

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS  
OF BIRCH BAY WATER AND SEWER DISTRICT,  
HELD **November 14, 2013**

President Don Montfort called the meeting to order at **4:30 pm**. Other persons present included Commissioner Carl Reichhardt, Commissioner Pat Alesse, General Manager Roger Brown, Assistant General Manager Dan Eisses, Attorney Bob Carmichael and Finance Director Sandi McMillan.

The agenda was restructured in order of items (7, 13, 15, then back to 8 and continuing on with the remaining agenda items) in order for Mr. Carmichael to make another evening meeting.

**Consent Agenda included:** Minutes for the regular meeting of October 24, 2013 with the correction of adding Mike Sowers as attended. Accounts Payable Warrant #42816, paying for claim #42816 for \$527.88 for 2013 budget and Warrants #42817-42857, paying claims #42817-42857 for \$98,836.57 for 2013 budget; and Payroll Warrants #7599-7608 paying claims #7599-7608 and Payroll Warrants #11668-11685 paying claims #11668-11685 for a total of \$132,026.73 for the 2013 budget; Manual warrants: MW901201 \$795.73, MW901202 \$35.56, MW901203 \$155.38, MW901204 \$10,912.03. Utility billing adjustments for October of \$1,341.50 and (\$1,461.97) as well as LID Assessments of \$276.94. It was moved by Carl Reichhardt and seconded by Pat Alesse to approve the consent agenda. The motion passed unanimously.

**Customer request:** Commissioners reviewed the request from a customer to relieve select past penalties and discussed. They want to see all the accounts in arrears on this LFC/GFC agreement, and then decide how to proceed in an equitable manner across those accounts. The Commissioners asked if the account has been accruing interest on the penalties. They mentioned that they might be interested in providing relief if at the end of the account years on this particular account in question, they would relieve the select penalties if the account was kept current and paid off. Staff were asked to investigate and bring back additional information.

**Developer Extensions:** None.

**WRIA 1 Watershed Planning:** Roger discussed the recent WaterCAT meeting (11/6/13) and Patrick and Don agreed the group was engaged and had expressed an interest in meeting again early spring. He also highlighted the agenda for the recent Joint Board meeting and that was discussed. Representation on the Planning Unit was reviewed and concerns shared. Concern on the decision making authority for the Joint Board was shared. Commissioners were interested in the impacts of representation on the Planning Unit and the Joint Board decision making authority. Agreement as to question the implications of county level water availability responsibility was emphasized by the Commissioners. Bob highlighted a piece of the Whatcom County Council action 11/12/13 was on 'water quantity'. The Commissioners agreed the water planning has substantive questions that still remain on a number of issues. Alesse expressed his appreciation of Roger's efforts and time on this subject and Don expressed support for Roger's accomplishment.

**HRA VEBA Employer adoption agreement:** Roger explained the VEBA Employer Adoption Agreement renewal document and recommended approval for his signature. It was moved by Carl and seconded by Pat to have Roger sign the VEBA Employer Adoption Agreement. The motion carried unanimously.

**2014 Preliminary Budget discussion:** Blaine water purchase 2012 true-up and 2014 rate forecast reports were reviewed by Dan and he highlighted components of the price. Included in this highlight was a conversation on 'return of capital'. In the 'true up' Blaine shows the meter reading inaccuracy was replaced by a 10 year average but that misstatement resulted in a small cost to the District and Dan suggested the cost for the consultant would be higher than the amount we would ever recover in a corrected price.

Dan continued with the water purchase price and showed the Commissioners how it is on the first page of the O&M model budget to include true up water purchase. He explained that the budget binder "Administration" tab includes the detailed calculation which shows the estimated water volume to be purchased. The "Sewer" budget increased slightly in the treatment plan services. The "IT" budget includes a new server. Don asked about how frequent and where the district data backups occur. Dan continued with a rate model discussion that include additional I & I work, PS #8, the BERM and AMR projects. Carl asked when the meter replacement program would be implemented and mentioned that towers, equipment, and software would need to be purchased up front. Don expressed needing a strategy and a meter selection study. Dan will bring rate done by staff back to board.

The Sewer I/I was discussed as a strategy to prolonging the time before the need for the BERM. Different rate scenarios were defined and Dan illustrated what types of expenses were included in each rate scenario.

Growth rate projections were discussed and the implications of using the county's robust growth rate projections. Alesse requested the number of water hookups currently in the district. Discussion continued that if there is a lot of growth in Birch Bay the BERM project will be needed.

Dan used a large map of the district to show the Commissioners how existing system of capacity would be utilized if growth occurred. If you want to eliminate the BERM project then 4% rate increase but if the rate was 4.45% and growth happened then the BERM project could occur. Possible bond interest rate and term was discussed. 2014 Rate results were handed out and the different methods of including the rates in the base charges or all charges was discussed.

Staff mentioned current capacity studies show the need for the BERM project, but feel current operations show we don't need it yet. Carl pointed out that if we need the BERM in 2020, connection fees should be raised now to offset the BERM project. Carl also mentioned inflation needs to be applied to the BERM cost in 2020. Connection fees need to be raised to build the capital reserve. Carl proposed rates at 4% increase and apply to partly in the base rate and partly in the other usage. The Commissioners shared an interest in continuing the 'compromise' scenario in setting rates.

It was moved by Pat Alesse to approve the 2014 budget. Carl Reichhardt seconded and the motion passed unanimously.

**Meeting schedule decision:** The Commissioners decided to cancel the 11/28/13 and 12/26/13 meetings. They mentioned if a meeting is necessary then the District should call a special meeting.

**Headworks Update:** Dan spoke about a recent 'kick off' meeting for the Headworks project which is scheduled to start after Thanksgiving. Two vendors, Materials Testing & Consulting (MTC) and GeoTest Services were contrasted in terms of rates and mileage. Dan personally knows the MTC owner and disclaimed that conflict. A motion to accept the MTC bid was made by Pat Alesse, and seconded by Carl Reichhardt, the motion unanimously passed..

**Additional Accounts Payable:** Warrants #42858-42871, to pay claims #42858-42871 for \$24,496.43 were reviewed. Conversation continued between Commissioners and District staff regarding a couple of the expenses. A motion was made by Carl Reichhardt to approve the additional accounts payable. The motion was seconded by Pat Alesse. The motion unanimously passed.

**Annual Blaine meeting:** Dan talked about the topics listed on the annual Blaine meeting concerning the Wholesale Water agreement. A new allocation of fixed supply costs MOU is due in 2013. Also included in the allocation would be the estimated water need by the District.

The Commissioners inquired if Blaine could be requested to be a partner and contributor to water rights time and effort. Reminding them that there was a financial amount mentioned as a commitment and

dedicated to this type of work. The Commissioners requested Roger inquire as to a task order mechanism for watershed planning expenditures on their behalf.

**Billing procedures discussion:** Dan discussed the data on the new billing and lock off procedures and all shared it looks like a success. Dan refreshed the commissioners memory on the previous lock off procedure as it referenced a five month wait; rather than in the current system where there is only one bill behind and becomes a lock off situation. Dan reminded all that the new billing procedure is meant to help customers not get into situations of large past due bills. District staff had shared the concern that only the commissioners can extend an invoice due date. Commissioners asked Dan to talk to staff and make a recommendation for an invoice extension process to further help customers.

**Developer Extensions:** Dan highlighted items in the City of Blaine letter to Montgomery.

The Board meeting was adjourned at **7:22 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 **November 14, 2013**.

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BOARD SECRETARY