

**Beacon Hill Sewer District
Commissioners' Meeting Minutes
Wednesday, August 11, 2010**

President Branch called the regular meeting to order at 5:05 pm on Wednesday, August 11, 2010 in the Cowlitz PUD Auditorium, 961 12th Avenue, Longview, Washington. Those in attendance were:

Commissioners Ted Branch, Dean Takko and Monte Roden
Alan Engstrom, Legal Counsel
Kim Adamson, General Manager
Jan Zintz and Vicki Kruse, Office Staff
Brian Wilson, Field Lead

It was moved by Monte Roden, seconded by Dean Takko, to approve the minutes of the July 14, 2010 minutes as drafted. Motion carried.

The Manager Report, which was delivered to the Board prior to the meeting, was the first item of discussion. A copy of said report is attached as a part of this permanent record.

Item 1 – Troy Smith. Kim reported that notice was received to confirm Troy Smith passed his backflow assembly test on July 19, 2010 and that a 5% salary adjustment been implemented. It was noted that only about 20% of the applicants passed the tests.

A schedule is being developed to move forward with testing backflow prevention devices for the 175 assemblies located within District boundaries. Approximately 160 customers that have annual assembly tests pending will receive a letter that our tester will be in their area and will be available to test their assembly for a \$25.00 fee to be added to their bill. They still have the choice to select an independent contractor but the District will test assemblies unless contacted by the customer. Annual assembly testing will be scheduled for August through October.

Dean Takko asked if Troy would be able to test backflow assemblies on his own time, perhaps as a business venture. District policy stipulates that staff cannot perform work related to the District within District boundaries. Troy could test assemblies outside of the District, but the testing equipment that he would need to use is District property.

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Item 2 – Cost of Service Analysis. Kim reiterated that the conference she attended earlier this year on cost of service analysis was very beneficial. The conference did not provide spreadsheets to perform an analysis; however, Cowlitz PUD had a 23 page excel spreadsheet that was prepared during their 2007 rate analysis. Kim is currently updating those spreadsheets to reflect 2010 year to date revenues and expenses in order to establish rate increases for 2011. Review of the service rate analysis and discussion on the 2011 budget will begin at the September meeting.

Item 3 – Capital Projects Status. A grid prepared for the upcoming Lexington/Nevada Generator Replacement and Williams-Finney Pump Station projects was distributed. The Williams-Finney project will be added when their schedule is known.

Williams-Finney. We have received all agreements, bonds and insurance needed for this project and issued a notice to proceed. The contractor, Davinci, Inc., will not mobilize until after Labor Day as the tank and parts are 4-6 weeks out.

Lexington/Nevada Generators. All agreements, bond and insurance documents have been approved. A pre-construction meeting with Five Rivers Construction for the Lexington/Nevada Generator Replacement Project was held at the District on August 10th.

Eastside/Louise Pump Station Upgrades. Two bids were received for the Eastside/Louise Pump Station Upgrades on July 27, 2010, one from Five Rivers Construction and the other from Triad Mechanical. The engineer's estimate for this project was \$400,000.00-\$650,000.00. Low qualified bidder was Triad Mechanical at \$279,588.00. A pre-construction meeting was held for this project on August 10, 2010. Construction is set to start right away.

Item 4 – Other Projects. Several side projects are being facilitated by the field staff. Paving on Crestline Drive water mainline replacement project was recently finished and the project is now complete. Staff is preparing to install the remainder of the conduit for controls on the Williams-Finney project and a notice to proceed was issued for the Ostrander Pump Station roof replacement. Replacement of a faulty exhaust fan in the Woodbrook reservoir is on the list of pending projects.

Kim explained that painting Grandview Reservoir, budgeted at \$25,000.00, has been put on hold pending the outcome of the Water System Plan. Kennedy Jenks would like to know the condition of the Skyline Reservoir for the water system plan. We may transfer the Grandview budget to Skyline for cleaning and inspection.

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Item 5 – Water System Plan. Kennedy Jenks is working on the Water System Plan. They have requested a magnitude of information that has been turned around in a timely manner to avoid delay in completion of the project.

A Letter of Understanding, between Cowlitz PUD and BHSD, was executed on August 5th. This document constitutes the PUD's intent to loan BHSD the amount to pay for the Water System Plan, contracted with Kennedy Jenks, for \$127,024.00. Kim will request the entire amount from Cowlitz PUD in the near future.

Item 6 – STAG Grant. The status of the STAG grant is that the money is designated and is being held at EPA for us while the application goes through the appropriation process. The grant, which provides 55% reimbursable funds, was originally approved in Cowlitz PUD's name for the Williams-Finney and Alderwood pump station projects. Grant monies are not transferrable between public entities; however, due to the unusual circumstances regarding the upcoming water system transfer, Senator Murray's office has agreed to change the recipient for the STAG grant monies from Cowlitz PUD to Beacon Hill Sewer District in the new appropriation language. This action will allow legal transfer of the water system to move forward as scheduled.

The imminent need to move forward with the Williams-Finney pump station will remove this project from grant eligibility. A PWTF emergency loan has been approved for this project due to the pump failures of late. BHSD can utilize the STAG grant monies by substituting another drinking water project in lieu of the Williams-Finney project. If the Alderwood project comes within engineer's estimates, there will be approximately \$215,000.00 in matching funds for another project. The Grandview Reservoir replacement project will be substituted for the Williams-Finney.

Ted Branch noted his understanding that there would be a new reservoir at the top of Columbia Heights. After brief discussion, it was stated that a new reservoir/pump station at the top of Columbia Heights would be a much costlier project than the Grandview Reservoir. It would require installation of approximately 3 miles of water mainlines in addition to the construction of a reservoir. Only a small number of District customers would benefit from this expense. Both the Alderwood and Grandview Reservoir projects are planned for next summer.

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Item 7 – Legal Transfer Update. Kim met with Cowlitz PUD staff to discuss issues relating to financial packages and consolidation of debt with regard to the legal water system transfer scheduled for later this year. A checklist of items to be addressed in the transfer was generated as the result of discussions. Orrick will prepare a draft agreement which, after staff review, will be submitted to legal counsels for reviews.

An insert will be included with water and sewer service bills this month. It will provide an update on plans for the water utility ownership transfer and the opportunity for public input later in the year. Two or three open houses will be scheduled in November and December.

Item 8 – Water System Insurance. The double insurance issue was recently resolved by Heather Allen, Cowlitz PUD. The savings for 2008 and 2009 would have been approximately \$37,000.00/year. Elimination of the 2010 double coverage for the water system will save BHSD \$12,552.00 for the remainder of joint operations.

Other Business. District payroll will be processed in house after January 1, 2011 as the result of numerous conversations with Cowlitz County Personnel. The original consideration was to appoint Cowlitz PUD as the District's Treasurer. Kim met with Cowlitz PUD personnel to discuss what their duties as Treasurer for the District would encompass. Kim explained that the District prepares payroll, accounts payable invoices and monthly District investments and sends the data to Cowlitz County to print checks and process monthly online investments. It was the general consensus at the meeting with PUD that BHSD is one small step away from becoming its own Treasurer. Kim concluded that the District could easily become its own Treasurer pursuant to discussion at the meeting; and after making contact with the State Auditor's Office and other Districts who have recently become their own Treasurer. An adopted policy that identifies the treasurer's duties would need to be implemented. Start up costs would include purchase of a payroll module, approximately \$5,000.00, and blank checks to pay expenses. The InHance accounting software already has the capability to print checks. It would be ideal to parallel expenses and investments with the County for several months. Judy Ainslie, Cowlitz County Treasurer, noted that the State Auditor would prefer a January 1st transition date. This would mean that a policy would need to be adopted and the payroll module would need to be purchased before next year. After brief discussion, the Board requested that Kim submit the details at next month's meeting for consideration.

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It was noted that our summer helper, Cody Kelley, is working out very well. He is a hard worker and takes initiative for getting things done.

Claims and Payroll. The Board reviewed the monthly VISA statements, including detailed backup.

Vouchers audited and ratified by the auditing officers as required by RCW 42.24.080, and those reimbursement claims ratified by auditing officers as required by RCW 42.24.09, have been made available to the Board.

As of this date, August 11, 2010, the Board, by unanimous vote, does approve those vouchers in the above lists and further described as follows: Shaded July invoices the amount of \$12,870.20; and August invoices in the amount of \$161,587.78.

Lien Information. The Board reviewed the monthly lien synopsis. It was moved by Monte Roden, seconded by Dean Takko, to confirm the filing of Lien Nos.1362-1369. Motion carried.

The next regular meeting was scheduled for September 8, 2010. There being no further business, the meeting was adjourned at 6:20 pm.

Ted A. Branch, President

Monte J. Roden, Secretary

Dean A. Takko, Commissioner