Highline Water District
Board Workshop Minutes
January 26, 2016

ATTENDEES

COMMISSIONERS
Todd Pultz
Daniel Johnson
Vince Koester
George Landon
Kathleen Quong-Vermeire

HWD STAFF
Matt Everett, General Manager
Jeremy DelMar, Engr./Operations Mgr.
Debra Prior, Administrative Manager
Mary Fossos, Project Coordinator, CIPs

HWD ATTORNEY(S)
John Milne, Inslee Best

VISITORS
Angie Sanchez Vinoche, Principle, FCS Group
Sergey Tarasov, Project Manager, FCS Group
Lara Kammereck, Carollo Engineers

Strikeouts indicate absence

1. CALL TO ORDER
President Koester called the meeting to order at 9:00 a.m.

2. APPROVE AGENDA
Motion duly made and seconded to approve the Agenda as presented. The motion carried.

3. CONSENT AGENDA
Motion duly made and seconded to approve the Consent Agenda as presented. The motion carried.

Consent Agenda items are considered to be routine and non-controversial and are generally approved as a group with one motion. Any Commissioner may remove any item from the Consent Agenda for separate discussion and action. Vouchers audited and certified by the auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.080 have been recorded on a listing, which was made available to the Board of Commissioners.

Minutes: January 6, 2016 Regular Meeting

WARRANTS

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Fund No.</th>
<th>Warrant Date</th>
<th>Vouchers</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance</td>
<td>09-075-0010</td>
<td>01/28/16</td>
<td>19637 - 19670</td>
<td>$ 83,415.18</td>
</tr>
<tr>
<td>Construction</td>
<td>09-075-0330</td>
<td>01/28/16</td>
<td>901819 - 901822</td>
<td>$ 7,331.20</td>
</tr>
<tr>
<td>Maintenance - Payroll</td>
<td>09-075-0010</td>
<td>01/22/16</td>
<td>302536 - 302536</td>
<td>$ 3,480.60</td>
</tr>
</tbody>
</table>

ELECTRONIC TRANSFER FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Fund No.</th>
<th>Period Ending</th>
<th>EFT Transfer Date</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Tax</td>
<td>09-075-0010</td>
<td>01/15/16</td>
<td>01/13/16</td>
<td>$ 24,590.83</td>
</tr>
<tr>
<td>Direct Deposit – Payroll</td>
<td>09-075-0010</td>
<td>01/15/16</td>
<td>01/22/16</td>
<td>$ 58,231.65</td>
</tr>
<tr>
<td>Dept of Retirement</td>
<td>09-075-0010</td>
<td>01/15/16</td>
<td>02/12/16</td>
<td>$ 15,746.27</td>
</tr>
<tr>
<td>Dept of Retirement - Deferred Compensation</td>
<td>09-075-0010</td>
<td>01/15/16</td>
<td>01/22/16</td>
<td>$ 3,762.00</td>
</tr>
<tr>
<td>Health Equity (KC-BEN96)</td>
<td>09-075-0010</td>
<td>01/15/16</td>
<td>01/22/16</td>
<td>$ 256.96</td>
</tr>
<tr>
<td>Health Equity (KC-BEN105)</td>
<td>09-075-0010</td>
<td>01/15/16</td>
<td>01/22/16</td>
<td>$ 101.18</td>
</tr>
<tr>
<td>HRA Veba (KC-BEN60)</td>
<td>09-075-0010</td>
<td>01/15/16</td>
<td>01/22/16</td>
<td>$ 6,147.12</td>
</tr>
<tr>
<td>Dept of Revenue - B&amp;O Tax</td>
<td>09-075-0010</td>
<td>12/31/15</td>
<td>01/26/16</td>
<td>$ 41,870.97</td>
</tr>
</tbody>
</table>

CONSENT AGENDA RESOLUTIONS

<table>
<thead>
<tr>
<th>Item #</th>
<th>Resolution #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. PUBLIC INPUT
No members of the public attended the meeting.
5. RESOLUTIONS/MOTIONS
Motion 16-1-26(1) made by Commissioner Johnson to authorize District staff and the attorney to negotiate a franchise with City of Des Moines staff addressing terms and conditions acceptable to the District, including a fee payment by the District to the City in consideration of the City not imposing a tax on the District’s revenues during the term of the franchise. Commissioner Fultz seconded the motion, which carried unanimously. The Board also authorized and directed the General Manager to contact and invite the other water-sewer districts providing utility service within Des Moines to join Highline in possible franchise discussions with Des Moines. The Board also authorized the District’s attorney to contact the Des Moines City Attorney to advise of the District’s interest in discussing a franchise with the City. Reference Item No. 7 Executive Session.

6. WATER COST OF SERVICE RATE STUDY & GFC UPDATE (FCS GROUP)
Angie Sanchez Virnoche, Principle and Sergey Tarasov, Project Manager

At the request of the District, Angie Sanchez Virnoche, Principle, and Sergey Tarasov, Project Manager, FCS Group, gave a PowerPoint presentation on the finance chapter of the Water System Plan. The following items were reviewed:
- Overview of Rate Study Process;
- General Facilities Charge Update;
- Revenue Requirement;
- Cost of Service;
- Fire Allocation Options. Discussion ensued. No action taken.

Lara Kammereck, PE, PMP, Carollo Engineers, also attended the meeting. Ms. Kammereck will give a presentation on the draft 2016 Water System Comprehensive Plan at the 2/23/16 Board Workshop.

7. EXECUTIVE SESSION - POTENTIAL LITIGATION UNDER RCW 42.30.110(1)(i)
Discuss City of Des Moines Utility Tax and Franchise Agreement

District staff requested an executive session to discuss potential litigation pursuant to RCW 42.30.110 (1)(i) relating to a possible City of Des Moines utility tax and franchise. On motion duly made, seconded and carried unanimously, an executive session was convened on that basis. The Commissioners, District staff and Milne then attended the executive session. Before convening the executive session at 9:45 a.m., Commissioner Koester advised the executive session would conclude at 10:00 a.m. At 10:00 a.m., the executive session was extended to 10:10 a.m., which was publicly announced. At 10:10 a.m., the executive session concluded and open public meeting reconvened. Action Taken: Reference Motion 16-1-26(1).

8. OTHER
8.1 Jeremy DelMar
Jeremy informed the Board that the District’s stolen service truck (#69) was recovered.

8.2 Matt Everett
SeaTac Franchise Meeting - Matt informed the Board that a meeting has been arranged with seven utility districts operating within the City of SeaTac to be held on February 9, 2016 at Valley View Sewer District.
Highline Water District
Board Workshop Minutes
January 26, 2016

There being no further business of the District, President Koester concluded the meeting at 10:15 a.m.

BOARD OF COMMISSIONERS

Vince Koester, President

Todd Fultz, Secretary

Daniel Johnson, Commissioner

George Landon, Commissioner

Kathleen Quong-Vermiere, Commissioner