

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS  
OF BIRCH BAY WATER AND SEWER DISTRICT,  
HELD October 27, 2011

Commission President Don Montfort called the meeting to order at **4:30 pm**. Other persons present included Commissioners Pat Alesse and Carl Reichhardt, General Manager Roger Brown, Assistant General Manager Dan Eisses, Attorney Bob Carmichael, Operations Manager Mike Sowers, Interim Finance Director Meredith Riley, and Jeremy Schwartz.

**Agenda additions/changes:** No. 6 Customer Complaint was pulled, and Accounts Payable Warrant 41048 was added.

**Public Input:** None.

**Consent Agenda included:** Minutes for the Regular meeting of October 13, 2011; Accounts Payable Warrants #41017-41047 paying Claims #41017-41047 for \$27,016.06; October Payroll Draw Warrants #7326-7327 and auto payments #10058-10067 for \$15,400.00 in total; Utility Tax Payment of \$11,560.13. It was moved by Reichhardt and seconded by Alesse to approve the Consent Agenda. The motion passed unanimously.

**Developer Extensions:** None.

**Forcemain Update:** Dan spoke on the forcemain project. There are 20 boxes of archaeological material from this project. Two options for the 20 boxes are: give them to the Burke Museum; cost of \$1,500 per box equaling \$30,000 plus the consultant cost; or Western Wash. Univ Dept of Anthropology would accept the boxes for \$15,000 and they have the original material from the 1970s. The District may have the option of keeping the material ourselves, but then we are responsible for it forever. There was much discussion on the cost of this issue. It was moved by Alesse to allocate \$25,000 for the cost of preserving the archaeological material. Motion died for lack of a second. This issue was sent back to staff for additional information.

**Tjoelker Enterprises, Inc.:** The District has had an 8 year contract with Tjoelker for biosolids. Mike S. did due diligence on the costs of biosolids to other treatment plants around the State. The District has been getting a good deal; the proposed new contract the first year will be 5.7% increase for the first year and smaller increases for years 2 through 8. The new contract is for two years with three two-year renewals. The City of Blaine has the same contract which was passed by Council October 24. It was moved by Reichhardt and seconded by Alesse to approve the Tjoelker contract, to be brought back to the Consent Agenda next meeting. The motion passed unanimously.

**Wholesale Water Meeting:** Roger spoke to this issue. Steve Banham is moving to the City of Lynden as Public Works Director from City of Blaine and met with District representative about outstanding work items that should be addressed before he leaves. The wholesale water supply contract requires a meeting each calendar year between the City and District, with representation from each party's elected officials, to review the status of water supply and related issues. A potential agenda is set and a tentative date to meet with Blaine representatives. Carl will be the representative for the District. Don spoke regarding availability of loan money for the next biennium for capital projects. Carl said that SRF has funding available for projects that have been completed. Dan said that our Water projects have been funded through P WTF Loans.

**WSRMP Semi-Annual Meeting:** Dan went to this meeting and thought it was very interesting and informative. Insurance premiums are affected by the world market and number of catastrophes worldwide. The insurance rates are going up slightly for 2012.

**2012 Budget:** Roger presented the Board an overview of the 2012 Budget again. The biggest issue has been the weather-related revenue shortfall for the last two consecutive years. There has been a drop in

consumption that has had a cumulative impact. The District does not have a rate stabilization fund to carry us through the shortfall. One significant area of decreased expenditures is the drop in the cost of water purchased for 2012. Capital contributions from the District to the City and low interest rates are producing a lower return on capital in the 2012 rates. The District owes an additional \$15,000 to City of Blaine according to the annual true-up for 2010. The 2012 projected water costs are going down 11.4%. Professional services are up in 2011 for the District. The District has budgeted one less position by eliminating the inspector position for 2012. The duties of that position have been transferred to the Conservation Specialist. The District has converted to the Cash Basis. Mike S reviewed savings in operational costs in 2011. As a result of improved productivity and efficiency, the 2012 Budget expenses are projected to increase 0.41% over the 2011 level. Roger stated that we needed a 10% increase in rate revenue for 2012 owing to the revenue shortfall over the past two years.

Dan reviewed the CIP Budgets for 2012 for Water and Sewer. Mike went over the Operational CIPs for 2012 for Water & Sewer.

Roger reviewed the rate model with the Board. He went over the rate model assumptions, and then reviewed the 2011 projected and 2012 budget revenues and expenses. Roger will bring back some additional scenarios for the next meeting.

Dan gave the Board three rate changes; the first one the District instituted this year; the second and third rate change proposals showing a 10% increase in 2012, with a different rate structure for the two scenarios. One rate increase is based on equal increases in both monthly and consumption rates and one is based on the entire rate increase being in the monthly rate.

Don had asked a question regarding overtime labor costs last meeting. Dan reviewed overtime labor costs for 2010 actuals through 2012 budget, and reported that costs depend largely on District projects. Standby costs are generally the same from year to year.

**WRIA 1 Watershed Plan:** Roger is keeping track of this issue. Bob C. brought a letter from Skagit County to property owners in their area. The Dept. of Ecology has closed two basins to new well drilling, mainly based on lawsuits brought by the Swinomish tribe.

**Developer Extensions:** None.

**Accounts Payable:** A separate run of Accounts Payable Warrant #41048 paying Claim #41048 for \$609.87 for Valero Fuel was presented. It was moved by Reichhardt and seconded by Alesse to approve the Accounts Payable. The motion passed unanimously.

The Board meeting went into executive session at **7:12 pm** to discuss potential litigation. The time in executive session is estimated to be 5 minutes; no action is anticipated. The meeting came out of executive session at **7:15 pm**. No action was taken.

The Board meeting adjourned at **7:15 pm**.

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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 **October 27, 2011.**

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BOARD SECRETARY