

**OLYMPUS TERRACE SEWER DISTRICT-MUKILTEO WATER DISTRICT
JOINT BOARD OF COMMISSIONERS
SPECIAL MEETING
November 16, 2006
MINUTES**

1. CALL TO ORDER:

The special joint meeting of the Olympus Terrace Sewer District and Mukilteo Water District Board of Commissioners was held at the Mukilteo Water District office on November 16, 2006, at 7:00 p.m. Present at the meeting were Olympus Terrace Sewer District Commissioners Dick Andrews, Ed Caine and Tom Rainville; Mukilteo Water District Commissioners Mike Johnson, Bill Allison and Tom Rainville; David Findlay with FCS Group; Olympus Terrace Sewer District staff Patrick Sorensen, Sue Parks, Gil Bridges (and spouse Lynne Bridges), Greg Bradley and Eric Overton; and Mukilteo Water District staff Dan Hammer, Mary Merriam and Brian Munson.

2. APPROVAL OF AGENDA:

The agenda was approved by both boards.

3. INTRODUCTIONS:

Mukilteo Water District Commissioner Mike Johnson asked everyone in attendance introduce themselves.

4. STATUS REPORT TO DATE:

Sorensen summarized the status of the tasks as outlined in David Findlay's work plan. Hammer stated the Mukilteo Water District Comp Plan revisions are being made. Discussion followed about setting a regular schedule to meet. Dates will be firmed up at the November 21, 2006 joint meeting. Andrews stated he will have his list of questions ready for the special meeting with the managers. David Findlay asked what the boards preferred on decisions being made. Usually boards rely on staff to present the pros and cons and the boards make the final decision. Andrews and Johnson agreed. Discussion followed. David Findlay states that the report should say which items are cleared by staff and which items need board approval..

5. STATUS OF TRANSFER OF SEWER EASEMENTS & OTHER PROPERTY TO OTSD FROM THE CITY OF MUKILTEO:

Sorensen stated that the transfer of sewer easements to OTSD from the City of Mukilteo has been completed.

6. DISCUSSION: OTSD'S CAPITAL IMPROVEMENT PLAN (I.E., BIG GULCH, SEWER MAIN REPLACEMENT IMPACT AND OTHER IMPENDING ISSUES):

Johnson asked about funding for Big Gulch. Sorensen explained the current and hopeful funds from Public Works Trust Fund. Discussion followed. David Findlay suggested OTSD take care of rate adjustments separate from the merger in order to avoid confusion. The District will need to time any upcoming rate increases. Rainville stated that voters may need to vote for a special tax levy to pay for Big Gulch, and that might delay the merger. Discussion followed. Johnson asked about the wastewater treatment plant upgrade. Sorensen stated the upgrade will likely show up one to two Comprehensive Plans into the future.

7. DISCUSSION: MWD BUILDING REIMBURSEMENT:

Hammer stated their sewer customers paid 35% of the building (1.7 million). Findlay stated the issue seems to have to do with MWD sewer customers. Hammer stated each segment of the organization will pay their own capital expenses, but the building is the only common area. Discussion followed. Findlay was directed to come up with several alternatives to handle a reimbursement to the Everett sewer customers from OTSD sewer customers. Discussion followed.

8. DISCUSSION: PAYING FOR IMPROVEMENTS AT MWD OFFICE:

Sorensen stated it would be no problem for OTSD to pay for any improvements needed at the MWD office in order for staff to move in.

9. DISCUSSION: FUNDING OF ACCRUED BENEFITS:

Findlay stated benefits at the time of merger need to be addressed. Either the funding of accrued benefits would be taken care of through rates, or a restricted fund would be set up to handle the accrual. Discussion followed. Findlay stated the boards need to decide on the restriction of the use of funds.

10. DISCUSSION: FUNDING MAINTENANCE NEEDS. EXCESS FUNDS BEING PUT IN THE DISTRICT'S CIP FUNDS:

Findlay stated MWD needs to be on the same page as OTSD regarding the restriction of CIP funds. Discussion followed. Hammer stated that MWD would be transferring excess funds from Maintenance into the CIP fund.

11. DISCUSSION: EMPLOYEE RETENTION AGREEMENTS:

Sorensen stated the board's intention is to protect employees. An Employee Retention Agreement will be attached to the ILA. Hammer stated he wanted to assure employees that they'll be retained, with no benefit cuts or salary cuts, so do we go forward and develop the agreement. Caine stated there was no question that any board member has a problem with a document to establish

perpetuation of employment. Discussion followed. Sorensen stated he would like to get both attorneys working together on the employee agreement. Rainville agreed that one blanket agreement could be made. Caine made a motion to include the necessary Employee Retention Agreement within the ILA. It was seconded by Rainville and approved.

12. OTHER ISSUES:

Findlay stated item A1 is completed. Item A2 will be part of the ILA. Items A2 and A15 may be handled in a joint board executive session. Findlay stated the manager discussion is an important issue. Discussion followed.

13. SET AGENDA FOR NOVEMBER 21ST MEETING:

Findlay was asked to attend the Tuesday, November 21, 2006 Meeting. There are three areas that the boards need Findlay to assist with: organization issues, salary and benefit comparison, the general manager position and other issues. At the end of the general meeting the Boards will hold an executive session to determine the protocol procedure for the general manager selection. Staff will find out if the Commissioners can hold an executive session for this topic.

14. ADJOURN:

The meeting adjourned at 9:34 p.m.

Richard G. Andrews
President

Edsel Caine
Vice President

Thomas H. Rainville
Secretary