

**HAYDEN LAKE RECREATIONAL WATER AND SEWER DISTRICT
MINUTES OF REGULAR MEETING**

January 27, 2010

CALL TO ORDER:

The first regular December meeting of the Hayden Lake Recreational Water and Sewer District ("District") was called to order at 5 p.m. by Chairman Gerry House. Also in attendance were Tom DePew, Ken Sewell, and George Anderl for the Board. Larry Comer, Ken Thompson and Michael Schmidt were also present as representatives of the Board. Visitor Cora Campbell was also present.

AGENDA APPROVAL:

The Board first considered the Agenda for the January 27, 2010 meeting. Board member Tom Depew moved to approve the Agenda, which motion was seconded by George Anderl, and thereafter unanimously carried.

VISITOR COMMENTS:

Cora Campbell, of 2753 E. Pt. Hayden Drive, addressed the Board regarding the sewer rate increase proposal. She stated she was concerned about the anticipated large increase in fees, and her limited budget. She explained she has a septic tank and a smaller home with only one person living in it. She stated her belief that she is not contributing to the use of the system like other users. She also stated she would like the District to consider opposing Washington State's efforts to impose phosphorous limits on the state of Idaho. Tom Depew and Gerry House expressed agreement that it is inappropriate for Washington to dictate Idaho's phosphorous limits as it is currently attempting. Gerry House further advised that litigation with Washington and the E.P.A. could cost a million dollars, something that may be cheap compared to upgrades that could be required. George Anderl addressed Ms. Campbell's concerns about being on a septic tank and paying regular fees, by explaining that many other District constituents are in the same situation. Gerry House also explained that the District considered differentiating between each home based on such factors when it was formed, but quickly realized it would be administratively inefficient, inaccurate, and would increase costs itself. Chairman House further explained that while the District had delayed increasing fees for several years, the District is at a point where it cannot put off the inevitable any longer because it would run out of money.

Cybil Obendrauf, of 9040 North Chalet Road arrived later and addressed the Board regarding a January 12, 2010 sewer backup in her basement and her request for reimbursement for expenses associated with it. Gerry House recused himself from considering the reimbursement request because of potential involvement of his property and work on a fence that may have affected the sewer line.

On January 12, 2010, after discovering the backup, the Obendraufs contacted their insurer, Farmers, who had Service Master come out. They have a \$5,000 limit on repairs. Luckily, her husband caught the backup quickly, released the water, and it went out quickly. She thought it was over until this morning when it was discovered that there was the same problem again. The District (Dustin and Chris) came out and learned that when Chairman House had put a fence in, the installer of the fence damaged the sewer lines. The Sewer lines only go down 18

inches below ground level, which was a surprise. The District ran a camera through the line and discovered a piece of pipe had been damaged. A piece of pipe was replaced. Chairman House stated he did call to get a locate. Dustin thought the sewer was in a different location. The locate, apparently, was wrong.

Ms. Obendrauf went through copies of her receipts for repairs to justify her request for expenses. Ms. Obendrauf explained that the second incident was due to the break not being identified in the first inspection when the line was snaked.

Dustin Jacobson was contacted by cell phone, and explained that the property and line in question did not have plans or as-builts to assist with the locate, so they located where they believed it was, and were apparently wrong.

Ken Sewell and George Anderl discussed the issue, and felt there should be reimbursement. Michael Schmidt recommended that the District put a maximum amount on damages for the unknown costs, and that any payment should be for full satisfaction of any claims and release the District from further liability. Ms. Obendrauf stated her known costs were \$2,680, and that the unknown costs were estimated to be \$1,000 or less. Mr. Schmidt questioned Ms. Obendrauf as to whether payment of known and unknown costs would release the District from further liability, to which Ms. Obendrauf agreed and stated it would.

George Anderl moved to allow reimbursement for known costs of \$2,680, and unknown costs not to exceed \$1,000, as settlement in full for both sewer back-ups. Ken Sewell seconded the Motion, which Motion thereafter unanimously carried.

APPROVAL OF MINUTES:

The Minutes of January 13, 2010 were considered by the Board. Attorney Michael Schmidt indicated one correction needed to be made. Subject to the correction identified by Mr. Schmidt, Tom Depew moved to approve the Minutes, which Motion was seconded by George Anderl, and thereafter unanimously carried.

FINANCIAL REPORT:

Ken Thompson presented the financial report. Mr. Thompson commented that the District has been doing a good job of limiting discretionary expenses due to the cash shortage. He also pointed out that rate payments are coming in, as did the Kootenai Water payment, which provided some relief.

Invoices were reviewed. Mr. Thompson commented that they indicated that Chairman House was paid \$1,200, but that he believes this notation was incorrect and may reflect a double-payment. Chairman House indicated he did not get paid that amount. Chairman House and Mr. Thompson stated that upon Lynn Hagman's return to work, they would review and address the problem. Lancaster LID interest was also discussed, which Ken Thompson also felt was incorrect. Mr. Thompson stated he will also follow up with Lynn on this issue and clarify the two inconsistencies with the Board.

Ken Sewell questioned the cost for the lift station telephone bill. Mr. Thompson and George Anderl advised that it was for all lift station phones, and possibly installation. A Mr.

Router expense was also discussed, and George Anderl suggested the District should be doing this work itself to save on such costs.

Ken Sewell moved to approve the financials and pay the invoices, which Motion was seconded by Tom Depew, and thereafter unanimously carried.

Ken Thompson then discussed the Audit for the financial year 2007. First, he explained that the audit is for purposes of obtaining an outside opinion that the financials fairly represent the financial condition of the District, which this Audit concludes they do. Second, he pointed out that the auditor commented that the District makes journal entries during the audit, which is not ideal. To correct this, Mr. Thompson advised the District would need to probably hire additional help, but that it would be another expense and may not be worth the cost. Third, the auditor commented that the District does not have anybody on staff to put together a financial report for auditing purposes. This would entail hiring a CPA, and would be an additional cost that may not be worth it. These costs would be between \$1,500 to \$5,000 per year.

Tom Depew moved to accept the audit, which Motion was seconded by Ken Sewell, and thereafter unanimously carried.

ENGINEERING REPORT:

Lancaster Sewer LID #6: Larry Comer discussed the status of the Lancaster LID, and passed out the LID Report and Resolution to establish the confirmation hearing set for February 24, 2010. Mr. Comer explained that the current time line and plan is to adopt the Resolution tonight, and set the hearing. Mr. Anderl commented that during his meeting with the Consortium/LID participants, they had discussed dealings with D.A. Davidson, and that a tour of the properties was being planned. This would possibly enable local purchasers to buy the Bonds, where they have more familiarity with the property than generic third-party purchasers may have. Ken Thompson advised that he was also aware of this, and that four firms were actually considering this as well, including Seattle Northwest, D.A. Davidson, Nielsen Martin, and another firm from Seattle.

Engineer's LID Report, Proposed Final LID Roll: Larry Comer reviewed Welch Comer's written report with the Board, listing the summary of expenses, estimate of project budget, the division of costs into two parts to segregate John Beutler's project, and the capitalization fees, which excluded Beutler because he had already purchased his ER's and was not financing their purchase throughout the LID process. He further reviewed and discussed: (1) The Map disclosing the boundary of the LID; (2) The LID Roll, which confirms how the District demonstrates the LID number, who owns property based on tax records, description of the property, its market value, the amount assessed, and how the calculation is made, which is the real "meat" of the report; (3) The owners will get notice of what the assessment will be, (4) It will be published for three weeks, (5) At the February 24, 2010 hearing, the owners have the right to protest the assessment and demonstrate why it is in error, and grant or deny; (6) Mr. Comer pointed out that many of the lots in Timber Ridge / "The Falls" were assigned a \$0 value, which is obviously incorrect and simply a byproduct of the fact that there was not yet a subdivision at the time of the last County assessment; (7) Mr. Comer was following up with the County to see if they could complete the assessment quickly on the new lots, which would add

significantly to the overall value of the land in the LID; (8) The assessed value of the land in the LID currently stands at 17 Million, which compared to the two million dollar assessment is just under a ten-to-one land-value-to-assessment ratio. Adding Timber Ridge should bring to a solid ten-to-one or better ratio; (9) Mike Ormsby, our bond counsel, will be in attendance at the hearing to help us through the process.

George Anderl stated he believed that the bonding attorney costs will likely be protested. Michael Schmidt stated that Mike Ormsby indicated during the last Board Meeting that he felt the costs may be less, but that there was additional work on Mr. Ormsby's part due to extending financing and giving an opinion on an additional warrant for that purpose.

Larry Comer stated that we still have time to adjust the budget, but that it cannot increase more than 20% of the amount noticed.

Review and Adoption of Ordinance to Set Date for LID Confirmation Hearing: The Board then moved to adopt the Resolution under suspension of the rules, and read by title only. Michael Schmidt read the title. Tom Depew moved to adopt the Resolution. George Anderl seconded. A Roll Call was held: Dave Weinstein, absent; Tom Depew, aye; Ken Sewell, aye; George Anderl, aye; The Resolution was adopted unanimously.

Larry Comer stated he will deliver two originals to Mike Ormsby, and one to Lynn Hagman. Mr. Comer further stated he will have Sharie at Welch Comer handle publication since Lynn Hagman is out sick with an indefinite return date.

Status of long-term financing: Ken Thompson then addressed the long-term financing issues, advising that some people were already looking at the property, and that afterwards they may make offers. Mike Ormsby will handle the bidding and financial process for the Board.

Status of Contruction Start Up: Larry Comer also advised that the English Point Lift Station was entering its testing and start-up stage, and it was anticipated to be online next week. It will be tested with clean water and the contractor's expense before it will be accepted and allowed to hook up.

Sewer Rate Hearing, February 16, 2010: Larry Comer advised that the rate hearing was set for February 16, 2010. Mr. Comer questioned whether notice had been sent out for the hearing, and that he will follow up with Lorri to see if it was sent for publication in Lynn's absence, and if not, Sharie will handle arranging for publication. Mr. Comer will contact Michael Schmidt with questions or if we need the Notice drafted.

ATTORNEY REPORT:

Michael Schmidt did not have present or address any issues to the Board other than what had been previously been discussed and addressed.

SUPERINDENDENT REPORT:

Dustin Jacobson was absent, so the reports were not heard and tabled to the next meeting.

BOARD REPORTS:

City of Hayden Meeting: Ken Sewell advised that at the meeting the City considered approval of the Rockin R Subdivision, which would require 78 ER's. George Anderl advised that the felt inquiring into what the City of Hayden is doing is a waste of time and money. Ken Sewell advised that he had been tasked with attending to fact check due to issues with a prior member with HARSB, who is no longer with the City. Gerry House and George Anderl suggested that now that the issue is no longer present, it may be appropriate to simply address any concerns directly at the HARSB level.

HARSB Update: There was no update

ADJOURNED:

Tom Depew moved to adjourn the meeting, which Motion was seconded by Ken Sewell, and thereafter unanimously carried. The meeting adjourned at approximately 7:00 p.m.

KEN SEWELL, Secretary