

**HAYDEN LAKE RECREATIONAL WATER AND SEWER DISTRICT
MINUTES OF THE PUBLIC HEARING ON RATE INCREASE
JUNE 8, 2011**

PUBLIC HEARING

Chairman Sewell opened the public hearing for sewer rates at 6:00 p.m. Board members present were Dave Weinstein, Tom DePew, Todd Walker and Carole Stringer. Larry Comer, Ashley Williams, Attorney Mike Schmidt, Ken Thompson and Dustin Jacobson were present as representatives of the Board. Administrator Lynn Hagman recorded the minutes of the hearing. A list of names for those citizens attending is attached to these minutes.

Chairman Sewell introduced the staff and the District's Attorney, Engineer and Accountant.

Larry Comer, engineer for the Sewer District, gave a presentation by first introducing a map showing the boundary for the Sewer District which encompasses all of Hayden Lake. Mr. Comer then shared some background information with the citizens. The District has a total of 1906 total sewer user accounts and over half of the Sewer District budget goes to HARSB for treatment services.

Finances of the District were discussed and Mr. Comer pointed out the fixed costs, variable costs and reserve/depreciation for the District. The revenue such as sewer user fees from the 1906 accounts, capitalization fees and connection fees were discussed. Some of the other cost factors would be the geography of Hayden Lake which results in more lift stations and less density of sewer users.

A rate history of sewer user fees and cap fees was shown to the citizens from 2002 through 2010. A graph showing the operating expenses history of the District and HARSB was shown and discussed. The Sewer District is not at a break-even point with sewer user fees. The proposed rate increase is \$6.50 per month which would bring the monthly rate to \$44.00. This would assume break even expenses plus funding depreciation at 30% of actual.

Written comments were read into the record by Attorney Schmidt. These comments are also attached to these minutes. Chairman Sewell opened the floor for testimony from the public.

Gerry House addressed the Board and commented on the treatment plant upgrades. Mr. House voiced his support for the rate increase and also recommended the Board consider billing constituents living within the district boundaries that contribute to the overall reduction in Hayden Lake water quality but do not pay regular sewer O & M fees.

Diane Christianson agreed with Mr. House and felt that people on septic should also pay a fee. Ms. Christianson questioned if the District could join the City of Hayden on sewer fees to get some relief.

Gladys Cody voiced her concern with the different types of systems and everyone paying the same rate. Mrs. Cody feels there should be a different rate for those who have a septic tank to maintain.

Tara Harding stated she was perplexed that the rate was going up again. Ms. Harding asked the District to look for cuts within. She is not agreeable to funding for depreciation costs.

Connie Smith asked the Board to take people who are on a fixed income into account when they make their decision.

Joe Gusenhoven supports the comments made and opposes the rate hike.

Elaine Johnson addressed the Board regarding her septic and needed an explanation for what it is she is paying for. Ms. Johnson was under the impression she was on a drain field. Dustin Jacobson explained her sewer system and how it works. Paul Montgomery stated that he has a septic tank to maintain and is in agreement with combining with the City of Hayden or Rathdrum.

Peter Cooper felt that the sewer system was built cheap and suggested investing capital in a new direction and move away from HARSB. Mr. Cooper felt that the new fees collected should go to a feasibility study on a new plant for the District. Mr. Cooper felt the fees should be based on usage and requested a sliding scale fee.

Terry Ferris questioned if the Board had done research on why other sewer districts charge less. Joining other systems was very appealing to Mr. Ferris and suggested the District check on the processing of the sewage and possibly doing this in steps, to be shared by other entities.

Bruce Shadduck questioned how much the reserve fund had decreased in the last year. Ken Thompson answered his question and showed the graph showing the decrease. Mr. Shadduck also thought joining in with the City of Hayden was a good idea. Board member Walker explained the number of lift stations the District has compared to the City of Hayden for maintenance versus how many each lift station serves. The density is very different.

Larry Comer explained the joint ownership in the treatment plant and what HARSB stands for. Mr. Comer assured the citizens that the District is already in partnership with the City of Hayden through the treatment plant.

Peter Cooper questioned how the reserve fund is handled, is it in a savings account or invested somewhere. Ken Thompson replied that funds are invested in the State Treasurers Pool. Larry Comer discussed the treatment plant and explained the terrain and distances to the plant and how they are different from the City of Hayden.

Bill Cook questioned the graph showing the CAP fees decreasing. Larry Comer explained the capitalization fees and the operation and maintenance fees and what they are used for. Mr. Comer stated that the District needs positive cash flow and a reserve fund for depreciation. If capitalization fees go up due to growth, Mr. Cook asked if the operation and maintenance fees would go down. Attorney Schmidt addressed this question and explained what CAP fees are used for, which is capital cost only.

Paul Montgomery questioned if the \$44.00 would get the District to the break-even point or will there be another increase next year. Ken Thompson replied that the \$44.00 will allow the District to put money aside for depreciation.

Elaine Johnson commented that the real estate market is down and feels the District is basing the increase on what they want or what should have been. Board member Weinstein assured Ms. Johnson that the Board has not made up their mind and this was a public hearing process in which the Board will deliberate when it is closed.

A request from a citizen was for the Board to consider looking at the people on septic tanks and maintain pumps when they consider the increase.

Peter Cooper questioned if the depreciation was broke down by line item such as pumps etc. Larry Comer informed Mr. Cooper that the depreciation was straight line depreciation and there is a detailed study being updated this year.

A question from a citizen was how many users are in the District and where are the City of Hayden users hooked up to. Mr. Comer explained the management of our own collection system and informed the citizen that the City of Hayden has their own collection system.

With no further questions from the audience, Chairman Sewell closed the public hearing at 7:50 p.m.

Board member Weinstein stated that he would like to take some time to think about the testimony given by the citizens. Board member Stringer felt that this is the same information from last year and the District is going in the same direction. District expenses are going up as well.

Board member Weinstein moved to continue the deliberations to the next meeting. Board member DePew seconded the motion. The motion carried.

PART B

Larry Comer presented the second part to his power point regarding the HARSB treatment facility facts. Mr. Comer discussed the type of treatment that we have now, which is secondary and the three-way interagency agreement between the County, City of Hayden and the Sewer District. Mr. Comer discussed the discharge into the Spokane River and land application which the District now does during the summer months.

The standards from EPA were questioned and Mr. Comer explained what the standards are and Ken Windram from HARSB spoke on this issue as well explaining the removal of phosphorus.

Question from the audience was can the Attorney General question the state of Washington regulation and mandates on the state of Idaho. Board member Weinstein responded with informing the citizens that the Idaho politicians are not following this matter. Legislators have been contacted with no response.

The cost of the new regulations was questioned. Mr. Windram informed the citizens that there is no plan yet; therefore, no bids can be given. Mr. Windram discussed estimated costs for the upgrades to the plant briefly.

ADJOURN

With no further business before the Board, at 8:35 p.m. Board member Stringer moved to adjourn, seconded by Board member Weinstein. The motion carried.

Dave Weinstein, SECRETARY

Lynn M. Hagman, ADMINISTRATOR