

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS
OF BIRCH BAY WATER AND SEWER DISTRICT,
HELD March 13, 2008

Commission President Patrick Alesse called the meeting to order at 4:30 PM. Other persons present included Commissioner Carl Reichhardt, General Manager Roger Brown, Engineering Services Manager Dan Eisses, Attorney Robert Carmichael, Treasurer Glenn Golay, Engineer Rodney Langer, Dustin Sellinger, Robert Carruthers, and Luke van't Hoog, Lesli Higginson and Jeff Chalfant of BP.

Agenda additions/changes: none

Public Input: none

Consent Agenda included: Minutes for the Regular meeting of February 28, 2008; Accounts Payable Warrants #37061-37109 paying Claims #37061-37109 for \$119,341.90; February Payroll Warrants #5706-5731 for \$67,633.27 and March Payroll Draw Warrants #5732-5745 for \$16,100.00, February adjusting entries to UBS for \$1,820.80 charges and \$776.55 credits; February EFTPS withholding deposit made on 02/29/08 for \$23,177.02; and February Financial Reports for review. It was moved by Reichhardt and seconded by Alesse to approve the Consent Agenda. The motion passed unanimously.

Developer Extensions: Robert Carruthers was present to hear the discussion regarding his request to connect to the sewer system. Dan reviewed the proposal with the commissioners. Requiring a build-through on this property would be very expensive for the property owner. He discussed several connection options. After discussion, it was moved by Reichhardt to allow the connection as a side sewer if the owner grants a 30 foot easement for water and sewer across the north edge of the property to the next property (Dan's Option #2). The motion was seconded by Alesse and passed unanimously.

BP Wastewater/Water service: Roger talked about testing requirements of the current domestic wastewater contract. There was a positive test sample for petroleum products in the wastewater. BP was notified and asked to investigate and take action to correct the problem. Leslie Higginson reported on the results of their investigation and work to find the problem. She discussed splitting the samples so that BP can verify the test results, as well as determining what the average hydro-carbon levels in wastewater are in other areas of the district. The District operations manager will work with BP to continue to monitor the wastewater. In addition, Roger reported that staff is continuing to work with BP on the draft water agreement. Attorney Carmichael is reviewing the draft contract. Roger will keep the commissioners advised of the progress of the negotiations.

Roger also discussed the most recent meeting of the small cities water conservation group. He says there is considerable interest by other small cities in this group working together to manage the water supply.

Roger noted that district staff is still working with Blaine city staff on the water supply contract, as well as FCSG on the water supply contract amendment. He will continue to work with them and report back at the next meeting.

Storm Water Inflow – Dan reported that Mariners Cove is seeking financial relief from the Birch Bay Resort Park for water damage during the December storm event. He had received a copy of a letter from the Mariner’s Cove attorney to the Resort Park. He also discussed his recent meeting with representatives of the resort park. Bob has sent a letter to Plaza Park, per the Board’s direction, which did result in a phone call from Plaza Park. As of this morning there had been no action.

The **Drayton Harbor Road waterline replacement** project was discussed. Dan received the archeologist report on the project this morning and will be submitting to the county.

Dan reviewed the proposal to the **Public Works Trust Fund** to change the project scope and request an extension of the water project loan. He has received notice from PWTF staff that the state approval statute requires that the tank painting cannot be deleted from the project. Dan will review that decision and bring back a report to the board.

Developer extension projects: Dan presented a recommendation for service options on the Harbor Shores development. It was moved Reichhardt and seconded Alesse to approve the recommended conditions per the 3/7/08 letter from CHS for Harbor Shores. The motion passed unanimously.

Dan also talked about the Reserve at Semiahmoo development. The county has determined that fire flow is not required for the project, but the developer is requesting to provide fire flow. This would result in 6 fire hydrants to serve the 14 lots. There was discussion if this would be considered an urban service being provided in the rural area. He discussed staff recommendations. The commissioners decided to defer any decision on this project until the next meeting.

VanLuven: Dan recommended that the commissioners approve signing the water DE agreement and that the DE agreement for sewer was not required. It was moved by Reichhardt and seconded Alesse to approve the DE agreement for water. The motion passed unanimously.

Commissioner Montfort arrived for the meeting at this point.

Roger and Glenn reviewed the progress on the proposed refunding of the District’s remaining bond debt. The estimate is that it would result in a net interest expense saving of approximately \$105,000. All the remaining bonds are past their call date and the current low interest rate environment has resulted in this recommendation. Also discussed were related issues such as reviewing the impact of our financial policies and covenants on the district’s credit worthiness, noting that refunding all outstanding debt would allow development of a new parity bond resolution, including the potential for revising covenants if deemed appropriate. A proposed schedule for the refunding process was discussed. Because a better credit rating would lower the cost of the refunding, the financial advisor recommends making a presentation to Moodys to seek a credit rating upgrade. They have asked Roger and Glenn to be part of the presentation on April 25th in San Francisco. The commissioners asked Roger to ask the financial advisor if Moody’s would be willing to travel to Seattle or Birch Bay. However, they were in favor of the San Francisco meeting if that was most advantageous to a better rating. There was also discussion of whether board participation would be helpful. Roger will discuss that with the financial advisor tomorrow and report back to the board on the results of that discussion.

Based on results from the revenue model, Roger asked the board to increase the utility rates. Rates have not been raised since January of 2005. Inflation has been over 10% since that date.

After discussion, it was moved by Montfort and seconded by Reichhardt to raise utility rates 3.95%. The motion passed unanimously. A resolution will be prepared and brought for the commissioner's approval at the next board meeting.

The commissioners discussed the meeting schedule for April. Two commissioners will not be available for the April 10th meeting. The commissioners deferred making a decision.

There being no further business, the meeting was adjourned at 7:20 pm.

COMMISSIONER

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THIS IS TO CERTIFY that the above is a true and correct copy of the minutes for the regular meeting of the Board of Commissioners of Birch Bay Water and Sewer District, Whatcom County, Washington, held **March 13, 2008.**

BOARD SECRETARY

(minutes taken by Glenn Golay)