

**Beacon Hill Water and Sewer District  
Commissioners' Meeting Minutes  
Wednesday, October 21, 2015**

Commissioner Roden called the meeting to order at 5:18 pm on Wednesday, October 21, 2015 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 Council  
Debbie, Finance Administrator  
Audience: Keath Huff  
Jeff Cameron, City of Longview

It was moved by Commissioner Takko and seconded by Commissioner Decius to approve the minutes of the September 15, 2015 meeting. Motion carried.

The Board welcomed Keath Huff and Jeff Cameron to the meeting. Mr. Huff attended the meeting as an observer and Mr. Cameron attended to answer any questions the Board may have regarding the formation of the Three Rivers Regional Wastewater Authority (TRRWA) Joint Municipal Utility Services Agreement (JMUSA).

**Items 1 – TRRWA – JMUSA Formation Agreement** – In the Board packed, Dell provided the Board with the 12<sup>th</sup> draft of the TRRWA Joint Municipal Utility Services Agreement (JMUSA), TRRWA Board of Directors Bylaws and TRRWA Operating Board Bylaws.

Mr. Cameron explained to the Board that the initial bylaws will be adopted at the same time as the formation of the JMUSA and be included as exhibits. Each Board can then modify their bylaws later as they desire. The chairperson for each Board will be rotating annually as they currently do. Starting in 2016 it is recommended that Beacon Hill Water and Sewer District (BHWSO) provide the chairperson for the Board of Directors and the City of Kelso for the Operating Board. This would eliminate one entity holding both positions in the same year. Mr. Cameron said the Operating Board would meet frequently throughout the year to run the business as well as develop and adopt the budget. The Board of Directors would meet at least twice a year, once in the summer to give budget parameters to the Operating Board and again in November or December to ratify the budget that the Operating Board developed. They can also meet more frequently at their discretion.

Mr. Cameron also mentioned, as discussed with the Longview City Council on October 20, 2016, that once this agreement is approved, it can be modified by the Board of Directors and becomes a standalone principality of the State. Commissioner Takko commented that this will work as long as all the members are in agreement. Mr. Cameron said he believes all members have the same goals, which are to treat sewage, comply with regulations and do it at a reasonable cost. In the agreement, he brought to the BHWSO Board's attention the addition of section 5.5.1 Board of Directors Majority and M&O Component Voting. Certain actions by the Board of Directors require a majority vote of the Board of Directors and approval by Directors representing Members paying more than 50 percent of the M&O Component, which is currently the City of Longview. This was done in order to protect the City of Longview since they are the

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majority of the funding. Also, the City of Longview must acquire two additional votes in order to push something through.

Commissioner Roden expressed his concern regarding the current water issues and Beacon Hill Water and Sewer District's voice as merely input. He stated that our ratepayers would expect us to protect their best interests, and he struggles with our Board's lack of a vote in Longview's decisions regarding the direction of the water source.. With that said, he did agree with Mr. Cameron that the District would be aligned with the other members in the JMUSA agreement on most of the issues.

Commissioner Takko inquired as to when the deadline was to have the agreements signed. Mr. Cameron said the desire would be to have the new authority effective January 1, 2016. All members are scheduled to meet in the near future and have this on their agenda to consider. It appears that everyone is on track to meet this deadline.

The Formation Agreement ratifies all prior actions of the current Board. When they adopt a budget this year, adoption of this agreement will ratify that budget, water rates, policies, resolutions, inter-local agreements that obligate the payment of the debt service, and so on, becoming effective January 1, 2016 under the new authority. Then, those two Boards can start modifications as needed. The only agreements that supersede the JMUSA are the prior formation agreements that created the TRRWA.

Mr. Engstrom stated that he had gone over the agreement several times and had a few questions and observations as follows:

**TRRWA JMUSA**

- *Section 5.6.2(d) Operating Board Powers and Duties, page 9*, Mr. Engstrom asked Mr. Cameron why the Operating Board designates the clerk of the Board instead of the Board of Directors. Mr. Cameron said their thinking was that the Board of Directors delegates that activity to the Operating Board and that the Operating Board has the same clerk maintaining it for both Boards. A lot of this centered on whether the Board of Directors needed a secretary to keep minutes and such and concluded that the Operating Board is going to need this on a monthly basis and why not have that same person serve the Board of Directors. Mr. Engstrom then recommended that the wording be amended to designate the clerk of the Operating Board to also be the clerk of the Board of Directors. Mr. Cameron said their intention was to have the Operating Board decide that and not put it into the formation agreement because it may not be the same person, and Mr. Engstrom was in agreement with that.
- *Section 6.1 Member Capacity, page 10*, states that "Capacity will be available on a 'first come, first served' basis". Mr. Engstrom would like to have additional language to include discharging member's customers comply with the Operating Board's pretreatment requirements prior to the first come, first served basis. Mr. Cameron said that those pretreatment requirements are either those adopted by resolution or by the discharge permit issued to the customer. This section originated from the members not wanting debt service or annual payments to purchase capacity that is reserved to them. The issue about loading was not thought about until recently when they started to get some high strength

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dischargers. In his perspective, we would be better off leaving it to the Boards to establish those requirements rather than put them in the formation agreement.

- There is a concern with the Board of Director's timely ratification of the budget. Mr. Cameron said they normally adopt the budget in November effective in January of the following year. The Board of Directors meet in early December, and he feels the process is adequate.
- *Section 12.3.2 Disposition of Assets on Termination, page 17*, deals with how much a member will be reimbursed if they terminate their agreement and one of the other members buys out their interest. As stated in this agreement, "Each member's interest will be equal to its proportionate share of payment over the then previous 12 calendar months..." Mr. Engstrom said that even though it does not fluctuate much over a longer period, there could be more sizeable fluctuations if you are just using 12 months. Due to the length of time the TRRWA has been in existence, Mr. Engstrom previously proposed that the reimbursement formula be based on the previous 60 calendar months. This proposal did not get much traction and he was wondering why. Mr. Cameron stated that at the dissolution, the idea is they reimburse the others based on the member's proportionate use of the plant at that time, not on any previously purchased equity or anything like that. Mr. Engstrom commented that in this sense you may be benefiting the member who has the least control over their infiltration and inflow (I&I) using a 12 month formula. It was the consensus of our Board, and Mr. Cameron was in agreement, to take back to the TRRWA members for review, the rain fall patterns over a three and five year period. This information would then be used in consideration to change from 12 calendar months to 36 or 60 calendar months.
- *Section 9.3 Revenue Obligations, page 14*. Mr. Engstrom pointed out that the language is saying that Beacon Hill Water and Sewer District has to contribute its percentage share of capital component charges even if it is not collecting revenue from its customers because its sewer treatment plant isn't operating. He thought this is something that was imposed upon us by the bond covenants and there would not be much we could do to change this. There is a similar issue in *Section 9.7 Member's Rates and Sources of Payment, page 15*, with the reference to contract resource obligations and establishing primacy. This means that should we have bonds, we have to be alert to the fact that TRRWA bond obligations are a priority ahead of any entities individual bond obligations. This does not appear to have been an issue with any of the members.

**Operating Board Bylaws**

- *Section 2.1, Powers, page 1*, gives the Operating Board the authority to lend money. Mr. Engstrom asked if they need that authority and what is an example of a circumstance where TRRWA would need or want to lend money. Mr. Cameron has been on the Board since 2000 and has never lent money. One circumstance that came to mind is that the current budget is going to impact the City of Kelso pretty strongly if we hold rigidly to the cost allocation formula. So maybe there is a situation where there may be a modification to the cost allocation formula for a year or two to mitigate an instant impact on a member's revenues. It would have

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to be part of the budget process in order to lend the money if it is not already in the budget. It would call for a special meeting with a majority and 50 percent in agreement. Mr. Cameron would like to leave the flexibility in as was the consensus of our Board.

**Item 2 – Water Study – Wells and D.O. Testing** – Dell reviewed the information in the Board packet regarding the water quality study and drilling wells for testing in the Lexington area. Once the testing is complete, Dell would like to request using these wells at the District for emergency water backup. Mr. Cameron said the City of Longview will consider this as they drill the wells. There are challenges with this as the wells are planned to go down sixty feet and will only be pulling shallow ground water. The specifications call for a 10 or 12 inch casing so they will consider using 12 inch with wire screen and a higher grade of stainless steel since it will be in the ground over a longer period of time. There are also issues with water rights and transmission. They will test pump them at 500 gallons per minute but no one knows at this point what the wells will actually be capable of. As an emergency resource it may be a viable option. Dell has not pursued water rights at this point. Mr. Cameron said that at the time the City of Longview applied for water rights at the Mint Farm there were six applicants ahead of them. The City had to process them in order to get to theirs, which was around a ten-month process. Since then, the process has changed with respect to having to pay for everyone else. The District would have to demonstrate that its water right would not adversely affect anyone else's ahead of them. The process may be different for getting an emergency water right. The consensus of the Board was in favor of pursuing this once the City of Longview drills the wells. Mr. Engstrom advised the Board to start the process sooner due to Amy Blain, the Civil Engineer for the City of Longview, offering incentives to the landowners to drill the wells on their property.

Ms. Blain is also working on a pilot program to install aeration units for a dissolved oxygen (DO) trial on the customer's side of the meter on their private lines. This would satisfy the Customer Advisory Committee's (CAC) single premise solution. If this is a positive pilot study, they could offer ownership of the pilots to the customer as opposed to the cost of removing it. There is a potential for the pilot customer's consumption to go up three to five times during aeration use so there may be a need for some kind of offset on the customer's bill. Most of the systems being looked at work on a timer. Each customer use will vary. Dell asked Mr. Cameron if they could be installed at the plant if this works. Mr. Cameron said one of the solutions the CAC rejected was premise improvements even though this type of solution would work better at the plant level. Dell commented to the Board that the CAC is just that, an advisory committee. The City of Longview could ultimately, with the District's input, make a final decision as to whether we will pursue an alternative water source. We could go through these exercises and the City could still say, due to other customer response, it is too expensive and we are going to stay with the Mint Farm.

Mr. Cameron commented on the City of Longview hiring Confluence to do a DO study and other things. The DO has achieved good results on their bench testing at the filter plant. They balanced two of the premise type devices on the plumbing at the filter plant. They have gotten one of them to work well and the other one not so well. So they have narrowed it down to which device they will be putting in the homes. The flow-through devices are working well at the treatment plant.

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They are now working on the coagulant and hydrogen peroxide to deal with the organic nitrogen. They were doing their bench testing and at this time not finding organic nitrogen in the raw water. Previously, when they did their chlorine decay test because of the chlorine taste and odor complaints, the samples showed even after ten days they had not fully oxidized the organic nitrogen so the free and total chlorine was the same. As they are setting up to do these pilots now, the bench tests are fully oxidizing in two hours. Something has changed in the aquifer so that the organic nitrogen is not an issue at the present time. They will now test to see if it is well specific or the entire aquifer.

The City of Longview opened bids recently for the post chlorination system. Right now they chlorinate the raw water and it runs through the whole treatment process. There have been some challenges keeping it flat lined. The cost was estimated at \$120,000 and the low bid came in at \$106,000 from J.H. Kelly. It should be installed by the end of January 2016.

The CAC set an eight month deadline to get feasibility results for the Ranney well collector, which will probably not be met. There has been some resistance from the property owners in obtaining some of the property rights. Permitting has also been a bit more challenging. The test wells were initially scheduled to be drilled in November and now it looks like it will be December.

The Lake Sacajawea flushing project doesn't directly affect the District but Mr. Cameron shared an update. They have been trying for two and a half years to get a permit to modify the Fisher Lane intake structure and have finally reached an agreement and issued their revised biological opinion at the end of August. It has been in the US Army Corps of Engineers' hands since then, and we are hoping to have the permit by November to start the flushing at Lake Sacajawea. They could then finish the design and hit the fish window in August of 2016, which is the only month the City of Longview can work in the Cowlitz River.

The Board thanked Mr. Cameron for attending as well as his input and he then left.

**Item 3 – Project Updates**

- Fence Project – In continuing the District's facility improvements, Dell presented to the Board the bids for the perimeter fence, gate and gate controller. After some discussion with the contractor Dell may need to change the controller from a 9150 to a 9000 which is a little bit more robust with a better track record. The difference in cost would add a few hundred dollars. The bids were sent out to five or six contractors with only two responding.

After a brief discussion by the Board, it was moved by Commissioner Takko, seconded by Commissioner Decius to accept the bid from NW Building and Development for the District's fence project, subject to reference checks, for the amount of \$50,246.36. Motion carried.

- Grandview Pump Station – Dell let the Board know that this project has been completed, including the final checklist items. Richmond Engineering recommends acceptance of the project.

It was moved by Dean Takko, seconded by Bonnie Decius to accept the completion of the Grandview Pump Station project in the amount of \$610,967.28, including sales tax and retainage. Motion carried.

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**Item 4 – Hiring of New Field Maintenance Employee** – Dell explained the process used in evaluating the applicants for this entry level Field Maintenance III position. There were four candidates invited for a formal interview and additional testing. After the process was complete the person chosen for this position was Steven Klopp. He can start on November 18, 2015, and then after completing six months of employment, he would have a performance review. Also, within this six month period he will be required to obtain his CDL license. Dell asked the Board to approve the hiring of Steven Klopp to fill the Field Maintenance III position.

By consensus, the Board approved Dell to make an offer to Steven Klopp for the Field Maintenance III position at the entry level.

**Item 5 – Donation of Leave Time** – The District allows an employee to donate sick leave to other employees with specific guidelines and limitations. With the limitation on the amount of sick time that can be donated, an employee asked if they could donate vacation or comp time.

After a brief discussion the Board, by consensus, agreed to allow employees to donate comp time only. No change will be made to the District's policies.

**Item 6 – Billing and Financial Software Upgrades** – Dell gave the Board an update on the software upgrade and staff training over the last couple of months. One area that was overlooked in the original quote was the inventory module. This is an important component in managing the District's assets. Dell would like the Boards approval to add the inventory module as part of the software upgrade.

After a brief discussion, it was moved by Commissioner Takko, seconded by Commissioner Decius to approve the proposal from Harris Computer for inventory implementation and training in the amount of \$8,250.00. Motion carried.

**Item 7 – 2016 Budget and Water/Sewer Rates** – Dell discussed the current two year budget for 2015/2016 and that we are looking at making a few revisions for 2016. He shared with the Board the increase in health benefits of 4.2 percent, which was a much lower increase than others outside our insurance pool. Dell requested the Boards input on what direction we wanted to go for the 2016 water rates. Based on the FCS Group water rate study, there was no increase in water or sewer rates for 2015. The sewer rates remained the same and the water rates were restructured. The District's 2015 revenues are on track to match the budget. For 2016, the rate study recommends a 5 percent increase in water rates and no increase to sewer rates. Prior to the rate study the District increased rates based on the Portland current mid-year CPI. Dell gave the board a few examples of how the different increases would impact the water rates. Commissioner Decius commented that she would like to see a study on sewer rates based on consumption. In looking at other's that charge sewer based on consumption, the cost to the ratepayer is typically higher. Depending on where the City of Longview goes with the water quality issue, Dell recommended we look at these options in our next budget cycle for 2017/2018.

After further discussion, the Board, by consensus, agreed to go with the rate study recommendation of a 5 percent increase for 2016.

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**Item 8 – Vactor Part Replacement** – The Board agreed, by consensus, the Vactor part replacement made sense and that it was important to keep this piece of equipment maintained and running efficiently.

**Item 9 – Aloha Drive Water Main** – Dell would like Gibbs & Olson to expand on the design of West Side Highway to include the Aloha Drive water main replacement. By consensus, the Board was in agreement with this recommendation.

**Item 10 – WASWD Conference Summary** – Dell gave a brief overview of the WASWD conference he attended with highlights included in the Board packet. They had one class on the WARN Mutual Aide Agreement and he wants to add us to the Water and Sewer District list. We are also part of GEM, which is hosted by the City of Vancouver for resource sharing.

**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 lien 1603. 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, October 21, 2015, the Board, by unanimous vote, does approve those vouchers in the above lists and further described as follows: 2015 claims submitted after September 15, 2015 for \$46,596.24; and October 2015 claims to date in the amount of \$287,934.26 and payroll for September and October 2015. The September 2015 Visa statements were provided to the Board electronically prior to the meeting.

**Other Business** – Dell had anticipated two other customers would attend this meeting. He brought the customers concerns to Board for discussion as follows:

- **Vacancy Policy** – A customer complained about the District back billing them for not meeting the 90-day vacancy policy requirements. After a brief discussion, the consensus of the Board was not to make any changes to the policy.
- **Water Base Rate** – A new customer noticed that their first bill for a five day service period included the \$28.60 water base rate and a pro-rated sewer base rate of \$16.83. They questioned why we did not prorate the water base rate. Dell went back and reviewed the rate study. He said that he believes this may have been an inadvertent result of the rate structure changes by removing the allowance from the previous rates and not needing to prorate the base rate to accommodate for consumption any more since consumption is paid for separately from the base rate. At the time of the rate study, we were dealing with the consumption in the base rate but it does not make it necessarily fair on the base rate side. It makes sense that if we are prorating the sewer base rate, we should do the same with the

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water base rate. Dell will bring back to the Board an updated General Terms and Conditions addressing the District's policy on prorated base rates.

The next Board meeting will be a regular meeting and scheduled for Wednesday, November 18, 2015 at 5:15 p.m. There being no further business, the Board adjourned at 8:21 p.m.

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Monte J. Roden, President

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Bonnie L. Decius, Secretary

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Dean A. Takko, Commissioner