

**HAYDEN LAKE RECREATIONAL WATER AND SEWER DISTRICT
MINUTES OF PUBLIC HEARING ON SEWER RATES
FEBRUARY 16, 2010**

Chairman House opened the public hearing at 6:00 p.m. Board members present were Ken Sewell, George Anderl, Dave Weinstein and Tom DePew. Larry Comer, Engineer from Welch Comer & Associates, Dustin Jacobson, District Superintendent, Chris Seward, District Operator, and Ken Thompson, District Accountant were present as representatives of the Board. District Administrator Lynn Hagman recorded the minutes of the meeting.

A list of visitors is attached to these minutes.

Chairman House introduced the Board and representatives of the Board to the citizens. A brief history of the sewer problems that the District has overcome and the funds that the District has utilized in the past years was given by Chairman House. Chairman House then introduced Larry Comer to give his presentation of the rate increase.

Mr. Comer began his presentation with some background information on number of sewer users, last rate increase, current sewer operations and maintenance costs and District reserve funds. An overview of the Sewer District finances was presented and Mr. Comer discussed the fixed costs of the District and variable costs and the reserve and depreciation of the facilities.

Sewer user fees, capitalization fees and connection fees were discussed on the income side of the District finance report. Mr. Comer presented a six year summary of the Sewer District operating revenue and expenses. On the revenue side Mr. Comer pointed out that the capitalization fees are down 77% with the total revenues down by 15%. Expenses for the Sewer District over this six year period have gone up with the operation and maintenance of the plant that HARSB runs at an increase of 97%, salaries increased 49% and repairs and maintenance have increased 164% over the last six years. The total operating costs have increased by 46%.

Mr. Comer introduced proposed adjustments to the District budget by reducing the capital costs by \$116,000, paying one half of the legal cost from the general fund as well and paying one half of the office costs from the general fund which would bring the estimated loss after these changes to \$259,231. Divide this loss by the number of users, which currently is 1910 over a 12 month period and this equates to \$11.31 per month which is where the \$11.00 month increase comes from.

This brings the sewer from \$31.50 per month to \$42.50 per month.

Chairman House opened the floor for questions to Mr. Comer and informed the citizens that the Board will continue the deliberations to February 24, 2010 at 6:00 p.m. This will give the Board ample time to review the questions being asked and the responses given to help make a decision.

The first question asked was regarding the professional, legal and administration fees and does the District have an attorney and engineer on staff. Mr. Comer explained that all of the professional services are by contract. There are no retainers paid, it is hours used.

Question: does everyone in the District have a holding tank as well as a pump tank and does everyone pay the same rate. Mr. Comer informed the citizens that there are 4 different categories for the sewer system. Some of the neighborhood already had sewer systems that were taken over by the District such as Avondale. These systems had septic tanks and pumps. The new systems constructed with the LID are conventional gravity systems where possible. With proper elevation, these homes would gravity into the line with no tanks or pumps. However, there are some gravity systems that do have to pump up due to the topography.

Question: why do the people with septic tanks have to pay the same?

Mr. Comer explained that in the long run, the solids don't make that much difference. The liquids have to be pumped and moved from the neighborhood, down to the lift station and then out to the plant for treatment. Gallon for gallon, people with septic tanks are producing the same amount of liquid. Also, even though there are fewer solids, the fact that it goes through a septic tank first converts it to a new form which produces more sulfide gas which in turn creates more corrosion so in the long run, the Board felt that everyone should be charged equally due to this characteristic. Example: a family of six versus a family of two, each household is charged equally. Board member DePew commented that he too lives in Avondale and has two pumps to maintain.

Question: the people who are on septic do not contribute to the flushing of swifter and baby wipes etc. so several citizens do not feel that they should be paying for the maintenance of that problem and why isn't there more education on this.

Ken Windram from HARSB explained the education materials that have been available and handed out door to door every year. With a limited budget, HARSB is doing all they can to educate.

Question; a citizen who lives near the lift station questioned why she would pay the same as those who live farther away and the sewage travels farther. Mr. Comer state that in 1985 there were two LID's formed. The LID for Lookout Dr. area was for an existing sewer system already in place and the assessment was

approximately \$1,200 per lot and the rest of the LID for the part of the District who did not have existing sewer, the assessment was approximately \$4,370. So in terms of the original capital, the Lookout Dr area only paid about 25% of what the rest of the people paid to extend the sewer. Mr. Comer explained what an LID was, which stands for local improvement district. An LID is the way the sewer district financed the costs of capital construction in 1985 when the system was built.

Question; why hasn't the District done increases before if they new we were behind on the reserves. Mr. Comer explained the different costs and stated that the capital improvement costs are related to purchasing a new generator or purchasing something that improves the asset.

Board member Anderl discussed the operating expenses that have increased with O & M increasing 97% over the past six years and salaries up 49%. Citizen questioned if the Board knew these expenses were going up, why not increase the rates at the same rate.

Board member Anderl explained that in the past the District had a large reserve fund and this is what was used for improvements and even if the District would have done small increments in the rates, the expenses would still be the same. This would not have changed the operating costs we have today; it would have just replenished the reserves. The District is not receiving the CAP fees as we did in the past.

Question; if the cost of treatment has gone up as it has, would this not be true t the City of Coeur d' Alene and Post Falls and other areas. Mr. Comer discussed the economies of scale and the users and density differences. Comparison with the City of Hayden was shown. City of Hayden system is mostly gravity and they are on flat land and density is much higher. Post Falls is much the same.

Citizens questioned if the District was looking at what other cities are doing to end their increased costs. Mr. Comer stated that a conventional city with a largely conventional sewer systems and high density bring lower costs. Topography was questioned and Mr. Comer informed the citizen that the topography has to do with the number of pumps and the District has 16 pump stations to serve 1900 people whereas the City of Hayden has 13 stations to serve 5600 people. That is an example of the terrain and density factor in our District. Hayden would be cheaper due to more efficiency.

Question; what would cause the operation and maintenance of the plant to go up 97%. Is it the labor and chemicals? Ken Windram explained that most of the cost is due to the power consumption at the facility and the re-use farm that is used in the summer months. This is irrigation at a cost of approximately \$150,000 a month. Citizen responded that this large increase will cause a burden for those on fixed incomes. It would have been better if the increase

would have been at a 10% rate for awhile and not a big chunk at once. Board member Anderl informed the citizens that the District is not a profit company like Avista and we are trying to control the costs.

Question; how do we apply for grants. Chairman House stated that the District has applied for grants in the past. Citizens questioned writing the Senators or Legislators about grants. Chairman House replied that a citizen can write anyone for help. They look at the stimulus money and where it goes; however, we cannot get help with the O & M expenses.

Mr. Comer explained that grants do not pay for operations of maintenance. Grant funds are to build for capital improvement. Mr. Comer stated that there will be capital improvement on the horizon for the District to meet the new quality standards for the Spokane River. When the new standard takes place, the Hayden Regional Sewer Board will have to upgrade the treatment plant, which we are a partner in, to whatever the new standard is. This may be a capital project that a grant could be used for.

Chairman House closed the general question session and opened the floor to those who had signed up to speak.

Gladys Cody voiced her concern with the new rate and felt that there should be a differential between those who have to pump a septic tank and those who don't. Board member Weinstein questioned how many in the room share this same concern and with a show of hands, there were many who felt the same way.

Mr. Brooks presented a document which amortized a pump at the cost of \$1,500 over seven, ten and fifteen years as well as a pump that would cost \$2,000 and pumping a septic tank at seven years. Mr. Brooks feels that those who have septic tanks should have lower costs due to their increased expenses for the tank maintenance.

Mr. Dennis Kline stated that he has a septic tank and he has to pay maintenance costs before there is access to the sewer system that no one else has. Mr. Kline is on his fourth pump in the last 20 years. Mr. Kline has had problems with head pressure in the line which relates to the pump problems. Mr. Kline feels that a 35% increase at one time is obscene.

Board member Anderl explained that pumps belong to the homeowner not the District. It is the responsibility of the homeowner to maintain their own pumps.

Mr. Paul Montgomery voiced his concern with the increased costs to running the pumps and those people should be in a lower cost bracket.

Carole Stringer asked for clarification of capitalization fees going into the reserve fund. At what point did the Board decide to tap into those funds for ongoing

costs instead of the rate payers paying for the ongoing costs. Chairman House explained that the reserve was drawn down at times when we needed to purchase a pump. That is what the reserve fund was for. Board member Anderl explained the expenses such as the generators that were purchased for safety in case we loose power.

Ms. Stringer expressed her concern that the capitalization reserve has been drawn down to the extent that they have.

Chairman House stated that at some point in the future there will be a public hearing on CAP fees. This could happen as soon as March or April, 2010.

Question; if there is talk about consideration for those who are on a partial septic, will there be consideration to those who have a pump. There are a lot of people who pump their sewage. Chairman House informed the citizen that the Board is here to listen to these concerns and this will be deliberated by the Board.

Question on how many users are on septic. Dustin Jacobson stated that it was about 50/50 and showed the areas on the map and explained who would have grinder pumps.

There was one written comment given to each Board member from Cherie Knudsen and will be attached to these minutes.

With no more testimony, Chairman House entertained a motion to close the public hearing at 7:30 p.m. Board member DePew moved to close the public hearing, seconded by Board member Sewell. The motion carried.

Board member DePew then moved to adjourn the meeting at 7:35 p.m., seconded by Board member Anderl. The motion carried.

Kenneth Sewell, SECRETARY

Lynn M. Hagman, ADMINISTRATOR