

**THE HAYDEN LAKE RECREATIONAL WATER AND SEWER DISTRICT
MINUTES OF REGULAR MEETING
JUNE 12, 2013**

CALL TO ORDER

Chairman Walker called the regular meeting to order at 9:00 a.m. Board members present were Ed Short, Ed Burke, Ed Graves and Carole Stringer. Attorney Mike Schmidt, Larry Comer and Ashley Williams from Welch Comer & Associates, Ken Thompson, Superintendent Dustin Jacobson and Attorney Danielle Quade were present as representatives of the Board. Ken Windram and Dr. Ernest Fokes were also present. Administrator Lynn Hagman recorded the minutes of the meeting.

AGENDA/MINUTES

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

Following a brief discussion and suggested changes in the minutes by Attorney Schmidt, Board member Short moved to approve the minutes of May 22nd and May 30, 2013 as amended. Board member Graves seconded the motion. The motion carried.

DR. FOKES

Dr. Fokes, residing at 5047 E. Upper Hayden Lake Rd. addressed the Board with a summary of information regarding the number of ER's he owns. Mr. Fokes informed the Board that in 2006 he was told he needed to purchase an ER for his new home and he already had an ER on that lot. The ER he purchased as an extra that he never did need, therefore, Dr. Fokes has requested the Board to remove the extra ER and the ER be given back to the Sewer District.

Attorney Schmidt reminded the Board that they will need to treat all others who may be in a similar situation the same. Board member Short felt that this is a unique situation and questioned what the cost would be to the District to take the ER. Attorney Schmidt explained the cost to the District would be to upgrade the ER. Board member Graves asked for clarification of selling an ER or what happens if Dr. Fokes needs the ER at a later date. Attorney Schmidt explained that if Dr. Fokes needed an ER later he would have to pay the current capitalization fee rate.

Board member Burke moved to grant Dr. Fokes request as presented to give back the ER to the Sewer District due to the unique circumstances. Board member Graves seconded the motion. The motion was unanimously carried.

ATTORNEY

Attorney Schmidt gave the Board a summary of the history of the District and the District policies. A packet of informational material was previously given to the new Board members by the Administrator. Idaho Code 42-3212 is the code that sets for the District powers and this was explained by Attorney Schmidt as well as the current policies of the District. LID 2 & 3, which were the first LID's of the District were discussed and Attorney Schmidt explained why the LID's were done and why the District was formed. How the District calculates capitalization fees were explained and how it relates to the capacity at the plant.

Attorney Schmidt discussed how annexations and consolidations work and explained that the Board has the authority to do this and then reviewed the current LID 7A with the new Board members.

Attorney Quade, bond counsel for LID 7A, explained the LID process and the 10.4 million dollar funding from DEQ. Attorney Quade stated that the District should be getting the loan offer in the next few days and can accept it at the next meeting. Attorney Quade explained that the loan is a draw down loan and funds will be taken as they are used.

Attorney Quade discussed the issue of possibly changing some of the LID projects from Strahorn Rd. and Miles Ave. to do another lift station project instead. Attorney Quade reviewed this and informed the Board that they do not have to do the relief line on Strahorn Rd. and Miles Ave. if they don't have the money but they cannot change where the LID funds go. Attorney Quade explained that the Board does have flexibility with the lift station funds.

Chairman Walker questioned if the money from the Strahorn Rd. project could be spent on anything else. Attorney Quade stated that the Board cannot move the money to another project because it was stated in the Ordinance and presented to the public that the Strahorn Rd. project was going to be done. The LID funds for the Strahorn Rd. project would be approximately \$600,000. Board member Stringer questioned if there could be an alternative route for the relief line. Attorney Quade stated that if the District is accomplishing the relief line then this is alright.

Board member Burke stated that this is what the citizens were told was going to be done and the Board didn't have all of the information needed at the time of this decision. Board member Burke felt that the money should be taken out of the LID.

Superintendent Jacobson explained what would be done to the Country Club lift station and would be an upgrade to the lift station only. Attorney Schmidt stated that if there is no allocation of the estimated \$600,000 to one lift station, if the improvements were described generally and what we were going to do is improve the lift stations to limit risk and if the Country Club lift station wasn't described in detail as to exactly what was going to be done in order to give them the benefit we could still improve it to a point that it meets those benefits or is the District limited because we described the Country Club lift station in detail. Attorney Quade stated that the District can prioritize the Country Club lift station and put more money towards the Country Club but we cannot take the estimated \$600,000 and move it there.

Chairman Walker felt the money should go back to the people. Board member Burke suggested a newsletter be sent to let the people know that the District has cut approximately \$600,000 from the LID. Ms. Williams stated that the rehab of the Country Club lift station is approximately \$300,000. Board member Short questioned Ken Thompson on whether the District has the funds to do the upgrade of the Country Club lift station. Mr. Thompson stated that the funds in reserve are for other things.

Chairman Walker informed the Board that the City of Hayden is going through with the large sub-division on Lancaster and may be putting a line to the plant. Chairman Walker questioned Larry Comer on whether the District has a pipe under Hwy. 95 at the crossing on Lancaster. Mr. Comer replied that there is a casing there and the District has ownership. Chairman Walker asked if this line would relate to the same quality of benefit as the relief line. Mr. Comer clarified that the project to go west to the plant is more of a growth issue and the funds could not be used for this.

For the new Board members, Mr. Comer reviewed the gravity relief line and why this became a project and how it was going to be shared with the City of Hayden Lake and Lakes Highway District.

Attorney Quade informed the Board that the District could choose to use some of the lift station funds to add to the estimated \$600,000 and do the relief line. Board member Burke questioned how much more money would we have to add. Board member Short replied that it would take \$600,000 more. Board member Stringer asked if all options of alternate routing off the table. Chairman Walker replied that there are no other options and the discussion was to not do the relief line project.

Attorney Schmidt discussed the funding agreement that will be presented to the HARSB Board on June 13th at their meeting. The HARSB Board should contingently approve the agreement allowing for minor changes to be made. The County will meet on June 18th and the 25th and they should approve the agreement at one of these meeting and then Sewer District will meet on June 26th and approve the agreement with all of the final changes that HARSB has contingently approved. The Sewer District Board will then sign the loan agreement with DEQ and approve and sign off on the contract. This will meet the June 30th deadline for the DEQ loan.

Attorney Schmidt reviewed the estimated costs split by ER. The Phase 1 project elements were discussed and Attorney Schmidt explained each description with the cost estimate. The District will not be involved in any costs for expansion. The costs are broke down between regulatory, replacement and expansion.

Exhibit B is the durable formula and shows who is paying for what. Mr. Windram explained the head works and the costs associated with this. Mr. Windram explained that the District will always pay the 26.9% no matter if it is replacement or regulatory. The costs allocated on the durable formula were explained and the District has no costs in the expansion column. Attorney Schmidt voiced his concern with the City of Hayden's funds. Attorney Quade informed the Board that the City of Hayden approved their funds through judicial validation and they will bond for any difference. HARSB will pay what the City cannot. Mr. Windram continued to explain flow equalization and phosphorus and the use of bugs instead of chemicals.

Mr. Windram explained that there are currently five meters bringing electricity to the pumps. The electrical system will be redone a brought down to one meter. Board member Graves questioned if it will have two power feeds through a transfer switch. Mr. Windram replied that there will be only one and then generators will be used. Mr. Windram discussed the coverall building where the sludge will be stored. De-watering improvements were explained and Mr. Windram informed the Board that a new screw press will replace the old belt press and the belt press will be used for a back- up. A new administration building will be built and the double-wide currently being used will be sold.

Mr. Windram discussed buying more land from the City of Hayden for the plant expansion in future. The clarifiers were discussed and Mr. Windram informed the Board that the rakes on the clarifiers will be a replacement cost. Attorney Schmidt pointed out that there should be a column labeled "other" on the spread sheet in the clarifier rakes row and the cost should be \$560,000 and will be paid by HARSB.

Ms. Williams questioned who will share the cost of the cover all building. Mr. Windram replied that HARSB has authorized the cover all building as an approved expenditure and it may be

divided with the City of Hayden if they want to take advantage of their low interest loan. Attorney Quade asked to have the shared language added to the agreement. Attorney Schmidt questioned if the City decides to pay for the building and take advantage of their 2% loan, how the City will get reimbursed from HARSB. Attorney Quade stated that this would be similar to any other expansion cost. Mr. Windram explained that ER's would be reserved for the City of Hayden as repayment. Larry Comer questioned what reserved meant and Mr. Windram explained that the reserving ER's for the City of Hayden would allow the City to keep the CAP fee and HARSB would release the ER as they need them. If the value of the ER changes, the increment would be paid to HARSB. Mr. Comer asked if there was an agreement for this and Mr. Windram replied that there was. Attorney Schmidt questioned what the calculation was based on. Attorney Quade discussed the distinction between ER and reserved ER.

Mr. Windram informed the Board that there will be a compliance schedule as part of the new NPDES permit. The facility needs to be completed and producing water by the end of the eighth year. Mr. Comer stated that the LID can only stay open for three years and this is why the District is paying for phase 1 of the project. Chairman Walker confirmed that phase 1 should be completed in three years. Board member Short questioned Attorney Quade if the District could take lift station money to pay for over runs in phase 2. Attorney Quade replied that we could and informed the Board that the phase 2 numbers are inflated 3% per year.

Attorney Schmidt explained the draw request process and DEQ will take 60 to 90 days to fund. Attorney Schmidt discussed HARSB pre-pay expenses and that the District will pay in to HARSB for this. The first approval of the agreement will be by Ken Windram and JUB Engineering and then the HARSB Board will approve followed by the District Board.

Board member Graves questioned if the Engineering goes out for bid. Larry Comer explained that the design is under contract with Welch Comer & Associates and the District has a general services contract which is hourly services and there is no retainer with Welch Comer & Associates also.

Attorney Schmidt presented the letter to the non-District customers to the Board for review. The legal remedies are not included in the letter. It was suggested to invite these customers to an informational meeting to explain the plant upgrades. Chairman Walker agreed that a meeting with the letter would be smart. Attorney Schmidt will add the invitation to the July 24th meeting to the letter.

KINYON BUY BACK

Attorney Schmidt informed the Board that many years ago Mr. Kinyon had negotiated to have an ER purchased back by the District and the ER was never purchased. Mr. Kinyon was reminded of this when he received notice regarding LID 7A. Under the unique circumstances, Attorney Schmidt explained that it would be appropriate for the District to purchase the ER now. **Board member Graves moved to purchase the ER from Mr. Kinyon now at the rate he paid minus administration fees of \$150.00. Board member Burke seconded the motion. The motion was unanimously carried.**

DEQ POLICIES

Attorney Schmidt informed the Board that DEQ needs to have the Financial Policy before the loan goes through. They also are asking for a personnel policy and they will send an example to Attorney Schmidt.

Attorney Schmidt gave a brief review of the Financial Policy and Board member Stringer moved to approve as presented. Board member Graves seconded the motion. The motion carried.

ENGINEER

Ashley Williams informed the Board of the ER count for the non-District properties. There are 35 homes being served by the District that are not in the District boundaries. The non-buildable break down is 38 that will be consolidations and buy backs, 4 that are non-buildable and the District will purchase their ER's and 7 that are special cases. For the non-buildable situations, the owner will have to show the District in some way, documentation from the County that their lot is non-buildable, Superintendent Jacobson or Larry Comer will go out and inspect and verify it is a non-buildable lot. The owner will then sign a legal document stating the lot is un-buildable and sewer will never be available for this lot.

Ms. Williams explained the process that the people who want to consolidate will follow and when their name comes up on the buy- back list and upon a cap fee being sold, the District will purchase their ER at the original cost let administration fees of \$150.00. A covenant of consolidation will be drafted by Attorney Schmidt and signed by the owner.

The special cases include 7 property owners that all have difference circumstances. Mr. Anderl's property needs further research, Mr. Baldwin has a zero assessment but also has the option to buy into the system, Ms. Carr has property located within the District and needs information on how she will be assessed, and Mr. Paulauskis would like to offer to sell a lot. They have 6 lots with 5 ER's. Mr. Paulauskis could possibly consolidate the lot with one of the lots that has an ER. Mr. Richards should have a zero assessment with the option to buy into the system and Ryan Living Trust has a condo and needs more research.

Ms. Williams felt that some can be dealt with by a phone call and possibly a follow up letter and some may fall under the consolidation. Attorney Schmidt suggested the Board direct Administrator Hagman to call Mr. Baldwin, Mr. Richards and Ms. Carr and follow up with a letter, Mr. Paulauskis will receive a consolidation letter and more research needs to be on Anderl's and Ryan Living Trust condo issue. **Board member Burke moved to direct Administrator Hagman to make the phone call to these people and follow up with a letter. Board member Graves seconded the motion. The motion carried unanimously.**

Ms. Williams informed the Board that following a discussion with Laurie Robb and Administrator Lynn Hagman, the ER count does not match. The number of ER's that the District has does not match. There are 16 ER's that need to be researched and Ms. Williams will work with the District staff to figure out where the ER's should be.

Attorney Schmidt discussed the 42 ER's between consolidation, non-buildable and special cases. The issue is, can the District afford to leave its old policy of first in first out and get on the waiting list and when it sells the owner gets the original amount of money they paid less administrations fees. If the District allowed owners to just relinquish the ER to the District, the District would be responsible for upgrading of the ER's. The option to buy the ER's at some fixed amount of money is not realistic with the District's budget.

Ms. Williams discussed the lift stations, phase A which will be done in the fall. Canterbury Cove lift station was reviewed and Superintendent Jacobson suggested eliminating this lift station completely and re-routing by gravity to the existing line.

The survey showed from the beginning to end the elevations worked; however there is a dip in the middle so there would be about 200' to 300' feet of the line that is 12 to 13' deep in terms of bringing a gravity line in. The District will need two easements and Ms. Williams recommends the District not spend any more funds on this until the easements are secure.

Superintendent Jacobson informed the Board that he has had conversations with the home owners regarding the easements and they are willing to work with the District as long as it doesn't mess up their lot. The homeowner on Friar Dr. would like to be hooked to the gravity line and taken off the pressure line for giving the District the easement. Ms. Williams stated that there may be some trees that have to be cut down. Attorney Schmidt informed the Board that they have the ability of eminent domain, to take property as long as there is just compensation. Chairman Walker directed Superintendent Jacobson to pursue the easements.

HARSB

Chairman Walker explained the HARSB Board and the packets they send out before their meetings. Chairman Walker appointed Board member Stringer as the second HARSB representative and will attend the HARSB meetings. The HARSB representatives change every two years. Board member Stringer voiced her concern with the timing of the HARSB meetings versus the timing of the District meetings.

UPDATE ON TREATMENT PLANT COST ESTIMATE

Mr. Windram informed the Board that the preliminary engineers report was presented to DEQ. Based on the preliminary engineering report and to help stay in budget Mr. Windram is working to reconfigure some of the items such as the tanks. Mr. Windram informed the Board that he will be meeting with the contractors in order to pre-qualify general contractors. Bid documents will most likely go out the first of January, 2014 with construction to start in March. Board member Graves questioned if Welch Comer has been contracted to do this. Mr. Windram stated that JUB Engineers are the HARSB engineers and they have worked on the HARSB facility plan.

DATES AND TIMES OF MEETINGS

Chairman Walker explained the dates and times of the District meetings and asked if it worked for everyone. Chairman Walker explained when the HARSB Board met and how this did not fit in with our meeting schedule. Board member Short questioned if anyone on the Board felt that there should be more or less meetings. Board member Graves felt that one meeting a month would be enough.

Mr. Windram informed the Board that the HARSB meetings may be changing in order to accommodate the pay requests on the plant upgrades. Chairman Walker asked the Board members if changing the 5:00 p.m. meeting time on the 4th Wednesday to 4:00 p.m. would be better and possibly changing the 9:00 a.m. meeting to an afternoon meeting as well. Board member Burke preferred the 9:00 a.m. and 4:00 p.m. meeting times and Board member Short agrees. **With consensus of the Board, Chairman Walker moved the 5:00 p.m. meeting to 4:00 p.m. on the 4th Wednesday of the month.**

ADJOURN

With no further business before the Board, at 11:45 a.m. Board member Graves moved to adjourn, seconded by Board member Burke. The motion carried.

Todd Walker, CHAIRMAN

Lynn M. Hagman, ADMINISTRATOR