

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS
OF BIRCH BAY WATER AND SEWER DISTRICT,
HELD July 28, 2011

Commission President Don Montfort called the meeting to order at **4:33 pm**. Other persons present included Commissioners Carl Reichhardt and Patrick Alesse, General Manager Roger Brown, Assistant General Manager Dan Eisses, Attorney Bob Carmichael, Interim Finance Director Meredith Riley, Operations Manager Mike Sowers, Conservation Specialist Emily Resch, and Jeremy Schwarz.

Agenda additions/changes: none.

Public Input: Mr. Resch, Emily Resch's father, thanked the Board for giving his daughter a job in her chosen profession.

Consent Agenda included: Minutes for the Regular meeting of July 14, 2011; Accounts Payable Warrants #40792-40817 paying Claims #40792-40817 for \$86,254.72; July Payroll Warrants #7273-7285 for \$15,900.00. It was moved by Reichhardt and seconded by Alesse to approve the Consent Agenda. The motion passed unanimously.

Developer Extensions: None.

Conservation Program Update: Emily Resch spoke on Discovery Days, water week composting workshop, and water usage trends. Discovery Days was July 16-17, not good weather, but there was a good turnout with a combined effort with BBWARM, Nooksack Salmon Enhancement Association and Marine Resources Council all in one tent. Emily would like to do a similar effort next year. Water week is in September, and Emily will partner with BBWARM to put on a composting workshop run by Master Composters. Water usage trend: summer water usage is down, so conservation has not been stressed so heavily. Emily had some water usage trends from 2006 through 2011 to date. Weekly summer usage was averaging around 8 million gallons per week, trending down to 7.7 million gallons in 2010, and now at 6.7 million gallons this summer of 2011. Emily will start looking at a Wastewater fats, oil and grease (FOG) program.

Board Policy-Delegation of Expenditure Authority: Roger has brought this in front of the Board several times. Roger discussed only the changes made to the policy. Roger gave the Board the legal memo from our attorney which helped clarify expenditure authority. The memo explained that Interfund transfers require Board approval, and the nature of District Funds. Changes were made to Resolution Section 1, regarding interfund transfers. Next meeting Roger will discuss which Funds the District has. Bob wrote a memo and resolution on gender neutrality. Roger will bring these back for Board approval.

Procedures for Utility Shut-off Policy: Dan spoke to this issue again. Dan brought a red-lined copy of the current policy showing current practice of the lock-off policy. The policy has an exception for life threatening situations. Dan went through some of research he did on other District's lock-off policies. He had queried WASWD and went through the responses: some districts use a lien and foreclosure process, they do not shutoff (some districts are just sewer only so can't shut off). Some have an installment method depending on the situation. City of Blaine has a process of a life threatening situation, with a formal process. The District presently has one customer on kidney dialysis and the crew is notified not to shut off. The lock-off procedure is the cheapest procedure for the customer. Don asked if the system could apply a partial payment to the current bill, but not preclude shutoff. Don suggested getting the partial payment reviewed and addressed. Dan said he could look at this. Don asked if we could still file a lien on a property for nonpayment. Bob asked when the shut off date is determined; it was determined there was at least one week's notice before shutoff. Don asked about Lake Whatcom's installment method, and noticed there was no interest being charged. Don stated since the consequences for life-threatening situation would be dire, he thought more than a note in each water truck would be wise. Dan will bring this back again.

Mid-Year Financial Review: Meredith spoke on the mid-year budget to actual figures, the Cash position at the end of June. Then Dan, Roger and Meredith reviewed the 2011 Budget, 2011 estimate and a proposed 2012 Budget. Roger introduced and Dan spoke on the operating revenue projections. He reviewed the trend lines for the operating revenue comparing 2006 thru 2011 to date. Predicting for 2011, Dan did a projection to show the Board and explained his methodology, estimating about \$200,000 below the 2011 budgeted amount. As was discussed earlier the average was 8 million gallons and is currently 6.7 million gallons this summer, and possibly as low as 6.3 million gallons. Dan believes the trend is a good prediction, but it is based on continued low usage through August. Carl asked about water conservation and if that's part of the trend. Dan thinks the economy, the weather and the low temperature are all part of it. Roger feels there is some impact from water conservation. Carl mentioned the leak detection program by Dept of Health.

Roger passed out an update of the rate model. This is a snapshot of the prediction for 2011 and 2012. Planning projections for the rate model highlights are: low growth of 0.36% for current year and low growth of 0.77% going forward. Carl thought that might not be realistic for 10 years; Pat agreed. Roger said he could put in a higher number, but for the next few years, it probably is a good number. We will continue to track it. Dan's already discussed the weak rate revenue; at 2012 we go back to an average usage. Dan will review the CIP a little later. The plan is to complete the projects in three years to reduce the PWTFL interest, and lower the local match. Roger talked about the low cash balances in 2011 – 2014. Inflation factor affects the future years and the low investment interest rate, currently at 0.18%. The rate model income statement is consistent with 2011 estimate and 2012 budget, and then an inflation rate for out-lying years was used. Roger brought to the Board's attention a stabilization fund in 2017. The revenue bond payment goes away in 2013, and we add some additional PWTFL principal and interest in 2013 and 2015 (for the Headworks and Blaine Road waterline projects).

Dan reviewed the CIP with the board. The Headworks project in 2013 and the Blaine Road waterline project in 2015 covers the CIP for the most part. There are a few smaller projects; one is water rights with the City of Blaine which goes away in 2012. The plan is to get the two large projects done in three years in order to lower the PWTFL interest rate. The Blaine Road water line would replace pipe that the District acquired from the original water company; there has been 15 leaks in 15 years. We are waiting to hear from the PWTFL Board regarding our application. Dan talked about the PWTFL criteria for the projects.

Mike talked about the Headworks project. Cost savings on the Headworks may be substantial, and we may be able to push some projects off for five years. Mike would like to review and test an aerator in the aeration basin that a company is willing to allow us to evaluate. Dan says there may be some savings once the Headworks are brought up to standard.

Roger wrapped up the rate model, discussing the low cash balances. The District may need to make adjustments of the rates, possibly higher than 3%. We plan on completing a 2012 Budget by the last meeting in October, and will be looking for efficiencies in expenses. We will review and update the rate model again. The district is 10% lower than the next lowest rates in the county presently. Our costs are mostly fixed so they don't drop proportionately with lower usage. Carl thanked staff for the rate model analysis.

Dan asked if the Board was in agreement with the PWTFL application change: instead of 15% local match, this time we would ask for a 5% local match, which would drop the total project costs. We have the opportunity at project closeout to buy the interest rate down. The Board was in agreement with the 5% local match.

WRIA 1: Roger passed some information onto the Board. Roger has a meeting with Patrick Sorenson next week and with Gary Tomsic, to give the district some idea of their position on WRIA 1.

Developer Extensions:

Loomis Trail Annexation: the Boundary Review Board has reviewed the Loomis Trail annexation and started the 45 day waiting period.

The Board meeting went into executive session at **6:24 pm** to discuss potential litigation. The time in executive session is estimated to be 15 minutes; no action is anticipated. The meeting came out of executive session at **6:33 pm**. No action was taken.

The Board meeting adjourned at **6:33 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 **July 28, 2011**.

BOARD SECRETARY