

**Beacon Hill Water and Sewer District
Commissioners' Meeting Minutes
Wednesday, April 16, 2014**

Commissioner Roden called the meeting to order at 5:17 pm on Wednesday, April 16, 2014 at the District office at 1121 West Side Highway in Kelso, Washington. Those in attendance were:

Commissioners Monte Roden and Dean Takko
Commissioner Bonnie Decius via teleconference
Dell Hillger, General Manager
Alan Engstrom, Legal Counsel
Debbie, Finance Administrator
Audience: Tom Herold

It was moved by Dean Takko and seconded by Monte Roden to approve the minutes of the March 19, 2014 meeting. Motion carried.

The Board welcomed Thomas Herold to the meeting. Mr. Herold attended the meeting as a representative for Sharon Laulainen. Ms. Laulainen sent letters to the Board (see Tab 4) requesting the latest information on water availability at Cedar Gates and consideration to divert a water connection from her parcel W11702025 to her parcel W110813001. Monte stated that it is always the District's position to give service where ever and whenever it can and not to stifle any growth. With that said, there are certain limitations for the District's water system in this area. Water availability has been an ongoing issue with Ms. Laulainen before the District had taken over the water system from the PUD. Approximately five years prior, the District was working on an extensive capital program to enhance the system. At present, it is unclear if this area fell under the District's immediate plan.

The District will review what is available along with any arrangements that may have been made in the past regarding connections. This will be an extensive review of what the system will be able to sustain while not affecting the District's position with other land and development in the area.

Dell stated that the design and capacity for the existing lots, without subdividing, are adequate based on the study that the District has. This is the area where the moratorium restriction was placed so that if a 16 or 20-acre lot was subdivided into eight or more lots, added connections would not be available because it would increase the demand for water greater than what the system was designed for. The water system plan talks about making improvements to increase capacity for further development. The study estimated the cost up to \$3,000,000 in order to increase the capacity to expand additional lots. Typically, expansion is developer driven and with this in mind, the PUD approached the issue with developers sharing some of those costs.

Mr. Herold stated that when Ms. Laulainen ran the water line back on Strawberry Lane along with the fire hydrant, the PUD gave her the intent that she was good to go on the second phase of her development. With this said, Mr. Herold felt the District should honor this intent. Dell mentioned to Mr. Herold that the parcel Ms. Laulainen wants to divert her water connection to is outside the District's boundary. Ms. Laulainen has requested multiple connections in the past but her current request is for one connection. Mr. Herold said that he is currently being serviced by the District outside the District's boundary. The District agrees that Ms. Laulainen

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has one service connection available. Mr. Herold said that, with his understanding with the PUD, he was able to have water hook ups for each of his four or five subdivided lots. They were subdivided before 2004 so Mr. Herold's connections are allowed as well as Ms. Laulainen's one connection. Mr. Herold was initially under the impression Ms. Laulainen was requesting more than one connection.

Dean let Mr. Herold know that the District would continue the 2004 policy the PUD had established regarding new hook ups. Mr. Herold asked the District to consider giving Ms. Laulainen two diverted water hook ups with further lot development utilizing wells for water supply. Monte said that there would not be an immediate answer regarding these connections. In the end, Mr. Herold said Ms. Laulainen would like to have a four-lot subdivision of one acre each outside the District's boundary. The Board agreed to follow up with Ms. Laulainen in three months or sooner with an update or decision regarding the diversion of the water connection. Alan requested that Mr. Herold have Ms. Laulainen confirm that the county does recognize these as two legal lots and then let Dell know. Mr. Herold thanked the Board and left.

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 – Projects Update – Curtis Drive. Dell gave an update on the two bidders for the Curtis Drive project, Brookhart Excavation and PR Worth. PR Worth's bid was \$165,352.00 and Brookhart Excavation was the low bidder at \$129,302.00. George Richmond from Richmond Engineering was concerned about the gap between the two bidders. George contacted Jay Brookhart to see if he wanted to back out of the bid due to the gap in bids. Jay replied that he had really worked on his numbers and is comfortable with his bid and would like to proceed. Monte asked if Brookhart Excavation had a history in water works. Dell said yes and that they had done a number of small projects for the District and had been good to work with. Curtis Drive is not a very big project, consisting of approximately 130 feet of water main, pressure reducing valve, a meter and double check valve installation and some service connections. Based on the information Dell was able to ascertain, it appears that Brookhart Excavation should be quite capable of doing this work. One of the challenges of this project is going to be how we schedule the work and making sure we keep our customers in service. Dell will be meeting with one of the customers, as the project requires cutting thru their driveway. Dell's understanding is that the Board preferred to work with the customer on the best solution to restore the driveways to the customer's satisfaction. Dell has another meeting schedule with the customer to discuss and work out the plan in more detail. This will be a 60-day project. It was moved by Dean Takko and seconded by Monte Roden to accept the bid from Brookhart Excavation LLC for \$129,302. Motion carried.

Item 2 – COSA – Utility Rate Study. The District wants to make sure our rates and rate structure is analyzed. The FCS Group is a consulting group that has performed this service for the PUD in the past and is well known in the region for their expertise in rates and rate structures. The FCS Group submitted a Statement of Qualification to be added to our Small Works Consultant Roster. Dell will go thru the consultant selection process the District uses to determine who would be the best selection to do this study. Dell talked to Scott Lester with the

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FCS Group to get an idea what the cost range would be. Without going into detail of what the District would want, these studies range from \$15,000 to \$35,000. Once we make a selection we would sit down and decide what we wanted the study to entail and get a proposal with an estimate of cost. The District is in a good financial position to do this study this year. Dell's timing would be to present his selection to the Board at the May Board meeting, start the study in June and into the summer months and present the findings. If rate changes were necessary, they would be targeted for January 1, 2015. Monte asked if we would be looking at sewer rates as well. Dell's goal is to have a combined analysis of both water and sewer rates. We are looking for a rate that is understandable to the customer. Alternatives talked about were flat rates that do not include consumption, charge consumption from one unit to how many units the customer uses or retain the 500 cubic feet in the base rate but get away from the complex formula. Whatever rate structure is decided on will need to maintain the revenue the District needs for operations and capital improvements.

Item 3 – New Field Foreman. Dell summarized the interview and selection process in hiring the new Field Foreman. From the applicants interviewed, Rick Bartel is being recommended for this position. Upon Board approval, Mr. Bartel's starting wage would be at 115% of the Field Maintenance I plus a 5% Field Foreman Annual Premium, which is equal to \$71,652 annually. It is also being requested that the District make available to Mr. Bartel upon his hire date, six days of vacation to be used at his discretion upon management approval and the remaining six days upon completion of his first six months of employment. The Board discussed and agreed to make six days of vacation available to Mr. Bartel at the time of hire and the remaining six days available after his six-month anniversary date. This is a full time position with full benefits. It was moved by Dean Takko to offer employment to Rick Bartel for the new Field Foreman position, second by Monte Roden. Motion carried.

Item 4 – Strawberry Lane Moratorium – Customer Letters. See audience participation. Sharon Laulainen referred to the December 2005 Board Meeting where it said the Cedar Gates Reservoir improvements would be made by 2008. Dell confirmed this was the only place he could find this reference. Dean suggested to Mr. Herold that he could look into a Local Improvement District (LID) which would benefit that area. Monte did not see how it would benefit our existing ratepayers by spending any money to look into that. Dell mentioned another option that was previously discussed to add another reservoir next to the Cedar Gates Reservoir to improve capacity to the existing service area. The cost would be substantially lower at approximately \$500,000 versus \$3,000,000. The Department of Health's approval of our water system plan says per RCW, "The service area identified in the water system plan service area map may now represent an expanded place of use for the system water rights. Changes in service area should be made through a water system plan amendment. This system has a duty to provide new water service within its retail service area. This water system plan includes service policies to describe how the system plans to provide new service within its retail service area." The District's water system plan defines the retail service area and how it plans to service those customers. If we want to go outside of that, we have to do an amendment to our existing water system plan. Per Alan, to the extent that we go outside the District's retail service area, we would have a duty to serve everyone in the increased area. You would not amend the water

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system plan for one or two lot owners unless they own 500 or more acres apiece. The cost of doing that with the studies you have to put together is quite high in and of itself. Dell looked for direction from the Board as to what he should look into regarding this issue. The property they want to develop is outside our retail area so it may be as simple as that. Monte and Dean agreed the District is not willing to change the current position in place. In the past, the PUD had been consistent in not making any changes to the policy as well. The PUD was not looking at the area within our retail service area but in terms of one service connection per existing lot and according to a letter from the PUD General Manager, Brian Skeahan, they were already allowing one service connection for Ms. Laulainen on that particular 16 acre lot even though it turns out to be outside the retail service area.

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.

As of this date, April 16, 2014, the Board, by unanimous vote, does approve those vouchers in the above lists and further described as follows: March 2014 claims in the amount of \$99,332.37; and April 2014 claims to date in the amount of \$103,768.74 and payroll for March. The March Visa statements were provided to the Board electronically prior to the meeting.

Other Business – 137 Lexington Avenue. Donna Navarrete of 137 Lexington Avenue had planned to attend the Board meeting but did not show up. She was on final notice in August of 2013, locked off for nonpayment in September 2013 and a lien filed in October 2013. On October 24, 2013 her account went into extended payment arrangements with a written and signed promise to pay the current monthly charges plus \$50 on the 3rd of each month, keeping the lien on the property until the account balance and lien were paid in full, with the water unlocked. The water was locked off March 5, 2014 due to missed extended payment arrangements. On April 9, 2014 Donna Navarrete called to advise the District that it was illegal to lien her property while she was incarcerated. She wants the water turned back on to avoid the house being condemned. The District's staff recommended she contact the Board of Commissioners to request special consideration. On April 11, 2014, two individuals came by the District, said they were moving in with Ms. Navarrete to help her out, and wanted to make payment arrangements. It was explained, that due to extended payment arrangements not being honored in the past, the District was unable to extend payment arrangements now. They had a partial payment of \$260 and were going to contact FISH and their church for pledges to make up the remaining amount owed. The utility charges are \$204.85, (including current charges of \$80) due 04/25/14 and a lien of \$197.46 for a total of \$402.31 owed. Alan was unable to find any law that prohibited the District from filing a lien against a property whose owner was incarcerated. At the time the lien was filed and payment arrangements made, it did not coincide with the time Ms. Navarrete said she was incarcerated. Dean called the OPR, which is a non-partisan staff of the judiciary committee and they were unable to find any law to this effect as well. Dean suggested Ms. Navarrete provide the RCW that states such a law. Ms. Navarrete also commented that she had disabilities, one being a hip replacement. When asked if she would be

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able to climb the stairs to attend the meeting, she said that would not be a problem. The Board agreed that no further considerations will be given in this matter and the account balance including lien fees and lien interest will need to be paid in full to have the water turned back on.

Other Business – Hillside Pump Replacement. The Hillside pump has been replaced and is up and running. Monte inquired as to what we did with the pump that was replaced and Dell said it will be scrapped.

Other Business – Open & Transparent Government Training Act. Dell emailed and spoke to the Board regarding the required Open & Transparent Government Best Practices training for elected officials and financial officers. There is a May 7, 2014 class at the Longview Library that Debbie has registered for. Other class locations and Webinars are being offered to facilitate the required training.

Other Business – Spring WASWD Conference. Monte inquired of Dean how the WASWD conference went. Dean felt it was worth his time. They had some good programs and he was an impromptu speaker a couple of times. Many legislative issues were discussed. The issue Dean brought up regarding the vacancy issue at mobile home parks was interesting. Randy Black who is the manager of Lakewood Water District is part of a Washington utility group with about 170 members. They have been in contact with Senator Roach about their ideas. It does not appear there is an easy solution regarding this issue. Dean turned it over to the Washington utility group, requesting they get back with him when they have made some progress.

Other Business – Scholarship Program. About eight years ago, Monte had talked about the commissioners funding a District scholarship program and would like to revisit this idea. Monte's idea was to offer a scholarship centered on high school seniors in our service territory for further education. The scholarship could be funded by the commissioners, placed in a tax-free fund and awarded annually. The District could advertise it in the newsletter and not go through any particular school. Dean has also been involved in scholarship funds. The ones Dean has been involved in go through Lower Columbia College (LCC). LCC has various scholarship funds targeted to specific fields of study for students going to LCC. The individuals funding the scholarship would set the criteria as to whom and how individuals qualify for the scholarship. The school would be responsible for awarding the scholarship. Dean also suggested the employees might want to contribute to the fund. Monte did not want to put any of the responsibility on the staff but would not be opposed to voluntary contributions from them. Bonnie was interested in exploring this idea as well.

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The next meeting was scheduled for Wednesday, May 21, 2014 at 5:15 p.m. There being no further business, the Board adjourned at 7:00 p.m.

Monte J. Roden, President

Dean A. Takko, Secretary

Bonnie L. Decius, Commissioner