -9.0% rate decrease for the same plan period (September 1, 2015 to August 31, 2016). The District received a 5% rate increase from Washington Dental last year and to remain with the current dental plan, the District will experience a 2.1% increase with no changes in the overall plan.

This is a recommendation to renew the District's medical/dental/vision insurance plans for non-bargaining employees and Commissioners to select:

- Regence Blue Shield Employee Choice Platinum 250 Plan; and
- Delta/Washington Dental Service Premier Enhanced Plan

Though the renewal reflects a 4% increase in premium for healthcare, it is based on the number and age of employees and dependents. Because of reduction in dependents covered and the age of employees and dependents will be lower in the 2016-2017 renewal year (September 1 – August 31), the District will actually experience a small decrease in premium costs from our 2015-2016 plan year. Those reductions will take place starting in November 2016.

Fiscal Impact – The small increase in premium cost to the District in the last four months of 2016 is less than what was budgeted so there will be no fiscal impact to the District's budget for 2016.

Recommended Action – Approve the renewal of the District's medical/dental/vision insurance plans for non-bargaining employees and Commissioners: *Regence Blue Shield Employee Choice Platinum 250 Plan*, and the *Delta/Washington Dental Service Premier Enhanced Plan*, effective September 1, 2016, and authorize the General Manager to sign on behalf of the District.