

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

July 27, 2011

CALL TO ORDER:

The Board Meeting of the Hayden Lake Recreational Water and Sewer District (“District”) was called to order at 5:00 pm by Chairman Ken Sewell. Also in attendance were Dave Weinstein, Tom Depew, Todd Walker, and Carole Stringer. Larry Comer, Ken Thompson, and Michael Schmidt were also present as srepresentaties of the Board. No members of the public were in attendance.

AGENDA APPROVAL:

The Board first considered the Agenda for the July 27, 2011 meeting. Board member Stringer questioned whether the budget publication was proper since the publication was not adopted and approved as stated. Ken Thompson suggested that he budget hearing be opened, the budget considered at that time, and then postponed to the next regular meeting for final approval. If there were any big changes to the published budget then it could be republished. No amendments to the Agenda were made. Carole Stringer moved to approve the Agenda, which motion was seconded by Todd Walker, and thereafter unanimously carried.

APPROVAL OF MINUTES:

The minutes for July 13, 2011 were presented for approval. There were no corrections or comments concerning the minutes. Board Member Todd Walker moved to approve the minutes, which motion was seconded by Dave Weinstein, and thereafter unanimously carried.

CITIZEN ISSUES:

No citizens were present.

PUBLIC HEARING – BUDGET FOR FY 2011-2012:

Chairman Sewell opened the public hearing at 5:10 pm. No constituents were present at the meeting. Ken Thompson presented the budget, and explained that the general fund has flexibility in being allocated, whereas other funds specific to fees do not have as much flexibility. Carole Stringer questioned whether audits have been performed. Ken Thompson explained that the District has audits through 2009, leaving just 2010 at this time. Mr. Thompson also explained that the “study” fund is a flexible allocation for planning purposes. Board member Stringer questioned whether that could be used for the facility planning that is being considered for the study. Ken Thompson stated it could, and Larry Comer also pointed out that it could be the source for paying for an LID, if facility planning suggests that is necessary and the Board determines it appropriate.

Mr. Thompson explained that operations and maintenances is the biggest item, and went through the breakdown as listed. He also explained that the numbers for fees includes, roughly,

what is expected to be collected based on the fee increase recently adopted. Plant operations expenses have consistently been going up, so it increases in accordance with prior increases.

Boardmember Stringer questioned whether the Avista allocation takes into account the possibility that a discount rate may be offered. Mr. Thompson advised it does not, and that such discounts historically do not materialize as often as they are proposed.

Mr. Thompson discussed the water fund, and that the negative number reflects the individuals who did not pay and whose failure to pay has been certified for collection to the County. He also explained the bond costs. Mr. Thompson also explained that a bond guarantee fund was required by the underwriter of LID 6, and that the money remains in that fund in order to comply with the bonding requirements. Bond revenues are unpredictable because sometimes people do not pay, and sometimes they pay off the bond entirely, leading to wide fluctuations.

Questions were raised concerning whether or not the budget should be republished to ensure compliance with I.C. 42-3220 et al. Dave Weinstein moved to have the attorney look to determine whether there has been compliance, which motion was seconded by Todd Walker, and thereafter carried by two in favor, one abstention, and one no vote. Todd Walker then moved to accept the Budget that was published as tentative. Dave Weinstein seconded, thereafter unanimously carried. The Board thereafter directed attorney Schmidt to review the budget as published and determine what the Board's options were.

Dave Weinstein moved to continue the public hearing on the budget to the regular Board Meeting on August 24, 2011 at 5:00 pm., which was seconded by Tom Depew, and thereafter unanimously carried.

ACCOUNTANT REPORT:

Ken Thompson gave explained the financials, and noted that there had been a truck transfer. Boardmember Stringer questioned whether there was always a requirement for a bond reserve, to which Mr. Thompson explained it is usually a requirement but that it varies by degree. Mr. Thompson also explained that on the invoices most appeared in line with expectations except payments to Bettis Excavation for the extra work on raising man hole covers and replacement. There was also the charge for the WFP Study from Welch Comer.

Mr. Thompson explained that with respect to depreciation, there would now be listed a reserve for the depreciation fund in the current expenses/balance sheet.

Dave Weinstein moved to approve financial report and pay the bills, which Motion was seconded by Tom Depew, and thereafter unanimously carried.

ENGINEER REPORT:

Larry Comer updated the Board on the HARSB treatment upgrades and public communications. He cited to the letter appearing in the newspaper that addressed the expenses of sewer. Craig Wilcox wrote the letter, and attended a HARSB meeting. He is a member of Kootenai Perspectives, which is a "public think tank" that aims to address public efficiencies and important issues to the County. Dave Weinstein explained that he attended a meeting where the public addressed some of the same concerns. Generally speaking, the public's involvement and concern over the expenses associated with the EPA permitting process is a positive development,

and there is anticipated to be continued interest and momentum that will build in opposition to the unfair permitting process and requirements.

Larry Comer next updated the Board on the facilities plan, and the ongoing work related to comparing the costs to the quantification of benefits. There is also being work done on calibrating the lift stations to quantify flows. The DEQ window for applications is December/January, so if the Board wants to tackle funding the time to get this information is now for seeking it.

Larry Comer next updated the Board on City of Hayden Lake's evaluation of Strahorn Road alternatives for improvement, which coincide with the District's contemplation of running lines at the time the road is being upgraded. Both public entities are doing the evaluation at this time, and decisions will probably be mutual and dependant in terms of whether the projects go forward or not.

ATTORNEY REPORT:

Attorney Schmidt updated the Board that he had been in contact with the Klikas, and discussed their willingness to sign a Note and grant a Deed of Trust on the properties at issue in order to finance the purchase of ER's and bring the lots into compliance with District Ordinances. Mr. Klika wanted to do a Deed of Trust, and anticipated that he would have all of the ER's paid off with the sale of the first lot, but he needed to follow up with the person/entity that held a first position Deed of Trust for approximately \$60,000. Options for lending terms were discussed, and attorney Schmidt suggested to propose a Note for \$42,000, adding any financing costs, 5% annual interest, amortized over 30 years, due in 5 years, and due in its entirety upon the sale of any single lot covered by the Deed of Trust. All remaining lots would be covered by the Deed of Trust. A title policy should be obtained for the value of the Note, which expense should be passed on to the Klikas. If the Klika's agreed to a cost reimbursement agreement, then the \$2,000 anticipated costs could be deducted and any remaining amount refunded, but if the costs were wrapped into the Note, they would not. Dave Weinstein moved to adopt attorney Schmidt's recommendations, which Motion was seconded by Carole Stringer and thereafter unanimously carried. Attorney Schmidt advised he would continue to try and get confirmation from the Klika's of their agreement to the proposal, but that if communication was lacking the Board would need to consider an enforcement action and lien assessment for violation of the Ordinance and collection of the Capitalization Fee costs.

BOARD DISCUSSION:

Chairman Sewell briefed the board on the Focus Group Appointment/Kootenai County Community Development. He felt the discussions were unrelated to sewer services, focusing mostly on transportation, and therefore had no report.

Larry Comer next informed the Board that Dustin Jacobson wanted to spray a new liner in order to address water tightness and safety issues with the Wrights Park Air Scrubber Liner. Todd Walker moved to allow the expenditure, which motion was seconded by Dave Weinstein, and thereafter unanimously carried.

With respect to the Meeting Attendance Policy, which was previously circulated, Tom Depew pointed out a typographical/spelling error. Carole Stringer questioned whether a report

or minutes should be required. Boardmember Stringer felt there should be written reports. Todd Walker felt reports were too burdensome and made meetings too long, and that discretion to allow reports or minutes from attending Board members would be better. Dave Weinstein felt that minutes were untimely and feels discussion is more appropriate and interesting. Dave Weinstein moved to delete the word “comprehensive” and the words “or minutes” from the Policy, which motion was seconded by Todd Walker, and thereafter unanimously carried. Todd Walker stated he would provide the changes to Lynn Hagman.

Larry Comer next addressed the HARSB Budget, and explained that the District may take up to 10% from cap fees into depreciation, which has not occurred lately. Mr. Comer further discussed the Current O&M fee increases, depreciation/reserves, and capitalization fees, and how they are used and could be used. He also explained how some current expenses could be regarded as depreciation/reserve items, and it is up to the HARSB member representatives to ask the questions as to what . Dave Weinstein discussed staff recommendations for purchases and how a cost benefit analysis is often appropriate before approving purchases. Carole Stringer and Dave Weinstein suggested the District mark up the budget prior to presentment to HARSB based upon the District’s requests and opinions, but providing some flexibility so the Budget could be approved by them.

EXECUTIVE SESSION:

Carole Stringer Moved to go into executive session pursuant to Idaho Code Section 67-2345(f) to discuss pending litigation regarding the assisted living facility dispute. Dave Weinstein seconded the Motion, and a Roll Call Vote was conducted with Dave Weinstein, Tom Depew, Todd Walker and Carole Stringer voting “Aye.” The Board entered executive session at 7:40 pm, and concluded the executive session at 8:00 pm.

ADJOURNED:

Todd Walker moved to adjourn the meeting, which Motion was seconded by Carole Stringer, and thereafter unanimously carried. The meeting adjourned at approximately 8:00 p.m.

Dave Weinstein, SECRETARY

Lynn M. Hagman, ADMINISTRATOR