

**Beacon Hill Water and Sewer District
Commissioners' Meeting Minutes
Friday, February 21, 2014**

Commissioner Roden called the meeting to order at 5:12 pm on Friday, February 21, 2014 at the District office at 1121 West Side Highway in Kelso, Washington. Those in attendance were:

Commissioners Monte Roden, Dean Takko and Bonnie Decius
Dell Hillger, General Manager
Alan Engstrom, Legal Counsel
Debbie, Finance Administrator
Vicki, Office Staff

It was moved by Dean Takko, seconded by Bonnie Decius, to approve the minutes of the January 17, 2014 meeting. 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 – Customer Request – Exception to Moratorium Policy. Jeff Veys owns three lots near Alpha Drive and Beacon Hill Drive. Mr. Veys is asking for an exception to District policy that would not increase the number of connections, but would bypass the policy-allowable connections on the three separate lots to be combined onto the one larger lot that he wishes to subdivide into four lots. If allowed, the two smaller lots would then need to drill a well if they wished to obtain water. Alan questioned if wells are allowed within District boundaries.

Dell discussed Mr. Veys request with Kennedy Jenks due to concerns with capacity. Their response was that it is still a standby storage issue even with fire flow not controlling. A new reservoir is needed in that area to increase capacity if we were to eliminate the moratorium policy that restricts new connections for new developments.

It was decided to table the issue until we receive more information from the customer. Dell will write a follow up letter to the customer.

Item 2 – Continuous Service Agreement. Dell presented information to the Board regarding the Continuous Service Agreement the District carried over from the PUD for approximately four customers from 1980. This agreement, due to pending development, gave these customers a threshold exemption and required them to pay the minimum monthly charge for service. If the service was removed, the customer was then obligated to pay the difference between the current service development charge and what they paid in 1980 in order to reinstate service. The District felt that it had been made whole with these customers and agreed to allow them to go on vacancy rates for their water service. It was moved by Dean Takko that we discontinue the Continuous Service Agreement and replace it with a vacancy rate for any parcel under the old PUD agreement, effective from this day forward, seconded by Bonnie Decius. Motion carried.

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Item 3 – Emergency Pump Replacement. The motor windings on one of the old pumps at Hillside reservoir burned out. Quotes were received to repair the existing motor for \$5,500, replace the motor for \$7,000 or purchase a new pump and motor for \$7,900. All of the options would take approximately 2 to 3 weeks for delivery. After all things considered, Dell recommended and the Board agreed that it was in the best interest of the District to purchase the new pump and motor.

Item 4 – Beacon Hill Office/Facility Improvements. Dell communicated with the Lexington Flood Control Zone District (LFCZD) regarding the lease of the approximate 20x85 foot area on the LFCZD property. LFCZD is open to the idea of a one-time fee as opposed to an annual fee for an easement to be presented in the form of a formal proposal. As part of the District's due diligence, Dell had requested Gibbs and Olson do a search on titles/easements for this property. They provided Dell with a map and description of the real property showing easements. The 20x85 foot area the District is interested in getting the easement on was found to have been deeded to LFCZD in 1984 and then in 1988 the owners came back and changed the deed to include both LFCZD and Beacon Hill. With this discovery, and the willingness of LFCZD and the Adventist Church to work with the District, Dell recommended and the Board agreed that the next step would be to start the survey work and confirm all easements before going any further.

Dell spoke with the pastor from the Adventist Church regarding our interest in the parcel of land and was told that their local board met and are recommending to the Oregon Adventist Conference to sell the property they own to the District at or below market value. The parcel is already encumbered and they have no use for that particular piece of property. Monte recommended and Dell agreed to contact LFCZD and the church to let them know our next step would be to get a survey and confirm all existing easements.

Item 5 – District Emails. Bonnie attended the WASWD New Commissioners Conference and one of the topics discussed was creating District email accounts for the Commissioners. Due to public disclosure demands, all emails between Commissioners and Staff would reside on the District's server as opposed to personal computers, tablets and cell phones. Dell agreed to set up District email accounts for any Commissioners who were interested. At this time Bonnie made a request for a District email account.

Item 6 – Wellness Program. Dell presented the Commissioners with the option to join the District's Wellness Program. He gave an overview of how the program started as well as past and present campaigns offered. Monte asked if they would have the option to select the campaigns they participate in and Dell said yes. The District encourages 100% participation in the campaigns but opting out would be an option. Dell will have Peggy add the Commissioners to the Wellness Program correspondence and they would then be able to select the campaigns and activities they would like to participate in. Monte recommended, Dean and Bonnie agreed, to authorize Dell to make all decisions for the Wellness Program as he sees fit.

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Item 7 –Employee Resignation. Brian Wilson submitted his resignation to Dell and the resignation was accepted. Tuesday, February 18, 2014 was his last official day with Beacon Hill. Dell is putting together an application packet for the replacement position. The position advertised will be for a Field Foreman position and will be advertised outside the District as well as encourage employees inside the District to apply. If an existing employee was hired for this position, the outside applicants could be used to fill the vacant field position if there were good candidates.

Item 8 – Resolution 459 – Sewer Mains within Easements on Private Property. This resolution would adopt policy, unless otherwise defined by an easement of record, making the District responsible for sewer mains within easements through private property only up to the point where there is a change in material type to a side sewer and the customer(s) with the side sewer will be responsible for their side of the sewer up to the same transition point, even if it is within the defined easement boundary. It was moved by Bonnie Decius, seconded by Dean Takko to approve Resolution 459. Motion carried.

Item 9 - Resolution 460 – Local Government Investment Pool (LGIP). In order to comply with recently amended WACs and to provide more clarity with how the LGIP operates, the LGIP is issuing an updated prospectus. This resolution acknowledges that the District has read and understands the prospectus. It was moved by Dean Takko, second by Bonnie Decius to approve Resolution 460. Motion carried.

Item 10 – Resolution 461 – District Boundary. This resolution is to meet County Elections Department requirements for Board approval of the proposed District boundary. It was moved by Dean Takko, second by Bonnie Decius to approve Resolution 461. Motion carried.

Item 11 – Potential Foreclosure – 1702 West Side Hwy. Dell reviewed the unpaid balance and the amount of time this account has been delinquent. The question was raised to either have the District proceed with the foreclosure or let the County take the lead on the foreclosure. The property has not been taken over by any bank and therefore Alan Engstrom recommended letting the County take the lead. He felt the valuation of the property was far in excess of the tax bill and what the District's lien would be when it goes to tax foreclosure. The risk appears to be very small. The property would continue to be charged interest on the unpaid balance. The Board agreed with this recommendation.

Confirmation of Lien Filings. The Board reviewed the monthly lien synopsis. It was moved by Dean Takko, seconded by Bonnie Decius, to approve the filing of liens 1532-1535. Motion carried.

Expenditures. 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 42.24.90, have been made available to the Board.

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As of this date, February 21, 2014, the Board, by unanimous vote, does approve those vouchers in the above lists and further described as follows: January claims in the amount of \$142,878.42; and February invoices in the amount of \$99,789.74, payroll for January. The January Visa statements were provided to the Board electronically prior to the meeting.

Other Business – Monthly Commissioner's Meeting Change. A motion was made to change the regularly scheduled Commissioner's meeting to the third Wednesday of each month at 5:15 pm, unless otherwise advertised. It was moved by Bonnie Decius, second by Dean Takko to approve Resolution 462 changing the meeting time to 5:15 p.m. on the third Wednesday of every month. Motion carried.

Other Business – Fisher's Lane. Dell followed up with the board with regards to what the District owned at the Fisher's Lane location. There are agreements from 1978, 1994 & 2002 as to who owns what part of the facility. Each month it is calculated based on usage, which is a percentage of cost associated with the District versus the City of Longview. We have our current usage costs year to date and life to date (LTD) over a 25-year period. We are currently at a 14.53% ownership in the building. The land is owned wholly by the City of Longview. At the time of demolition, the District will be responsible for its share of that cost as well as receive any revenue from the sale of any improvements and scrap metal sold based on the ownership percentage at that time. When the City of Longview rebuilds the intake facility, turning it into a Lake Sacajawea flushing pump station, the City's water facility will purchase Fisher's Lane and the revenue will be split between them and Beacon Hill according to the LTD share at the time. Monte would like to have Alan review what they base their opinion on with regards to the demolition costs. Alan commented that the demolition would more than likely increase the value of the land and that should also be considered when determining the District's cost of demolition.

Other Business – Update of SCADA System. Dell updated the Board regarding the SCADA system the District plans to purchase and implement in 2014. The City of Longview is currently implementing a SCADA system that is radio based. It was unclear if in the past the District was thinking about going in this direction with the City to share with the infrastructure. The radio based system does not seem to be a good solution for the District because of the terrain. In terms of cost it was about the same for the initial purchase but higher on the annual maintenance cost. Dell spoke with Mike Larson at the PUD and their system is very robust and expensive. Their annual fees are based on 10% of the installation cost of the system so they are paying around \$50,000 a year for maintenance of the system. For a complex electrical utility it made sense to go with this type of system. Mike Larson and Tim Johnson, also with the PUD, recommended a cellular based communications system for our District since the number of stations is small and in areas that cellular is readily accessible. As approved, Dell will go forward with the bidding process on the cellular system.

Other Business – Grandview Pump Station Project Update. Dell updated the board on the project. We are running into basalt in the roadway on the last 200' of the lower section based on the borings by the Geotech Engineer. The challenge is that the material would have to be blasted and this is not practical due to a residence in that location. There is a saw cut

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approach but it could be very expensive. Another option we have approached the county with is a possible deviation from their standard of the buried depth of our pipe. If we go with ductile iron pipe we could go with a minimum of two feet of cover over that. The county seemed to be open to that. If the board agrees, Dell will follow up with the county with a letter. From an engineering standpoint, ductile iron pipe will handle it fine. For the upper section of water main, we would like to have a 3" HDPE pipe bypass. This would allow the new water main to be constructed without worrying about breaking the brittle existing AC pipe. Also, if we use HDPE we can parallel the new main with the existing main and this would mean less pavement to be replaced than going with ductile iron pipe sections with multiple angled fittings. We can then demolish the existing pump station and reservoir and then hook up the new pipe. The duration of construction for that is a couple of months. We have some additional funding in the engineers proposal for surveying and other work. We would like to proceed with the additional surveying on the hillside where the existing pipe goes down. This would avoid any delays if there are road blocks from the county so we can go out to bid. There may be a need for additional funding for engineering costs.

Other Business – Water Quality Update. Dell, Bonnie and Monte attended the City of Longview's Water Quality Workshop. Amy Blaine and Melinda Freedman, from the City of Longview, gave a presentation on the water quality, the history of what they went through, from the flushing of the mains, customer outreach and the replacement of the old cast irons pipes in the Baltimore area. The graphs presented showed the trend in how the water quality has improved. They also looked at increasing the chlorine levels to keep the iron and magnesium from going out of solution and showing up at the customer's faucets. They discussed using a liquid oxygenation of the water system that would help the chlorine perform better. The District's focus would be what the chlorine levels would be at the point of delivery. Dell mentioned that we had added a chlorine booster at Ostrander which is working really well. Since the City of Longview has boosted the chlorine levels, the District will continue to test and monitor the levels to see what those levels are in the outlying areas. Based on some of the tests so far it is looking pretty good. We will wait to see how their adjusted chlorine levels are affecting our area. One of the most noticeable changes to the water is the spotting which is not due to a hardness issue but due to a higher level of silica in the ground water versus the surface water.

Other Business – Alan Engstrom's Group Insurance Participation Request. Alan Engstrom asked the Board's permission to see if he and his spouse could qualify to be on the District's group coverage. He would pay the full premium. Monte was concerned about increased exposure and Dell added that the insurance pool looks at how many members filed high claims as part of determining their rates. Monte felt that the District would have to do a resolution outlining the criteria of the coverage and include a sunset on it. The Board agreed to allow Alan to call and discuss this with our group insurance representative. This discussion would continue at a later date based on the outcome of Alan's conversation with the District's insurance representative.

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Other Business – Recommendation of Vacancy Program for Properties going into Foreclosure. Alan discussed a request from one of the banks regarding foreclosures. They wanted to know if they paid off the lien amount could they then go on vacancy credit. If we don't allow them to go on the vacancy program, Alan would like the District to consider giving them an option to go on vacancy for perhaps a set period of time, such as 8 months to complete the foreclosure process. There have also been issues with who to serve when there are multiple banks involved in the foreclosure process. The paper trail is not easily followed as to where to serve the papers. Alan recommended that Dean work with other Districts to see if they are having similar issues. Perhaps there could be a legislative fix so we can serve process like the County Treasurer does with their tax foreclosures.

The next meeting was scheduled for Wednesday, March 19, 2014 at 5:15 p.m. There being no further business, the Board adjourned at 7:10 p.m.

Monte J. Roden, President

Dean A. Takko, Secretary

Bonnie L. Decius, Commissioner