

**HAYDEN LAKE RECREATIONAL WATER AND SEWER DISTRICT
MINUTES OF REGULAR MEETING
AUGUST 8, 2012**

CALL TO ORDER

Chairman Sewell called the meeting to order at 9:00 a.m. Board members present were Dave Weinstein, Tom DePew, Todd Walker and Carole Stringer. Larry Comer, Dustin Jacobson, Ken Thompson, Attorney Mike Schmidt and Danielle Quade were present as representatives of the District. Ken Windram and Stephanie Oliver from HARSB were also present. Administrator Hagman recorded the minutes of the meeting.

AGENDA & MINUTES

Board member Stringer moved to approve the agenda for this meeting, seconded by Board member Walker. The motion carried.

The minutes of July 25, 2012 were reviewed and corrections made. Board member DePew moved to approve the minutes as corrected. Board member Stringer seconded the motion. The motion carried.

UPDATE ON PROPOSED SCHEDULE FOR LID7

Larry Comer discussed the DEQ funding versus the unknowns with the permits. Mr. Windram stated from the information he has the NPDES permit is pretty much established. The question being looked at is the metals. Mr. Windram discussed the argument of loads versus pounds for the metals. Board member Walker voiced his concern with having to spend more money in 10 years to meet the standards for the metals. Mr. Windram discussed removing the metals from the plant. This is separate process. Best case is to get DEQ to live with the concentration. Mr. Comer felt that if it is growth driven, the funds could come from CAP fees.

Mr. Comer discussed the draft of the schedule and the costs. There are two elements that the District will share in. The District would ask DEQ for a total of 10.4 million dollars with 6.2 million for the upgrades at the plant and 4.2 million for the collector system. Mr. Comer is proposing to have the LID public hearing on November 15, 2012. Attorney Schmidt voiced his concerns with the City of Hayden being ready and the construction agreement being done. Attorney Schmidt stated that when the LID is formed in November, the District needs to be comfortable with the costs.

Danielle Quade informed the Board that the City of Hayden felt that 20% for cost overruns would be good. The LID should be created with a number that includes everything. Ken Windram stated that the allocation of costs would be done on Monday. The Sewer District may be able to pay for the first phase of the project which could include the necessary things that have to be done regardless. Mr. Comer presented a draft of the cost estimates. Mr. Comer discussed what the district needs to share in. Mr. Comer also presented a worksheet for the treatment facility upgrade financing.

At 9:30 a.m. a conference call was placed to Tim Wendland and also included Katie Baker, DEQ and Ashley Williams. Mr. Comer explained to the Board that the cost allocation to the District is down by 2 million. Attorney Schmidt stated he is still reviewing the numbers with Paul Klatt and Ken Windram.

When all parties were on the conference call, Mr. Comer introduced everyone to the Board. Mr. Comer questioned what was new with the SRF program. Mr. Wendland stated that the SRF funding is coming this year, approximately 50 million by November, 2012. They are working with entities that are currently on the list. These entities would have to demonstrate that they are ready to go this year. If the entity is not ready in this fiscal year then the funds would carry forward and start fresh for the next year. Attorney Schmidt questioned if the "start fresh" meant a new application and priority list or for those who secure it this year that can't go forward get to bring the funds forward for next year. Mr. Wendland stated that the priority list is an annual process so regardless of what money comes forward the priority list is new each year.

Danielle Quade addressed Mr. Wendland with a question regarding the amount the District chose to submit, which were the regulatory and depreciation portions of the plant. The District also has some components that are District specific and is it ok to revise the application for consideration of that part of the project also. Mr. Wendland stated that this is possible, however they would have to compare the revised project to the rating that got the District on the priority list and see if what the District is putting forward to pursue would the score that got them on the list.

Larry Comer questioned what some of the key milestones are that Mr. Wendland would consider as "ready to go". Mr. Wendland replied that it would be the authority to enter into debt. The most reasonable deadline for revenue bonds would be November, 2012. Mr. Comer informed Mr. Wendland that the Sewer District is proposing an LID, if the LID was to be formed sometime in November would this meet the needs of DEQ to lock in for the funds for this current fiscal year. Mr. Wendland agreed and then in January would be a receipt of allocation. Mr. Wendland suggested the option of cutting the loan into two pieces and explained how this could be done. Mr. Comer informed Mr. Wendland that in the District's case, the two parts being the Hayden Area Regional plant upgrade and the collection improvements, the facility plans are both done and we are waiting to start the EID process and need the permitting scheduling. Both processes should be done by January. Mr. Comer informed Mr. Wendland that the District has as a whole a 10.4 million dollar project; however we have only applied for 6.2 million for the regional plant upgrade. We did not apply for the collector system at that time, although Katie Baker is well aware of what the District is trying to accomplish to protect Hayden Lake. The District would like to start the process with Katie to see what the rankings would be to get the full 10.4 million.

Mr. Wendland stated that if the District wanted to increase the project then DEQ would not have any concerns about the points going down and the District would still have a secure place on the priority list with a high rating. Mr. Wendland questioned if the City of Hayden would still be applying for the 5.2 million. Ms. Quade assumed that they would.

Ashley Williams questioned Mr. Wendland on the District adding the collection system and if the draft EID was in by the end of the year but it is still in revision, would this be a case to go into a two part loan process if the Board wanted to consider this. Katie Baker replied that this could be done. Larry Comer informed Ms. Baker that there are two facility plans, one for the upgrades to the plant and one for the collector system.

The plans have already been reviewed and commented on. We have not initiated an EID on these plans yet. First draft could be in to DEQ by January.

Mr. Comer questioned Mr. Wendland on what the next steps would be. Mr. Wendland replied that the District would now move forward with the LID. It would be good to get the preliminary LID roll submitted with the application. Mr. Comer asked about increasing the loan and scope of work would the District work with Katie at the Coeur d' Alene office. Mr. Wendland replied that we would work with Ms. Baker. Mr. Comer asked if a letter to Katie Baker and to Mr. Wendland, from the District, summarizing this conversation in the District's interest in pursuing the LID and the timeline be helpful for DEQ's records. Mr. Wendland replied that it would.

The conference call ended at 9:40 a.m.

Board member Weinstein questioned if the Board had decided to go forward with the 6.2 million or to raise the amount to 10.4 million. The Board has not made this decision yet once the allocation is clear the Board will need to make this decision. Mr. Comer explained the HARSB (treatment plant) part and the cost allocation and the District collector system side with the options and funding. Board member Weinstein felt that the collector system is an option and voiced his concern of what the allocation to the constituents will be. Mr. Comer explained that the default would be to increase the O& M.

Board member Stringer reminded the Board of the previous conversations by the Board regarding the 10.4 million dollar amount. Board member Weinstein stated that he wants to hear what the allocations will be and then discuss the costs to the constituents.

Attorney Schmidt stated that the cost for phase one has not decreased, the decrease was to the cost to the District. Danielle Quade explained that the DEQ funds are the best financing and the Board should go for the maximum amount even if we don't use it all. Board member Walker questioned if Hayden was still in third place on the list for 5 million. Ms. Quade stated they were, however they still have to get authority. Ms. Quade feels that the DEQ money will motivate the City of Hayden to move forward at a faster pace. Mr. Comer explained that the DEQ interest and the terms are very good as well as the overhead being less.

Board member Stringer asked for verification that the City of Hayden does have 3 million borrowing authority now. Danielle Quade replied that they wanted to save these funds for expansion if possible.

Board member Weinstein questioned Mr. Windram on the metals issue. Mr. Windram informed the Board that the environmental groups and the Indians are threatening to challenge our permit based on the PCB's. Board member Stringer questioned if the District has to bring metals into the process will HARSB be ready to do this. Mr. Windram replied that they would and that this is easy technology.

Mr. Comer questioned the Board on drafting a letter for DEQ for the 10.4 million and Attorney Schmidt review. Board agreed on drafting the letter. Mr. Comer stated that allocations will be discussed on Monday with Paul Klatt and Ken Windram. Mr. Comer suggested a special workshop for discussion of the collector system. Chairman Sewell set the special workshop for Wednesday, August 15, 2012 at 9:00 a.m.

Board member Weinstein voiced his concern with the Sewer District getting ahead of the City of Hayden. Ms. Quade will be discussing the schedule at the next HARSB meeting.

Board member DePew asked if the City of Hayden doesn't get their validation, can the District move forward. Attorney Schmidt stated that the District should not start spending money because we are splitting the costs of construction.

Danielle Quade explained the validation process and if this doesn't pass they will have to go to a vote. Mr. Comer will present the District's wishes for the LID and schedule to HARSB on August 16, 2012. Attorney Schmidt stated that the District is paying for phase one. Mr. Windram explained what was in phase one and what was in phase two. Danielle Quade suggested the District build in the most expensive possibility.

Chairman Sewell announced that there is a HARSB workshop on Monday, August 13, 2012 at the Hayden City Hall.

At 10:50 a.m. Danielle Quade and Attorney Schmidt excused themselves from the meeting.

HARSB BUDGET

Ken Windram and Stephanie Oliver presented the HARSB budget for fiscal year 2012-2013 for review by the District Board. Mr. Windram pointed out that a new vector truck was purchased this year, there were no loss time accidents and discussed the reuse farm tree zone flow meters. Mr. Windram discussed the 2012-2013 events coming up. The NPDES final permit, new testing regulations, pre-treatment program, and phosphorus control. The treatment plant upgrade design, the IDEQ reuse farm liner repair and the Greenwood tree project were also discussed for the upcoming year.

The current ER breakdown was shown and the summary of the budget. Ms. Oliver discussed the spill reserves which are now approximately \$7,000. Larry Comer questioned other reserves. Ms. Oliver has budgeted reserves that are now \$700,000. Board member Stringer questioned the \$20,000 for collection system video equipment. Ms. Oliver explained that this is the final payment on what we already have. Ms. Oliver pointed out that the fuel has also increased due to the new vector truck being used more. Chairman Sewell questioned if this budget included the 3% cost of living increase. Ms. Oliver replied that it did.

With no further discussion on the budget, Board member Stringer moved to approve the HARSB budget for FY 2012-2013. Board member Walker seconded the motion. The motion carried.

ORDINANCE 12-01

Ordinance 12-01, the annual appropriations ordinance was reviewed by the Board. **Board member DePew moved to approve Ordinance 12-01, seconded by Board member Walker. A roll call vote was taken; Board member Weinstein, "aye", Board member DePew, "aye", Board member Walker, "aye" and Board member Stringer, "aye". The motion carried.**

ADJOURN

With no further business before the Board, at 11:20 a.m. Board member Walker moved to adjourn, seconded by Board member DePew. The motion carried.

Dave Weinstein, SECRETARY

Lynn M. Hagman, ADMINISTRATOR

