

**Beacon Hill Water and Sewer District
Commissioners' Meeting Minutes
Wednesday, January 20, 2016**

Commissioner Roden called the meeting to order at 5:18 pm on Wednesday, January 20, 2016 at the District office at 1121 West Side Highway in Kelso, Washington. Those in attendance were:

Commissioners Monte Roden, Bonnie Decius and Keath Huff
Dell Hillger, General Manager
Debbie, Finance Administrator
Alan Engstrom, Legal Council
Audience: Mike Wallin
Jeff Cameron

It was moved by Commissioner Decius and seconded by Commissioner Huff to approve the minutes of the December 16, 2015 meeting. Motion carried.

Commissioner Roden welcomed the audience to the meeting. Dell gave the Board a summary of why Mr. Cameron and Mr. Wallin were attending the meeting as follows:

At the Board's recommendation, Dell looked into the Water Operating Board (WOB) agreement with the City of Longview (the "City") and the Cowlitz PUD (PUD) and the responsibilities assigned to each entity. In 2008, the PUD transferred the operation of the water system to the Beacon Hill Water and Sewer District (the "District") and then fully transferred ownership to the District in 2010. All the agreements, by extension, including the WOB agreement, passed on to the District as part of this transfer. The WOB agreement gives the City two votes and the District one vote in terms of making recommendations to the Participants, the Participants being the City and the District. After further review of the agreement by both Participant's management and legal counsel, it states that the WOB can make recommendations regarding the water treatment plant to the Participants and the Participants can then make final decisions based on their recommendation, with a single vote given to each Participant. In Dell's research, it appears that the last time the WOB met was in 2009. This is around the time the PUD transferred the operation of the water system to the District. Commissioner Decius asked Commissioner Roden if he knew of the WOB's existence and he did not.

Mr. Cameron stated that the City met religiously with the PUD when they were owners of the water system. Once the operation was turned over to the District along with involvement in the plant expansion and relocation, the WOB meetings went to the wayside. Mr. Cameron and Kim Adamson, the District Manager at the time, continued to communicate with each other but Kim did not have any interest in holding the meetings based on her understanding at the time of the two to one vote. Dell stated that the original agreement was dated December 18, 1978 and thought that over time and due to changes in staff, the meaning of the agreement was lost. Commissioner Roden commented that he did not remember any discussions about the WOB when the District took ownership. He did recall a brief discussion with Mr. Cameron, after a joint meeting, on how the decisions were being made. He left with the conclusion that it was similar to the Board set up for the sewage treatment plant. Commissioner Roden let Mr. Cameron and Mr. Wallin know that other than requesting Dell to look into this matter, the Board has not discussed this until now.

Mr. Cameron said that after they had done the feasibility study in moving the water treatment plant to the Mint Farm, there was lots of involvement by the PUD, the District and the City and there

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was generally a consensus to move in that direction. Mr. Cameron said that the District and the PUD Commissioners reached the decision to go to the Mint Farm before the City did. Since the plant was turned on, things have not gone very well and the City is looking at options. It now appears that there is no longer the same consensus and Mr. Cameron understands the District's interest in exploring a different direction and their capabilities to control their own destiny. Commissioner Roden agreed with Mr. Cameron regarding the process that got us to the Mint Farm. At the time, the PUD still had the vote and he attended all the meetings during this process. From his position now, we are heading in an uncertain direction and the District really needs to look at the options. We owe it to our ratepayers to be involved and make the best decision we can for them.

Mike Wallin said he has not had a chance to review the WOB agreements that are in place but wanted to know if there is any long-standing requirement that the WOB exist and function. Mr. Cameron said that contractually the WOB still should be meeting. Mr. Wallin asked what it looks like for a path to get started up again or is it required to have it functioning again. Mr. Cameron said he thought we needed to. It was Mr. Cameron's intent, once the Mint Farm Regional Water Plant (MFRWTP) was up and running again to revise the Participants agreement, reestablish the WOB and start meeting routinely to deal with the routine operations issues. It is contractually required. Dell asked Mr. Cameron what the frequency of the meetings were in the past. Mr. Cameron said primarily once a year. Sometimes they would meet more frequently if there were particular issues to discuss. With the City operating the plant it was more of a manual check in to see what we were doing production wise, how we are doing against our water rights, what kind of capital needs do we need to budget for, approving the filter plant budget and setting the wholesale water rate that is charged to the City and, at that time, the PUD. Commissioner Huff asked if the City met more frequently during the process of transitioning to the MFRWTP. Was there a recommendation that came out of the WOB to the City? Mr. Cameron said no, there was not. That is why from Mr. Cameron's perspective he did not push to continue it. Since starting down this path he was directed by the City that the WOB was not going to be making that decision, it would be the Commissioners. Mr. Cameron did not see a whole lot of value in the WOB wrestling with that kind of stuff. They still needed to run the plant and that is what they were doing. As staff members, Mr. Cameron and Ms. Adamson were thoroughly involved in the feasibility analysis.

Commissioner Huff asked if there was a definition of the WOB make up. Mr. Cameron said yes that it is in Article II of the agreement. Commissioner Huff then asked if the appointments were traditionally staff members. Mr. Cameron said yes and that he was appointed to the WOB in 1999. It was made up of staff at that point and continued to remain that way. Dell said that it was a public meeting and Commissioners could attend if they wanted to. Mr. Cameron agreed but said they never did. They were advertised public meeting with minutes taken. Mr. Cameron said he would take responsibility for letting the WOB go by the wayside. Commissioner Roden said the District only had questions at this point and to see what we need to do contractually as required. Commissioner Huff stated that there might be an issue, based on Alan's comments, with the process on how recommendations are supposed to come out of our WOB and then go to the Participants. We may want to look at that with the WOB being made up of staff members that are intimately involved in a feasibility study for potentially going to a new source. What would the process look like if you make modifications to location, type and size of the source of the water treatment plant? Dell said it would be important to meet annually and more frequently on big decisions like that. Commissioner Huff said it looked like the WOB was cutoff at the knees before and did not know if that was

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something that our Board needed to address. Dell said at this point, the City would have two votes and the District one vote on the WOB. Mr. Cameron said theoretically, two City members could recommend doing XYZ and at that point it would go to the Participants and they would make a decision on where to go from there. It takes it out of the staff's hands and becomes the Participants decision at that point. That would be fine if both Participants agree. If there were a disagreement, it would prove interesting on how to resolve. Dell thought there was some arbitration language in the agreement on how to resolve those kinds of conflicts. From Mr. Cameron's perspective, he does not see a lot of value in having the WOB review the feasibility study. The decision is really being made by the elected bodies. Commissioner Huff asked if the WOB as it currently exists was required to make a recommendation on modifications to location, type and size or just the operations. Is there a change required in the language of the agreement to pull that back from the WOB? From Mr. Cameron's perspective, no. This clause in Article II of the agreement may tie it in, "*the Operating Board shall be responsible for... reviewing plant design*". It does not necessarily mean future plant designs. It could mean current plant designs and could be the one hook that says the WOB has to get involved. Commissioner Roden said the change now would be that you have two parties and if they do not agree, it goes to some other process. Alan commented that he was not sure there was another process. Commissioner Roden did not want to get too far over to that side because he does not feel that it has been an issue of contention, but feels it does change the complexion of the decision making process. Mr. Cameron agrees with Alan that there may not be a remedy if both parties do not agree. Even though it references arbitration, it is for decisions made by the WOB but they do not make decisions on capital improvements. Alan said the way it is written is the WOB makes decisions on certain things but the Participants have to agree on the big things. Commissioner Roden said it might be someone with some wisdom who put it in that direction because you do not kick it off to big brother and let someone else makes the decision. You have to get together to get to consensus. Mr. Cameron said they have not gone back and looked at the minutes yet. One of the things Mr. Cameron found unusual in the agreement was that in order to dissolve the agreement it takes mutual agreement. It is very unusual that one party cannot get out of an agreement. You may have continuing financial liabilities but not to be able to get out of an agreement unless the other party agrees to let you out is a little unusual. Commissioner Decius commented on being part of the City of Longview Council meetings but not having a vote on the water issues. Mr. Cameron said that position was an inappropriate extension of the WOB voting to the Participants, which requiring mutual agreement, and that needs to be corrected. In terms of the capital improvements, the two agencies are equal partners. Mr. Wallin was thinking through what the intent was historically for the WOB and seems to be addressing exactly what Commissioner Decius is saying. It is to isolate the decision making from the Participants so you do not have this very political decision-making but you truly have operating decision-making. It seems like the idea of the WOB is similar to TRRWA in how it works, it is operations in nature, think of the utility as a system rather than a jurisdiction or something like that. Why would the Participants arbitrate with their own WOB, because their WOB is separate from the Participants? It creates a new authority. If the Participants said to their appointed WOB members, we disagree, that is why you would have this arbitration commission, right? Everyone agreed and Mr. Cameron added, "or those things that the WOB has authority to decide." In context with the MFRWTP, the decision-making on the outcome of the plant or the location of the plant is the Participant's obligation. Commissioner Huff said that is what he was looking for was the size and scope being a WOB decision. Mr. Cameron read Article II of the WOB

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agreement, *“The Water Operating Board shall be responsible for establishing and maintaining budgets, adopting rules and regulations for the use of the Regional Water Treatment Plant, including a 5-year projection of water treatment requirements, reviewing plant design, establishing rates as set forth under Article VI, and such other duties as may be appropriate... The Water Operating Board shall assure that adequate water rights are established in the name of the Participants for present and future needs of the Water Service Area”*. So the WOB is involved to some extent in projections. They can recommend location, type and size but cannot make the final decision. The position the City staff is in is having reviewed that and recognized the projection of the two to one vote ratio on to plant expansion or relocation is inappropriate. The City has the opinion that they ultimately have the decision because of that two to one vote. What we are looking at with staff is how we talk to the Council about not being correct per the agreement. That is straight forward, but what we are struggling with is what kind of options we bring to our Council. This is a new paradigm that we all have to recognize exists, what does that mean for future activities and what kind of options are there. It appears to be black and white but in order to expand or move the plant it takes mutual agreement and what happens if there is not mutual agreement. What happens if the City, who owns 85% of the plant right now, wants to build a new plant because their customers are upset, and the District is not going to go along with us and we are going to build a new plant anyway? There is another clause in the agreement that says both Participants shall use the regional plant, so if there are two plants, which one is regional, are they both regional? It gets complicated. Who pays for what, is it cost shared, can the District require that the MFRWTP continue to operate and the City goes somewhere else, builds another plant, and operates it. It goes contrary to the Participant's agreement but you could argue there are two regional plants. Commissioner Huff says it is a valuable exercise and will be an interesting paradigm. Commissioner Decius asked if these meetings would be something Dell sat in on. Dell said that the WOB member historically is a staff member but the Participants are the Board of Commissioners and the City of Longview Council. Dell would be the staff member on the WOB unless the Board of Commissioners wanted a Commissioner to sit on the WOB instead. Commissioner Huff did not think a Commissioner should sit on the operating board. Commissioner Decius said she understood that the City has gone ahead with test wells and was wondering how that would impact the WOB agreement. Dell reiterated that they have a two to one vote. Commissioner Huff asked what decisions the WOB would make and what would fall to the Participants. Dell could see if the WOB was meeting and there was a need for plant expansion and things like that to deal with capacity issues, there would be a vote and a recommendation to the Participants to expand the plant but ultimately it is a decision that would be made by the Participants. In terms of drawing a line in the sand and what constitutes that big decision, if it is not defined in the agreement it becomes a gray area. Mr. Cameron said that the decision to pursue a horizontal collector well water supply, in his opinion, would be reaching in the arena of mutual agreements because that goes down the path of capital expansion or relocation. Hypothetically, say the WOB is meeting, reviewing, and saying we do not like the quality of water so we need to do something about it. That is a treatment issue that is in their purview. They also say let us look at an alternate water supply and the WOB recommends that we do a horizontal collector well evaluation study. If the Participants do not disagree, we, as the City of Longview operating and contracting for that work, have to take it to our City Council for approval. It could be the WOB saying let us do it and the City Council saying let's not. The District could then say we disagree with the City Council's decision and we need to have the water treated based on the WOB's

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recommendation. This scenario would then be subject to arbitration. Alan said there is no provision to arbitrate Participant's decisions. It is not that we could say "we do not like the Council's decision" so let us go to arbitration. Alan thinks arbitration was put into the agreement for the two to one vote. It does not say the minor Participant can choose arbitration, but that is who will want to arbitrate a decision they do not like. Dell read from Article II, "*In the event an action of the Water Operating Board is deemed by a Participant to not be a Prudent Utility Practice, said Participant shall have the right to call for arbitration of the matter by an impartial arbitrator*". Mr. Cameron said he believed that still could be arbitrated because the WOB recommends doing something that is related to treating the water, which is under their purview and if the Longview City Council says no, and the District says we need to have that water treated as the WOB recommended then it would be subject to arbitration. Alan said there is no pulling back from the fact that it is going to be the City of Longview Council and the District's Commissioners that make the decisions regarding the future of the plant. It is best that the Council get comfortable with the idea that there has to be a consensus agreement sooner rather than later. Commissioner Decius was asking if the City of Longview Council has an action plan to address this issue with the WOB. Mr. Cameron said that typically the WOB would meet to adopt a budget. The City of Longview is going into their budget meetings starting in May so the WOB meeting should be sometime in the middle of summer to discuss our filter plant proposed budget. Commissioner Roden said we are on the same two-year budget cycle as the City of Longview. Commissioner Huff asked what Mr. Cameron's time line is in getting his presentation together to discuss with the City of Longview Council. Mr. Cameron is still talking to his city manager about how to accomplish that. He would like to do it sooner rather than later for two reasons. One is to get started with changing the paradigm and getting the Council comfortable with it. They are thinking of enlisting some outside council to give interpretations of "what if the parties do not agree". What are some of the options available under various scenarios in terms of proceeding with a new water supply if the Council wanted to and the District did not? The second reason is there is the potential for a decision point coming up sooner rather than later on a new water supply. The Districts Board, at this time, did not have any more questions regarding the WOB.

Mr. Cameron proceeded to update them on the completion of the drilling of the three initial test holes. The contract and feasibility study called for three initial test holes at three different locations with basic water analysis and small pump testing. After analyzing the results they will take it to the Customer Advisory Committee (CAC), if they are willing to reconvene, and then to the Participants as the results of the first phase. The Participants can then decide if we go into phase two. Phase-two would be picking one of those two locations and drilling a larger test hole and doing more extensive water quality testing and a three day slightly higher volume pump test which would help solidify a recommendation. The results of the first three holes drilled were a little bit surprising. One hole was drilled at the Fisher Lane Treatment Plant where we encountered a ten-foot thick sand and gravel layer that would transmit water. We did a two-hour pump test stepping from 25 to 50 to 75 to 100 after three-minute increments. We were only able to get to 90 gallons per minute before we sucked the well dry. This location does not look promising for a long-term supply. Lane Engineering will do their hydrogeology analysis and figure it out. The second test well, which is being called South Lexington located off Solomon Road across from the church. After drilling 65-feet, we found a three-foot gravel layer within the water-bearing zone. There was gravel higher but it was above the water-bearing zone. The top sediment was a lot of sand, obviously dredge spoils and then we got into coarser sand and gravel but a lot of it was above the water-bearing zone.

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In terms of productivity, it was not useful so it was abandoned without any further screening. Commissioner Roden asked after drilling 65-feet, where does that put it in relationship to the riverbed. Mr. Cameron was unwilling to say because the consultant did not have good data to connect everything together. They made a best guess at elevation of the drill hole to the Cowlitz River. They need to go back and connect data. They did measure it compared to the static water level, which we presume would be somewhat related to the river since it is fairly close. At the bottom of this test well at about 50-feet and lower, we encountered woody debris. CH2 found it interesting and contacted USGS and their volcanologists were very interested as well in the woody debris so they came down and took samples back with them. They think it might represent a pyroclastic flow from Mt. Rainier in the past. The third location was up at Riverside Park and that is the best of the three. We found a 20-foot gravel layer there. We did a pump test at 120 gallons a minute and the draw down was less than two-feet so that does show high productivity. The next steps will be to evaluate the basic water quality data. When that comes back, Lane Engineering will be extrapolating the data into what they think the horizontal collector well will be able to provide. We anticipate drilling at Riverside Park. We also had some discussion on what was wrong with the Solomon Road area. It appeared to us to be in that same alluvial plain prior to the necking down to go through the rocky point area. We were surprised we did not find gravels in the water bearing area. Lane Engineering was hypothesizing that the neck down area caused the flows to push the material up the bank. And so that is why we did not find gravels until right at the top of the water-bearing zone rather than down at the alluvial. The theory is that if we get closer to the river, we will find that gravel-bearing zone down where we would like it to be. The challenge was trying to drill closer to the river and we could not get permission from the property owner to drill there. We are going to re-contact the property owner down by the river on Solomon Road to see if we can get permission to drill at that location. Now that we have finished these three, we are going to be contacting the County to drill the second hole at Riverside Park. The County gave us permission to drill the first hole and now we need to go back and ask them for permission to drill the second hole. The County Parks Board rejected our request to drill and the Commissioners overruled the Park Board and granted it. We are not quite sure of the hesitation. There may be some resistance to drilling that second larger hole at Riverside Park. This gets to where we may have this decision by the Participants in the middle of our feasibility study instead of the end. If neither party that we approach to drill this larger test hole agrees to let us do it, either we are stopped or we need to consider using eminent domain to get the rights to drill and test these wells. That will be a decision point as to whether we should continue. How much are we willing to pursue this? We are waiting for the water quality results to come back. One thing we did learn from our on-site sampling of iron is the iron levels exceeded the limit of the field gauge which was five parts per million (ppm). So the iron level is somewhere above 5 ppm, which is high. It can be treated which is more expensive. Commissioner Huff asked if this was similar to Kelso's Ranney. Mr. Cameron said that Kelso's Ranney is currently below 5 ppm at the 1½ - 3 ppm range. The Mint Farm is around 1½ ppm. Kelso drilled a well at Yew Street and they found around 12-16 ppm there. We will know once we get the lab results back what the actual iron level is. We are trying to get this information to the CAC in early March and a workshop mid to late March on this first phase of the horizontal collector well. Parallel to that we are doing our bench testing at the treatment plant for the interim improvements. The post chlorination contract was awarded and JH Kelly is working on getting it installed and should be done early to mid-February. The Dissolved Organic (DO) bench tests collaborated what

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confluence found early in their prior testing that it does benefit water quality. Last week we did manage to get the residential DO injection devices installed, one at a Longview residence and one at a District's customer. That is up and running and we will be taking weekly samples on that to see what the results are in a single-family environment. The other aspects are a little less definitive. We were looking at organic nitrogen thinking that was creating our taste and odor problems with chlorine. When we ran the bench test in May we went ten days and did not fully oxidize the nitrogen, in October when we ran the test we fully oxidized it in about a day. So something has changed in the characteristics of the water. We still think there is some impact from the ammonia on the chlorine demand. We are going to be analyzing that. We were testing coagulation and hydrogen peroxide to remove organic nitrogen. The coagulant showed no impact, no effect. We were hoping the hydrogen peroxide would show two benefits. One was to introduce dissolved oxygen into the water and it did not. It only raised it ½ ppm, which was very surprising. It did show some moderate benefit against organic nitrogen but the organic nitrogen tests are highly variable. We will continue to do some testing to see if we can pin down what is causing that variability. One of the issues is that it is a very touchy lab test, which may be causing the results to be unreliable. Commissioner Roden commented about the characteristics of the well changing and asked Mr. Cameron if there were other parts in that water that changed. Mr. Cameron said just the ammonia and nitrogen components were highly variable and nothing else. Everything else remained constant. The difficulty in the organic nitrogen test is there is an acid test dilution and apparently the test of that acid oxidizing it has a great tendency, if you don't keep it in an atmosphere free environment, to pull nitrogen out of the air which skews your test results. We will continue to work with the labs on how to get some stability in that testing. Commissioner Roden asked if all wells were tested and Mr. Cameron said this was only on one well. Mr. Cameron said they see variability amongst the four wells in other perimeters and we were seeing it in ammonia and nitrogen but because of the variability in the test results we are not sure if it a test issue or a well variability or both. The peroxide addition was the most expensive for operating costs as an interim improvement. Right now based on the limited benefit and the uncertainty, Mr. Cameron is not ready to recommend it. Again, they will continue to test it to see if they can pin down what the issue is and then whether the peroxide would show some benefit worth considering installing it. This is all preliminary so the District's Board will be getting the final results. Commissioner Decius asked Mr. Cameron if they thought about electro-coagulation at the MFRWTP. It is supposed to pull out silica Mr. Cameron said they did and that they routinely get sales pitches on it but they have not been able to find any installations; and the technology from CH2 and Kennedy Jenks' perspective is suspect. Mr. Cameron said that they see that it would probably work on hardness but no evidence that it pulls silica out even though the suppliers are saying it will. They have been unable to give us any data to support their claims. The District's Board did not have any further questions for Mr. Cameron or Mr. Wallin.

Commissioner Roden commented that the Longview City Council has made a real effort with the District, which he appreciates and does not want Mr. Cameron to leave the meeting thinking there are any contentious issue between them with the revisiting of the WOB's function. Mr. Cameron plans to introduce the topic to the Council next week. He thinks at that point it will take them more time to explore what their options might be if for some reason the District does not agree with them. Dell commented that the District should know the Council's view on the WOB

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agreement before their next Board meeting in February. The Board thanked both Mr. Cameron and Mr. Wallin for their participation and they left.

Manager Report – 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) Board Alternates and Appointments

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After a brief discussion, it was the consensus of the Board to have Monte Roden remain as elected President, Bonnie Decius as elected Secretary and Keath Huff as elected Commissioner for the 2016 term.

- **CWCOG** – Dell normally attends these meetings once a month. The Board unanimously agreed that Dell should continue to attend as the District's representative, Commissioner Huff as the alternate and Commissioner Decius as the second alternate.

- **TRRWA** – Dell recommended that until July 1, we should continue with Dell as the District's representative. Starting on July 1, the Joint Municipal Utility Service Agreement (JMUSA) goes in to effect. It is made up of two Boards, an Operations Board and a Board of Directors. For the Operations Board we would continue with the same staff level meeting monthly on all of the operations issues and then a Board of Directors, which would include a Commissioner for the District. We will need an appointed board director and an alternate. Dell thought the frequency of the meetings to start would be quarterly. The Chair starting July 1 will be a District Commissioner. After a brief discussion, the Board unanimously agreed Commissioner Roden would be the JMUSA Chair starting July 1, 2016 and the alternate would be Commissioner Decius.

Item 2) Customer Request – Dell explained that this was another request that the monthly bills be put in the renters name instead of the property owner's name. In the past, the Boards consensus is that we keep it in the property owner's name. After a brief discussion, the Board unanimously agreed that this is still their position.

Item 3) Project Updates –

- **Alpha Drive Emergency Sewer Main Realignment** – Dell said this project went well, was completed in a timely manner and AES was great to work with. The final cost of this project was \$78,689.67 including tax and retainage. The project originally had an estimated cost of \$60,000.00 but due to extreme weather conditions, extra shoring and rock was required. After things dry up, the District will go back and fill in the old manholes with sand.

It was moved by Commissioner Huff, seconded by Commissioner Decius to accept the completion of the Alpha Drive Emergency Sewer Line Realignment

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project in the amount of \$78,689.67, including sales tax and retainage. Motion carried.

- Facility Improvements – NW Building completed the District's fencing project. There was one small change order in the amount of \$281.75 for increasing the length of the electronic gate to meet dimension requirements.

It was moved by Commissioner Huff, seconded by Commissioner Decius to accept the completion of the Facility Fence project in the amount of \$48,395.80, including sales tax and retainage. Motion carried.

Item 3) Water Operations Board – See audience participation above. Commissioner Huff thanked Dell and Alan for their research on this issue. The Board, Dell and Alan felt the Longview City Council would come to the same conclusion as our Board and Alan have regarding this agreement. Dell will call Mr. Cameron to find out when they plan to have this discussion and if the District's Board decides to attend as observers, he will advertise it as a public meeting for the District.

Item 4) Utility Tax Limits – The Washington Association of Sewer and Water Districts (WASWD) has asked members of Districts for their opinion on whether they support a 6% cap on cities imposing utility taxes on water and sewer revenue generated by districts within city boundaries. Before the Assumption Bill, cities could assume or take over parts of a district. The new Assumption Bill will not allow this without a referendum. Before this bill, cities got some districts to pay a utility tax in lieu of being assumed. The bill eliminated this but they can still impose the utility tax. WASWD is trying to get an idea on where the districts stand on the utility tax. Since they needed a position prior to our Board meeting, Dell was allowed to give an opinion for the District and if the Board wanted, they could follow up with an official position. Dell stated his opinion with respect to capping the tax at 6%. He did not like the idea of a city having an endless amount they could impose on a district. The District does not currently pay a utility tax but we have 200 customers that could be affected by this type of tax. The Board unanimously agreed with Dell's opinion as the District's official position. No further action is required.

Item 5) General Council Retainer Agreement – The revised agreement was presented to the Board for review and discussion. The Board did not have any questions or issues with the agreement. Commissioner Huff made a motion to enter in to the 2016 General Counsel Retainer Agreement with Alan Engstrom, seconded by Commissioner Decius. Motion carried.

Confirmation of Lien Filings - The Board reviewed the monthly lien synopsis. Alan gave the Board an update on Lien 1489, which has currently reached our limit of \$4,000 and the foreclosure process, started. Alan ordered the preliminary title report and found Wells Fargo Bank started a foreclosure action back in 2011. The history on this account is that a couple who owned this property died with no will and their children scattered all over the United States, some of whom left no forwarding address. Wells Fargo Bank has been trying to get everyone served in this lawsuit for years and Alan would have to do the same thing to foreclose. Alan's recommendations are to let

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Wells Fargo continue with the process and they will pay the District when it is done. The Board unanimously agreed with this recommendation.

It was moved by Commissioner Roden, seconded by Commissioner Huff, to approve the filing of liens 1614-1617. 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, January 20, 2016, the Board, by unanimous vote, does approve those vouchers in the above lists and further described as follows:

- Due to date and amount errors in the Claims Approval at the December 16, 2015 Board meeting, the Board reapproved the 2015 claims submitted after October 21, 2015 for \$52,549.88; and November 2015 claims to date in the amount of \$219,886.17 and payroll for October, November and December 2015. The October 2015 Visa statements were provided to the Board electronically prior to the January 2016 meeting.
- Due to date and amount errors in the Claims Approval at the December 16, 2015 Board meeting, the Board reapproved the 2015 claims submitted after November 18, 2015 for \$33,590.18; and December 2015 claims to date in the amount of \$163,512.54. The November 2015 Visa statements were provided to the Board electronically prior to the January 2016 meeting.
- As of this date, January 20, 2016, the Board does approve those vouchers for 2015 & 2016 claims submitted after December 16, 2015 for \$78,028.53; and January 2016 claims to date in the amount of \$142,575.79 and payroll for December 2015 and January 2016. The December 2015 Visa statements were not available at the time of this meeting and will be provided to the Board electronically prior to the February 2016 meeting.

Other Business – Financial Review – Dell gave the Board a brief summary of the District's Finance Policy and what to look for during their financial review. Commissioner Roden requested at the next Board meeting to take some time to review and discuss the financials in more detail. Dell thought this was a good idea as we are going into an audit year.

Other Business – Dell received an e-mail from the Department of Health (DOH) and they are going to present the Hillside Pump Station project to the Public Works Board on February 5 for approval for funding for \$850,000. This will be a Drinking Water State Revolving Fund loan. In the past, if your project was completed within 48 months the interest rate dropped from 1% to ½%. DOH does not anticipate this project will be rejected and will send an official award letter after the Public Works Board meeting. We can be reimbursed for preconstruction activity such as design, cultural and environmental reviews to date.

Dell had talked with Mr. Cameron about this joint project with the City of Longview. They had dragged their feet on starting this project. The City would like to do this project in house and so they are bringing up an engineer to start work on this project. In the next few weeks, Dell will meet

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with this engineer to start work on the preliminary design. There are pros and cons on doing it in house. It at least opens the door for the District not to have to go out on their own and will save some money. The design, demo and preliminary pipe layout could potentially be done in 2015 and the actual construction in 2016.

Other Business – Commissioner Huff and Commissioner Decius will be attending the 2016 Commissioners Workshop on January 30 in Tukwila, WA. Since we will be having two Commissioners attending this workshop, we will advertise it on our website and in the newspaper as a special meeting.

Other Business – In a previous Board meeting, Commissioner Roden suggested the Board look at our capital improvement projects and for future discussion, what three projects are important to each of them.

Commissioner Roden would like to have the District's new office building design started this year. The second project he would like to do is the Main Bridge Crossing. The line is currently in the river and it is hard to tell what its condition is. In case of an emergency, we keep three wells maintained up at Ostrander in case something happens to this line. This project would go from Sparks Drive, across the Lexington Bridge and up Ostrander. The third project is to build a reservoir up on Columbia Heights before the BPA line where the District has property on the high part of the hill. Dell has contacted Cowlitz County Building and Planning to schedule a meeting to discuss anticipated future projects the District would like to do. This will help in getting an idea what some of the hurdles we may need to jump in order to move forward with these projects.

Commissioner Decius mentioned moving forward on a study to see what sewer rates would look like if they were consumption based. Dell said that for 2016 we have budgeted for FCS Group to do that if the Board directs him to do so. In looking at the City of Longview's consumption based rates, their base rate is higher than what we charge now plus \$5 to \$8 per 100 cubic feet of consumption, depending if the customer is in or outside the city limits. The administrative costs to manage this type of rate structure will be higher.

The next Board meeting will be a regular meeting and scheduled for Wednesday, February 17, 2016 at 5:15 p.m. There being no further business, the Board adjourned at 7:58 p.m.

Monte J. Roden, President

Bonnie L. Decius, Secretary

Keath B. Huff, Commissioner