

**Beacon Hill Water and Sewer District
Commissioners' Meeting Minutes
Wednesday, September 24, 2014**

Commissioner Roden called the meeting to order at 5:20 pm on Wednesday, September 24, 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

It was moved by Commissioner Takko and seconded by Commissioner Decius to approve the minutes of the August 20, 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 Comments: Water quality concerns at 105 Inglewood Drive –
The Board reviewed the customer's written correspondence to the District regarding water quality concerns along with the Dell's written response.

The Board members and the District have experienced more customer comments regarding the water quality since the City of Longview announced the study of alternative water sources and the costs associated with them. Commissioner Roden believes there would be benefits to having the Department of Health audit the Mint Farm Regional Water Treatment Plant and provide their opinion on where The City of Longview is at and what they are doing. The City of Longview will be sending out questionnaires to sample the population as to how much more they would be willing to pay for an alternative water source.

Item 2 – Project Update – Dell presented the bid results for the Monticello/Sunset/Lone Oak Waterline Improvements and SCADA System projects. Three bids were received for each project. The low bids were from Parker Excavation and Correct Equipment respectively. Dell recommended that the Board award both projects.

It was moved by Commissioner Takko to award the bid for the Monticello/Sunset/Lone Oak Waterline Improvements project to Parker Excavation in the amount of \$171,244.00, second by Commissioner Decius. Motion Carried.

It was moved by Commissioner Takko to award the bid for the SCADA System project to Correct Equipment in the amount of \$84,555.76 plus tax, second by Commissioner Decius. Motion carried.

Dell updated the Board on the District's request for reimbursement of project costs from our STAG Grant submitted in the amount of \$91,235.87. The remaining funds available to draw are \$3,181.75.

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Crestline Place small works project has been delayed until the spring of 2015 due to time constraints in getting the survey, design and bid process done before the wet weather arrives.

Item 3 – Water System Plan Amendment – Dell reviewed the need for an amendment in the Water System Plan. The requested amendments would be to:

- add the projects to the CIP section of the plan that were omitted in this section but identified in the plan,
- add Hillside Pump Station reconstruction,
- add Skyline Reservoir and Pump Station construction,
- reorder the priority of the CIP's.

These amendments will have a direct effect on the District's rate study with the addition of Hillside Pump Station reconstruction and Skyline Reservoir and Pump Station Construction CIP's.

Dell sent a letter to the Department of Health stating the changes and justification for these amendments. A reply was received from the Department of Health accepting these changes with the caveat that the Board adopts them through a resolution.

Dell recommends the Board adopt the Water System Plan Amendments as stated in Resolution 465.

It was moved by Commissioner Decius to pass resolution 465, second by Commissioner Takko. Motion carried.

Item 4 – Facility Improvements – This item was moved to executive session.

Item 5 – Grandview Permitting Process and Consultant Fee Increase Request – On August 14, 2014 Dell and Commissioner Takko met with Cowlitz County Commissioner Dennis Weber to discuss their concerns with the permitting process on the Grandview Reservoir Replacement project. Commissioner Weber responded to the District in a letter dated August 26, 2014, mapping out the time lines of the District's requests and the response from Building and Planning to these requests.

To avoid these types of delays in the future, Commissioner Weber recommended the District meet with Building and Planning to review future capital improvement projects to map out the permitting process. Going forward, this would help the District avoid permitting delays like the one experienced with the Grandview Reservoir Replacement.

Due to the additional time and effort Richmond Engineering put into obtaining the required permits for the Grandview Reservoir Replacement, they are requesting a fee increase in the amount of \$21,090.00. Dell deems this amount to be reasonable given the time and effort on their part to get through the permitting process.

It was moved by Commissioner Decius to approve a fee increase to Richmond Engineering in the amount of \$21,090.00, second by Commissioner Takko. Motion carried.

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Confirmation of Lien Filings. The Board reviewed the monthly lien synopsis. It was moved by Commissioner Takko, seconded by Commissioner Decius, to approve the filing of liens 1554 through 1557. 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.

As of this date, September 24, 2014, the Board, by unanimous vote, does approve those vouchers in the above lists and further described as follows: 2014 claims submitted after August 20, 2014 for \$45,265.05; and September 2014 claims to date in the amount of \$270,705.97 and payroll for August and September to date. The August Visa statements were provided to the Board electronically prior to the meeting.

Other Business – Newsletter. Dell presented a draft of the winter 2014-15 Newsletter to the Board and reviewed the content. The Board will take the next week or two for additional review and possible revisions before going out to print.

Other Business – Rate Study Update. Dell presented to the Board preliminary data on the FCS Group rate study as well as comparative rates to other local water utilities. The two preliminary rate increases from the rate study are as follows:

Option One: If the District were to include in the rate study all of the capital improvement projects listed in the Sewer and Water plans, the following rate increase would be necessary:

- Sewer - No Rate Increases
- Water - 7.25% for the first four years
- 6.50% in the fifth year
- 4.75% annually in subsequent years through 2030

Option Two: If the District were to acquire an additional \$1,300,000 in debt service, the following rate increases would be necessary:

- Sewer - No Rate Increases
- Water – 7% for the first year
- 6% annually in subsequent years through 2030

Our current policy is for automatic annual rate increases based on the Portland CPI. This policy was adopted on January 7, 2009 through Resolution 415.

The final FCS Group rate study will be available and presented to the Board at the October Board meeting for further discussion.

Other Business – Meter Replacement to AMI System. The District manually reads all of its meters each month at a cost of around \$36,000 a year. An Automatic Metering

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Infrastructure (AMI) system would eliminate the need for a meter reader. The AMI ties into a fixed network using several radio locations that receive the signal from the meters. The staff would be able to solicit reads on any day and time of the month as well as audit individual accounts for usage. The cost to implement this type of system would be around \$1,000,000, \$800,000 for meter replacement and \$200,000 for the fixed network. Implementation of this type of system would be over a five-year period with about 32% of the meter costs coming from maintenance and operations. The cost of an AMI system will be included in the rate study. Another option available is the Automatic Meter Reading system. This system allows the reader to gather data by driving by the meter.

Other Business – 2012/2013 Audit. Commissioner Roden discussed the purpose of the audit entrance meeting scheduled for Friday, September 26 at 8:00 a.m. Those attending the meeting from the District will be Commissioner Roden, Dell and Debbie.

Other Business – Resolution No. 466 – Adopting Change Funds and Dissolving the Petty Cash Fund. During the current State Audit, it was found that the District did not have a resolution in place to establish the change funds. Also, with the implementation of District credit cards to key personnel for the purchases of approved small expenditures, the petty cash fund is no longer being utilized. Resolution No. 466 would establish change funds and dissolve the petty cash fund.

After discussion, it was moved by Dean Takko, seconded by Bonnie Decius to approve Resolution No. 466 adopting the change funds and dissolving the petty cash fund. Motion carried.

Other Business – TextPower. Dell presented to the Board an option for communicating with our customers through text messaging called TextPower. This service would allow the District to text our customers for issues such as emergencies; past due accounts and lock offs. The message would be created by the District then sent to TextPower and they would send it out to the District's customers through their text messaging service. The cost for this service is a one-time set up fee of \$1,000 and then \$250 per month for up to 1,500 texts with additional texts costing .01 to .04 cents each. Alan commented on the need to get the customers permission to use their cell phone numbers as the District would be providing them to a third party for this service. After discussing, the Board felt there is value in other ways to communicate with our customers but did have the same concerns regarding permissions. Dell will follow up with the provider of this service regarding this concern.

Other Business – Personnel Requests. We have an employee that needs to be out for medical reasons in October. The length of time they will be out is unknown at this time. Dell would like to look into a temporary hire to help support the field crew while this employee is out. Alan and Dell discussed using a personnel services contract for this temporary position. Dell also contacted contractors with employees that have utility experience to find out if they would have an interest in contracting them out, so there could be some possibilities there. Another need in the near future would be to add a Field Maintenance 3 position. This would be in preparation for succession planning of potential retirees in the next five to seven years. The cost of this

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position with benefits is around \$80,000 annually. This position would eliminate the need for summer help. In the past, it was discussed to include the meter reading in this position, which would eliminate the need for an outside service to perform this task. Commissioner Roden would like to see a cost and hours analysis of this position combining the meter reader and summer help positions. Dell will put those numbers together for the next Board meeting in October.

Executive Session - The Board moved to Executive Session at 7:28 p.m. to discuss Real Estate Purchases. The Board returned at 7:35 with no action taken.

Other Business – Real Estate Purchases. Commissioner Takko made a motion to conclude negotiation and transfer of the Real Estate purchase for the Harrison property at 1111 West Side Hwy and portions of adjacent acreage from the Seventh Adventist Church, second by Commissioner Decius. Motion carried

The next meeting will be a special meeting and scheduled for Wednesday, October 22, 2014 at 5:15 p.m. There being no further business, the Board adjourned at 7:40 p.m.

Monte J. Roden, President

Dean A. Takko, Secretary

Bonnie L. Decius, Commissioner