

**HAYDEN LAKE RECREATIONAL WATER AND SEWER DISTRICT
MINUTES OF REGULAR BOARD MEETING
MARCH 25, 2015**

CALL TO ORDER

Chairman Walker called the special meeting to order at 4:00 p.m. for the Hayden Lake Recreational Water and Sewer District Board. Present were Board members Ed Graves, Ed Short and Carole Stringer. Accountant Stephanie Sherman, Engineer Steve Cordes, and Attorney Mike Schmidt were present as representatives of the Board. Rich Agnerso and Justin Scott were present as visitors. Attorney Mike Schmidt recorded the minutes of the meeting.

AGENDA AND MINUTES

Board member Short moved to approve the Agenda, which was seconded by Board member Graves. The Motion carried.

Board member Stringer noted minor changes to the Meeting Minutes from March 5, 2015.

Board member Short moved to approve the minutes of March 5, 2015, with a correction, and to approve the minutes of the Special Meeting held on March 11th without correction. Board member Short seconded the motion. The motion carried.

ENGINEER

Lift Station Phase A Update and Sewer Spill Discussion:

Engineer Steve Cordes next briefed the Board concerning a sewer spill that occurred at the construction site of the Clark House pump station. United Crown representative Justin Scott was present and explained his involvement, how he received a call from HARSB, and within about five minutes of getting on site he had the leak stopped. Dustin Jacobson also explained that he had cautioned Road Construction North West to be sure to pressurize the system and test the valves before leaving the site. That did not occur, which is why the leak was not identified. Thus, when the system finally pressurized and turned on, it resulted in a loose valve spraying sewage onto the ground until a neighbor noticed and notified HARSB, which triggered the response.

Justin Scott and Dustin Jacobson explained that the site was quickly remediated using bleach and lime. Mr. Jacobson confirmed that since the incident, RCNW is being more careful. The Board expressed their frustration with respect to RCNW being gone and unavailable to respond. Carole Stringer questioned as to whether a remediation response setup could be implemented beforehand to save time. Dustin Jacobson felt that the effort would not be worth it considering what a burden it would be, the difficulty of rotating materials, and having them get in the way

of construction activities if they were kept on site. He felt that the relatively short wait time to just keep them stored at the District was better than having the materials and setup get in the way during construction.

Chairman Walker pointed out that sewage spills going into the ground are essentially like septic systems and are not necessarily critical situations unless standing water is present and it is not soaking into dirt or the spill is making contact with surface water. This is DEQ's primary concern. Chairman Walker thanked United Crown for coming, and looks forward to RCNW addressing the situation. Chairman Walker expressed his concerns with RCNW not following Dustin's cautions with respect to getting the station pressured up and testing before burying anything and leaving the pump station.

Lift Station Phase A Pay Request #5 Review and Decision:

Steve Cordes presented the pay request for RCNW of approximately \$203,000. The payment would bring them to 34% of construction compared to their budget.

Ed Short Moved to approve the pay request, which Board member Graves seconded. The Motion carried.

Lift Station Phase A Construction Engineering Contract Increase Review:

Mr. Cordes explained that while RCNW is 34% done, Welch Comer is approximately 54% of its budget for the project, which is primarily a function of the additional time in the field. Mr. Cordes requested that if the budget would permit, that they could bump the ceiling up on their allotment. Todd Walker questioned how much time had been allotted to the construction components, specifically adjusting field work and office work. Dustin felt that there were field issues and design issues, and that some of their extra involvement might relate to errors or redesign where it should have been designed better up front. Dustin clarified that he was talking about foreseeable issues and design problems, not unanticipated matters. Steve Cordes agreed that if there was a design issue they would not ask for an adjustment, but if it was a field-specific item that was not foreseeable that would be the extra time he was speaking about.

Chairman Walker expressed hope that things will go more smoothly looking forward, and suggested the District keep the limits where they are for now, and then revisit if more effort and time is called for. Carole Stringer requested that Welch Comer report on where it is in relationship to the budget on a monthly basis.

Carole Stringer also questioned whether there is a charge back mechanism for items that are expended but which were not anticipated (hand holding, addressing contract issues at start of project, etc.). Board Member Stringer felt that charge backs may be in order. Ed Graves added that that since this is not a fixed-priced contract, if costs and time go over budget, they are

charged to the District. Mr. Graves also explained that when items outside of the scope of work come up there should be change orders to document what those are.

Mike Schmidt explained that for breaches of contract and negligence situations that result in additional costs or “consequential damages,” those items need to be documented and then submitted as a deduction for the error or omission.

Chairman Walker asked whether United Crown would submit separate invoices. The Board and Engineer discussed the contract terms and that it is possible to charge them. Board Member Stringer pointed out that even Chris and Dustin’s time should be included for response time. Ms. Stringer asked Mr. Cordes whether such extra work would be included or separated from the contract. Steve indicated that for clear issues like the sewer spill, it would be tracked separately. Ms. Stringer expressed her concerns with RCNW’s spill response document, which was not crafted by the District but drafted to appear as though it were.

Attorney Schmidt explained that charges should be tracked and deducted. Carole Stringer noted that the document they submitted was essentially worthless, so drafting the document just wasted time and effort. Mike Schmidt noted that if the District doesn’t want to deal with crafting such a response, RCNW could simply deal with it themselves. Chairman Walker felt that they should not make the mistake in the first place. Mike Schmidt advised that the contract documents and law control what is required, and that it would make sense for them to just follow the law rather than craft such a spill response document. Mr. Schmidt wanted to avoid accepting a spill response plan and then having it be inadequate for a particular situation, so the District would need to evaluate it and spend a lot of time on it. Further, a significant issue in the present case is that RCNW was not here to take care of the emergency in the first place. This was caused by RCNW simply leaving and not following Dustin’s instructions, then being unable to respond when the issue arose.

Ed Graves and Carole Stringer expressed a desire to require that contractors be available locally to respond to emergencies. By being out of town and not having locals around the risk of this type of occurrence increases. Steve Cordes will review the contract to see if any response times or requirements are specified.

Steve Cordes then discussed the difference in cost on the Country Club Lift Station proposals comparing moving far up the hill or moving just a little ways. Steve indicated that the cost difference is not that big, and that building it further from the lake would be nice and help to avoid some risks. Steve felt that it would be safer to build the whole lift station further from the lake while the current lift station keeps running, then switch all at once and turn the uphill station on. The alternative would be to do everything in place, which would involve bypasses, and which would increase risks of failures and spills (even though nothing should technically happen). Ed Burke had requested that Steve look into this related to negotiating with the Country Club, which would involve demolishing the old lift station, which is what the Country Club wants. Chairman Walker felt that if it is costing the District additional money, the Country Club should be requested to contribute to any additional costs. Chairman Walker also felt that

the old lift station could serve as an emergency overflow for the lift station. Steve Cordes and Ed Graves also indicated that the District would ideally want to keep it as well. Dustin Jacobson mentioned that the lift station could technically be placed within the right of way. Steve Cordes will email Ed Burke and follow up concerning the options going forward.

ACCOUNTING:

Stephanie Sherman presented the financials. The Sewer Bills are coming in again, as are LID6 payments. Next month bond payments will be made to fullest extent in terms of calling bonds and paying them off. Otherwise there were no extraordinary payments or expenses of note. Ms. Sherman discussed that shop construction payments were listed as well. Shop costs will be re-allocated to the capital expenditure side at a later date. Budget comparison was presented, and Stephanie mentioned that insurance will be an unanticipated cost, but nothing stands out as being too out of the ordinary in the budget comparison. Invoices for approval were also presented.

Board Member Short moved to approve the financial report and payment of the invoices. Board Member Stringer seconded the Motion, which thereafter carried.

Stephanie Sherman indicated that the budget for the next fiscal year needed to be discussed, and wanted to take an aggressive stance on the budget, possibly even circulating the first very rough draft in April, which gives plenty of time to get the budget done in July. Stephanie requested to be permitted to put in the notice of the budget for property taxes, if the Board wanted to include an increase in the taxes. The Board discussed this and determined it will consider the tax increase issue at the next meeting along with the budget. Ms. Sherman will get the hearing date to be published with the tax bills.

The Board and Ms. Sherman discussed where to keep the District money, and the reason the sums in the Idaho State Pool are so large this time. Stephanie indicated it was just a result of the ebb and flow of DEQ reimbursement and pay requests.

ATTORNEY:

Mr. Schmidt updated the Board on the status of the various policies that the DEQ was requiring the Board adopt in connection with the DEQ construction loan. He further explained that based on the request of the Board at the last Board Meeting, he had updated the Customer Service Policy to include a provision requiring that before any constituent is paid money by the District that any amounts owed by the constituent to the District first be deducted. Mr. Schmidt pointed out that the Customer Service Policy made reference to "ERs" instead of Wastewater Units, and that the Board should wait until after the Joint Powers Agreement is amended to implement the Customer Service Policy. A list of all fees should also be implemented by the District in connection with the Customer Service Policy.

Mr. Schmidt then updated the Board on the LID7 Phase A work related to the Avondale Lift Station. He advised that Ms. Koss had finally signed the Agreement and Easement, which he presented to Chairman Walker to be signed and notarized. He requested that the District keep the original and forward a copy of the final signed document. He also advised that he had already recorded the Easement.

The next step for the Avondale Lift Station was to secure an Agreement and Easement with Mr. Woodbury. The District discussed the details of the Agreement with Dustin Jacobsen. They included rock retaining wall, asphalt work, fencing around the lift station, paving of the area between the rock wall and street, and paving of a portion of the side of the house. Dustin Jacobsen estimated that the cost difference between simply restoring the area and providing the additional work and paving to be approximately \$3,000. The Board felt that the Agreement proposal was appropriate, and instructed Mr. Schmidt and Mr. Jacobsen to pursue putting it together and getting Woodbury to sign.

Mr. Schmidt next presented the current draft of the Amended Joint Powers Agreement. He pointed out that there were still issues related to the Wastewater Unit Reference Table (“WURT”) that would need to be discussed, along with issues related to the issue of the sinking fund / depreciation and use of fees to pay for those. The Agreement is close to its final form and was being sent out to the entire working group for review and a meeting would be held among staff and to go over it again.

SUPERINTENDENT’S REPORT

Dustin Jacobsen updated the Board regarding the shop construction. He stated it is going well, that the excavators would be coming next week, and that they would be hooking up water and sewer. They should also get going on doing the outside work. Dustin estimated that there would be around \$5,000 of dirt work, which would involve preparing for asphalt. Dustin would like to move forward with getting power and insulation over the next couple of weeks. The majority of payment for the shop came through in the current billing cycle.

BOARD DISCUSSIONS / APPROVALS

Approval of HARSB Pay Request / Approval of DEQ Pay Request:

Steve Cordes presented what is likely the last pay request for the HARSB portion of LID project, along with the DEQ reimbursement request. The HARSB pay request was for the Panhandle Health and TML Construction portion, which totaled approximately \$250,000.

Carole Stringer moved to approve the HARSB and DEQ pay requests. Ed Burke seconded the Motion, which thereafter carried.

HARSB Report:

Carole Stringer deferred to her written report, and explained in more detail her discomfort with the request for authorization by Ken Windram and HARSB's engineer to craft and draft a letter based on technical data alone. Carole Stringer felt that the importance of the letter should require more input and consideration than was given to it. She also felt that the hiring of the consultant and resulting land owner complaints were not adequately addressed. Carole feels that administration issues continue to be a problem, and that there is a high tolerance for questionable practices at HARSB.

Todd Walker indicated that the person who is raising issues with the land application in Washington also wants to be hired by HARSB. He felt that the sewer treatment byproduct/substance to be exported and applied on the land (the "cake") would be less offensive than the neighbor was thinking. Mr. Walker noted that the neighbor (or anybody) has the right to sue and raise issues at any time.

Todd also expressed his view that the letter to the DEQ was addressed to fish consumption and was highly technical, which many HARSB Board Members would likely not understand in any event. He agreed that it made little sense for Ken Windram and the HARSB staff to put together several pages of technical details into packets and not explain them or take comments on them, and also to request permission to draft a letter based on those details that were never explained. Both Todd Walker and Carole Stringer agreed that it would make more sense to draft the letter for approval instead of requesting permission to draft a letter.

Carole further expressed frustration that the HARSB administrator is not preparing adequately for the meetings, including his styling of a "report" that is verbatim from the prior several months worth of reports.

ADJOURN

With no further business before the Board , at 6:20 p.m. Board member Short moved to adjourn, seconded by Board member Graves. The motion carried.

Todd Walker, CHAIRMAN

Lynn Hagman, CITY CLERK