

HAYDEN LAKE RECREATIONAL WATER AND SEWER DISTRICT
MINUTES OF REGULAR MEETING
DECEMBER 12, 2012

Chairman Sewell called the meeting to order at 9:00 a.m. Board members present were Dave Weinstein, Tom DePew, Todd Walker and Carole Stringer. Attorney Mike Schmidt, Larry Comer, Attorney Danielle Quade, Ashley Williams and Ken Thompson were present as representatives of the Board. Administrator Lynn Hagman recorded the minutes of the meeting.

AGENDA

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

CITIZEN ISSUES;

Mr. Rick Gunther addressed the Board and informed them that all of the citizens present at this meeting are against the LID 7a. Mr. Gunther stated that the thoughts are to just do the EPA upgrades and not do the 4 million for the collector system. Mr. Gunther asked the Board to vote for plant upgrades only.

Patricia Segal commented that the LID is open ended with no cap.

Ms. Pat Crossman addressed Mr. Comer about the sewer rates and will they go up also. Ms. Crossman voiced her concern about the \$4,000 assessment and that it is open ended. Ms. Crossman asked if the District could go in with the City of Coeur d' Alene or Post Falls.

Mr. John Brasantich voiced his concern with his septic tank and that he feels he should not be paying the same rates.

Mr. George Franco also has a septic tank and feels he should pay less.

ENGINEER

Mr. Comer discussed the comments and protests made at the public hearing and gave the number of protest the ratio of land area. Mr. Comer presented graphs showing the percentages of protests per acreage which were 14%. Idaho Code says 2/3rds of the District would require sending the protests to the County for review. The total protests per ER were 10%. Mr. Comer discussed the protests according to the issues discussed. Attorney Quade explained the two tests per Idaho Code for having to have a second review.

Mr. Tom Frey stated that their needed to be flexibility and a new notice reflecting the 60%. Mr. Comer discussed the projected funding schedule and stated that all documents and bond authority needs to be in by January 1, 2013. Mr. Comer explained when the Board started the process to qualify for the DEQ funds and why we have a deadline.

Board member Walker informed the citizens that the District does not have to spend all of what we apply for. Mr. Comer explained that the loan is a draw down loan similar to a construction loan and the money is only taken when it is needed.

Board member Walker asked Mr. Comer to explain to the citizens the difference between the 2% loan and going through a bond bank. Mr. Comer stated that 3 years ago the District did LID6 and the market was at 7% and there is more overhead expense with going through the bond bank.

Mr. Mike Jorgenson asked if the Board decision would be to not use any of the funds this year, would the funds be available next year. Mr. Comer replied that the District would have to reapply again for the money and about 30 entities apply each year from all over the state with different amounts.

Mr. John Brazentic asked what will happen if we don't use all of the money. Mr. Comer discussed project management and stated that the estimates are high for buffers.

Patricia Segal asked why the contracts can't be limited. If the contractor goes over the bid it should come out of his pocket. Mr. Comer explained the treatment plant bids at lump sums and the contractors are held to that; however there are sometimes unknowns which would allow for a change order.

Ms. Dora VanDyke asked who should write a letter to DEQ and what should be said. Mr. Comer stated that no letters need to be written on the funding, the District is securing the funds.

Board member Stringer requested Mr. Comer to revisit the 2% plus the 1% on the loan and when assessments will occur. Mr. Comer explained the interest rate on the loan is 2% and a 1% will be added for the reserve required by law which will stay at the District. Mr. Comer explained how the loan will work and that construction is estimated to be complete by 2015 at which time we will calculate the assessments with a public hearing and billing would be in 2016.

Mr. Comer explained the three way partnership in the treatment plant with the City of Hayden, the County and the Hayden Lake Recreational Water and Sewer District being the partners. Attorney Schmidt informed the citizens that he is working with the other partners on an agreement for who will be paying for what regarding the upgrades and reminded the citizens that this is a very low interest loan with DEQ and the money may not be available next year. Board member Stringer stated that the DEQ loan program may end.

Mr. Tom Anderl asked if the City of Hayden has secured their funds. Attorney Schmidt replied that they have and the County also has their funds. The City of Hayden did a judicial validation of 18 million. Mr. Anderl questioned if the funds could sit after they are secured. Attorney Quade stated that to apply you have to have authority to secure debt which would be the LID and as much of the funds that are needed to complete the project would need to be spent. The first phase has to be complete in three years.

Mr. Comer explained the first phase of the project and stated that if we secure the loan we need to start the work because the schedule is part of the loan application. Mr. Anderl felt that not all of the collector system improvements will benefit everyone and can the District borrow money for less than 7%?

Ms. Carol Stricklin stated that she has a septic tank and questioned why her assessment would be the same as those who don't.

Mr. Comer explained that some of the systems in the District were taken over from other developers and explained why septic tanks are needed in certain areas, and also explained that treatment requirements are essentially the same for septic and non-septic wastewater.

Board member Walker stated that this has been an ongoing concern for many years. It is possible that there may be a pump station put in at the plant and the plant may have a pumping truck or contract with a pumping company to dump at the plant which will save the customer money. A citizen questioned what the City of Hayden and the County are paying on the upgrades. Mr. Comer informed the citizens that the City of Hayden will be adding to their rates and the County is getting their cash from the airport customers.

Ms. Janette Robinette spoke on the analysis of protests. Ms. Robinette voiced her concern with short sightedness of this and stated that discharging into the Spokane River is short term. Ms. Robinette is in favor of getting the funds from DEQ and improving the treatment plant.

Mr. John Beutler addressed the Board and stated that he agrees with Ms. Robinette. LID6 ended up costing more and this could too. The citizens need a firm number on the assessment.

Board member DePew responded to Mr. Beutler and informed him that he had spoken to the City of Hayden Mayor about water going in over the aquifer.

Mr. Pete Holmes discussed the quality of the information he received and pointed out the mistake on the second notice he got regarding the amount of the loan. Mr. Holmes felt that the District should look into this further.

Board member Stringer asked Mr. Comer to clarify the LID6 project for the citizens. Mr. Comer explained that LID6 was a voluntary LID and the developer's engineers developed the estimated costs to save money and the District relied on their estimates and engineering which turned out to be less accurate than actual costs. Mr. Comer informed the citizens that the District will pay for the first phase of the project. LID's can only stay open for 2 to 3 years. Mr. Comer explained Class A water and that this type of water can go onto golf courses and parks. Mr. Comer discussed the different ways and options being looked at for getting out of the river. Mr. Gunther questioned what the 4 million was for and Mr. Comer explained that the District has 17 pump stations and repairs are needed and there are plans for a gravity relief line on Miles Ave. and Strahorn Rd.

Mr. Brooks questioned what the O & M rates are used for. Mr. Comer explained the breakdown on the rates and how much goes to HARSB and how much stays at the District and the maintenance that gets done.

OPTIONS FOR BOARD DISCUSSION

Attorney Quade reviewed the options for the Board to discuss. Attorney Schmidt asked if the Board put a cap on the contributions and it turns out there are cost over runs and we build phase one without phase two, can we assess again. Attorney Quade stated that if the District sets a cap and it came in higher, the District would pay the difference.

Superintendent Jacobson questioned if the District could put a cap on the collector system portion. Attorney Quade replied that they could. Mr. Comer reminded the Board that there are Idaho Code requirements on competitive bids and they bid on the specs that are sent out.

Attorney Schmidt discussed the agreement with the other partners and stated that the cost of construction is based on our share of ownership in the plant. Phase one and two will cost approximately 23 million.

The District share is 26% and will have our work done within two or three years. The agreement allows for the District to put money into the first phase and the other two partners will do phase two. Attorney Schmidt stated that they are working on a formula to separate the expansion component. The District does not pay for growth. There are some modifications to be made to the agreement by JUB Engineering regarding the percentages.

Question: Expansion in Hayden, how will this affect the District. Mr. Comer stated that the percentage is based on ownership ratio based on ER's, as the City of Hayden grows our percentage decreases.

Board member Weinstein moved to approve LID7a with modifications to the size of loan and scope of work. 6.2 million to be used for the treatment plant upgrades and rejects all expenses on the collector system except the Strahorn Rd. relief line. Board member DePew seconded the motion.

Discussion; Board member Weinstein stated that he included the Strahorn Rd. line because of previous penalties that the District has had from the EPA and this will take the pressure off of the Country Club lift station. Attorney Quade asked Board member Weinstein to clarify the 6.2 million. Board member Weinstein stated that this is the amount for the required upgrades at the treatment plant.

Board member Stringer questioned how this motion would pay for the Strahorn Rd. line. Board member Weinstein responded by stating that the District would ask for money for this in the LID7a loan with this expenditure only to be made if the City of Hayden Lake is going to participate. Attorney Quade explained that she would need the project cost and description which is why she wanted to know exactly what part of the collector system projects would be done. Board member Weinstein stated that there should be a cap on the 6.2 million and no cap on the Strahorn Rd. project.

Larry Comer reminded the Board that the LID expenditures such as legal and engineering needed to be added to the LID loan as well as closing costs. Mr. Comer questioned if 7 million would be enough for the LID, Strahorn and the LID expenses. Board member Weinstein amended the motion to put a cap on 7 million for all expenditures. Attorney Quade asked to have the motion reflect approval of the ordinance.

Board member Walker voiced his concern with the problems with the system and most of these things need to be fixed. Board member Walker strongly feels that the District should ask for the whole amount of 10.4 million but to downsize the collector system improvements.

Board member Weinstein feels that if the money is there it will be spent. Board member Walker stated that the Board needs to scrutinize what is being spent. The District does not have to spend all of the money and there should be no cap or we will have to go back to the constituents for more money.

Board member Stringer is against the motion made and discussed the reserves and how they will go down if the District does the buy backs requested. Board member Stringer feels that this is the opportunity to bring money back to local entities. Economies of scale for multiple projects.

The District can scale back the local projects for the collector system. If it is not paid for by all who have equity, it will fall on those who pay the monthly bill. The District could do quarterly reports on how the funds are being spent on the plant upgrades and the collector system.

Board member DePew stated that he voted to Strahorn Rd. after looking at the LID6 people who bought ER's and felt that it will be a transfer line for all of these areas in LID6 to come to the plant and not go through the Country Club lift station. Board member Walker stated that the rates will have to be raised. Chairman Sewell called for the question to the motion.

Attorney Quade requested to have Board member Weinstein amend his motion to approve the ordinance with the 6.2 million for the treatment plant upgrades and \$800,000 to be used for the Strahorn Rd. relief line and LID expenses. Board member Weinstein amended his motion to approve the ordinance to create the LID7a under suspension of the rule requiring the reading of the ordinance on three separate occasions and by reading of title only.

Board member Stringer stated that the ordinance does not include the Joint Powers Agreement or the agreement with the other parties regarding the plant upgrades. Attorney Quade stated that the ordinance only creates the LID. The title was read and Chairman Sewell called for a roll call vote; Board member Stringer, "no", Board member Walker, "no", Board member DePew, "yes", and Board member Weinstein, "yes". The vote was a tie and Chairman Sewell broke the tie by voting "yes". The motion carried.

Mr. Comer requested authorization to prepare the loan documents for the 7 million. Board member DePew moved to authorize Mr. Comer to prepare the documents, seconded by Board member Weinstein. The motion carried.

Mr. Comer stated that the EPA revises the permit every five years and the Board may want to take some consideration of contacting State elected officials. Board member DePew presented three letters he wrote and suggested giving them to people to sign and let them send them in. Attorney Schmidt suggested creating a citizen based steering committee for this.

FINANCIAL

Ken Thompson reported on the financial status of the District and reviewed the invoices for payment. Board member Walker moved to approve the financial report and the invoices for payment and the paid pending invoices. Board member Stringer seconded the motion. The motion carried.

PUBLIC HEARING

At 12:15 p.m. Chairman Sewell opened the public hearing for the District increase in cap fees. The increase will bring the cost of a capitalization fee to \$12,400. This doesn't account for any improvements to the collector system. There were no citizens present to give testimony. At 12:20 p.m. Chairman Sewell closed the public hearing. Board member Walker moved to approve the increase, seconded by Board member DePew. Larry comer suggested this be reviewed every year for cost inflation and upgrades. The motion carried.

EXECUTIVE SESSION

At 12:25 p.m. Board member Stringer moved to recess to executive session per ID. Code 67-2345 (1) to consider acquiring an interest in real property.

Board member DePew seconded the motion. A roll call vote showed: Board member Weinstein, "aye", Board member DePew, "aye", Board member Walker, "aye" and Board member Stringer, "aye". The motion carried.

Chairman Sewell reconvened the meeting at 12:35 p.m.

Board member Walker moved to approve HARSB to purchase no more than 35 acres at appraisal cost plus closing costs. Board member DePew seconded the motion. Board member Stringer questioned Chairman Sewell on why this Board was just now learning of this land purchase. Chairman Sewell stated that he had received the appraisal of the land 3 days before this meeting. The motion carried.

HOOK UP PERMIT

A draft of the new hook up permit was presented and Administrator Hagman requested permission to have Attorney Schmidt review the new permit for sewer hook-up. Board directed Attorney Schmidt to review the draft and send his edits to the Administrator.

ID/WA CONFERENCE

BiJay Adams has requested the District to be a sponsor again this year in the ID/WA Conference. The sponsorship fee is \$150.00. Board member DePew moved to sponsor the conference, seconded by Board member Walker. Board member Stringer questioned why the District doesn't do some sort of presentation at the conference. The new EPA regulations and the experience the District has had with this would be a good agenda item. Chairman Sewell will call Mr. Adams to find out if there is room on the agenda. The motion carried.

INCENTIVES

Board member Walker stated that he felt that Chris Seward and Laurie Robb deserved larger incentives. Board member DePew moved to give Dustin Jacobson and Lynn Hagman the same amount of \$650.00 and Laurie and Chris should receive up to \$400.00. Board member Weinstein seconded the motion. Board member Walker felt that \$300.00 for Dustin would be adequate. Chairman Sewell called for the vote and the motion was denied.

Board member Weinstein moved to give Laurie Robb \$475.00, Dustin Jacobson \$500.00, Chris Seward \$400.00 and Lynn Hagman \$650.00. Board member DePew seconded the motion. The motion carried.

ADJOURN

With no further business before the Board, at 1:05 p.m. Board member Walker moved to adjourn, seconded by Board member Weinstein. The motion carried.

Dave Weinstein, SECRETARY

Lynn M. Hagman, ADMINISTRATOR