

**MACKAYE HARBOR WATER DISTRICT  
BOARD OF COMMISSIONERS  
MINUTES  
February 21, 2022**

**CALL TO ORDER**

The Board of Commissioners for MacKaye Harbor Water District met on February 21<sup>st</sup> 2022 at the residence of San Olson. Chairman Olson called the meeting to order at 5:26 p.m. Present were commissioners San Olson, KC Jennings, and Walt Krumbholz; manager Wayne Haeefe; clerk Alice Haeefe; and guest Linda Noreen.

**REGULAR BUSINESS**

**A. Approval of January 21 Minutes**

Olson noted a quorum and made a personal comment that the meeting minutes were "an enormous and extremely well-done job"; he also remarked on the length of the document - "12 pages of regular type and 14 on the big one"; A. Haeefe asked if she should be more concise in future or continue with detail despite the length; Olson responded that he would like the detail to continue because he finds it valuable; Krumbholz agreed and stated that he felt it was a "terrific job" and he is pleased with all work from A. Haeefe so far. Olson mentioned that he had one revision or question before approving the minutes, he handed the highlighted notes to W. Haeefe and questioned if it was correct that the document referred to the 2021 budget instead of the 2022 budget; W. Haeefe explained that the 2021 budget was correct because the question he had asked had been whether or not the 2021 budget needed to be amended because of the election expense; A. Haeefe confirmed this to be true and noted that it had been decided at last meeting that no action was needed with regard to an amendment to the 2021 budget. That being resolved, Olson made a motion to approve the January 17, 2022 minutes, Krumbholz seconded; the motion passed unanimously.

**B. Approval of Vouchers and Payroll**

A. Haeefe distributed the claims payment request forms and the payroll form.

Olson said he would have a question about attaching County payment receipts to the claims form to fulfill the auditor's recommendations; he suggested it could be discussed now; A. Haeefe responded that it could be discussed now and that since the topic of the audit had come up, she wanted to point out that the auditors invoice had come in and it was only \$900, which is significantly lower than last audit; she stated that she believed this was due to her work on tracking down his questions regarding discrepancies so that he didn't have to spend the time and charge for it. Olson agreed that the less back and forth with the auditor, the better. Not further discussion of the audit was continued at this time.

Jennings questioned the A&A invoice of approximately \$700; A. Haeefe advised that she had sent the invoice to W. Haeefe to review prior to including it in the claim and that he had confirmed it looked accurate; Jennings accepted this. Olson made a motion that the vouchers be approved; Krumbholz seconded; the motion passed unanimously to approve the claims payment request form in the amount of \$6,395.03.

Olson lightheartedly asked if everyone had gotten paid last month; A. Haefele responded that she hoped they would let her know if they hadn't! Jennings moved, seconded by Krumbholz to approve payroll in the amount of \$384.00. The motion passed unanimously.

### C. Financial Report

A. Haefele distributed the general fund report confirming to Olson that this was the 2022 budget as of February 21, 2022; she noted that some payments had been received for the January water billings; she referenced the water billings and standby line items in the current column of the budget sheet, stating that there were deposits in the amount of \$23,759.60 so far. She explained that she had attempted to replicated what Helen Cosgrove had done to show the amount that was still remaining in the general fund account at the end of the year because the way the budget document is laid out it doesn't show this; she noted that after the current vouchers clear, there will be an \$18,477.88 balance in the general fund with \$25,000 remaining in the investment pool; she re-iterated that the auditor fee was only \$900, which is much lower than what was budgeted; she also mentioned that she had to estimate the OPALCO electric costs for January and it turned out that the estimate was low, which had resulted in some fees.

Jennings asked about the grant/loan line item on the budget, wondering where this money came from; A. Haefele and Olson explained that the amount shown on the budget is for what we anticipate receiving this year in terms of funding for our projects and that it is not representative of funds we have already received.

Krumbholz mentioned that he isn't suggesting any changes, but wanted to note that if the budget document is comprised of income/revenues and expenses, then the cash activity is not really income; beginning cash would be incorrect; A. Haefele explained that she has been using the form that Cosgrove was using and that she has done her best to carry on what Cosgrove had been doing; she stated that if anything needs to be modified, she is happy to do so, but she has been hesitant to make change because of how everything is structured for the county. She said that, as far as she is aware, there are no forms that represent a balance sheet and that the only reports from the county are expense and revenue which are used to reconcile the monthly budget. W. Haefele noted that fund accounting is different than GAAP accounting and follows a rule book published by WA (BARS); he also confirmed that the budget document looks like what he usually sees in his work for the Town of Friday Harbor. Krumbholz said he is fine with that if it is established and it is standard, but he didn't understand why it works that way when reviewing it. A. Haefele said she had spent quite a bit of time reviewing Cosgrove's work and she believes that she has done it correctly based on what was done in the past, but in some cases has been unsure about the "why". Jennings commented that it is interesting that the BARS codes don't go down any further; A. Haefele noted that there are many different BARS numbers that are not relevant to MHWD's situation and that the ones that are relevant are on the budget document.

### D. Manager's Report

W. Haefele reported that the website has been changed to show the correct commissioners now; he had not updated the water use chart because he only had one month of data and the chart would not have shown

up correctly, however he noted that January water use was 55 thousand gallons which is identical to 2020 usage, but considerably less than 2021. Olson commented that this must mean that “we solved our potential escape”; W. Haeefele responded “let’s just say we used a lot less water than we did last year in January”; Jennings laughed and said it was a “frozen asset” – all present chuckled appreciatively.

W. Haeefele continued to discuss progress on the easements; he stated that easements were in-hand from Rigik, Sprenke-Bradberry, and Agate Beach Association; and that the only one missing was Charter; however, he has had an active conversation with Jodi Charter; he sent them more information and they came back with objections; they felt that MHWD was taking “too big of a bite”; he checked with OPALCO to see if a change of trench positioning would be problematic to their plan and OPALCO did not care, so he will change the project plans to come down to the end of the lane and jog over at a 90 degree angle to the other property line before heading south. He told Charter that he would revise the easement document and send them a new copy; she agreed that she would sign it and send it back once he does this.

Olson asked if this means we aren’t going to trench along the Charter property; W. Haeefele explained that it will cross their property but differently; his original plans followed OPALCO’s alignment; they had come down half way along the Charter frontage and then come diagonally, which is a big corner of their lot; he stated that he can understand exactly why they would object to that. W. Haeefele said that OPALCO had originally planned the project that way because they thought they would be directional drilling from the center of the lane and that position would give them room to turn the drill around the corner; but as it turns out, there is no reason why they can’t open trench it right to the point where they are at the Sprenke-Bradberry property boundary, but past that point they will need to use directional drilling because it is considered a wetland.

W. Haeefele commented that the easements are coming along better than he expected. He will be holding on to the easement documents so that the notarizing only has to be done once. A. Haeefele asked how she is supposed to reimburse the customers for their postage since it will be difficult to pay through the County given that she would have to track down W9s for everyone. W. Haeefele said he will reimburse them through Wayne Haeefele and Associates and then add it to his invoice to MHWD.

Jennings asked if we aren’t worried about cultural; W. Haeefele responded that this question leads naturally into his next topic which is the USDA application. He said that he was successful in signing up through the USDA portal to access the application form. He has completed writing both the preliminary engineering report and the environmental report. The PDR was relatively easy to do and is ready to upload; the environmental report includes historical resources, endangered species, marshes, flood plains etc.; he said he was initially afraid of this until he asked Dan to send him whatever OPALCO had on file and it turned out that they had two reports from Jacob’s Engineering which covered all of it; all he had to do was refer back to these documents in his report and include them as an addendum. One thing he did notice when doing the environmental report is that Agate Beach Lane falls within the shoreline and so MHWD will have to apply for a shoreline exemption from the County. He said it will be easier to get an exemption than to shift the work to the other side of the lane; he said that it will need to be obtained before spending any funds.

W. Haeefele also noted that the USDA, because it is federal money, requires applicants to use specific bidding and contract documents authored by the EJCDC. They require specific general conditions of the contract and a specific way of organizing the bidding papers and specifications. He said that this could slow him down somewhat because he will have to obtain up-to-date documents from this professional organization and he will need to pay them to obtain the documents, which won’t be cheap. He is going to

look into this further to find out which documents will be needed and how much it is going to cost. He stated that he had originally set up the project with a small works roster bid program, eliminating written specification and putting everything on the drawings – he doesn't know if he will be able to get away with that under the EJCDC – he may be forced to have written specifications. A. Haefele asked if we need to find out about the cost of the forms before submitting the project cost estimate documents to USDA; W. Haefele responded that he will research the cost but that it may be negligible in the grand scheme of the project. Krumbholz mentioned that Cattle Point Water District applied to the USDA and received both a grant as well as a loan; he suggested that the president of their corporation may be willing to talk to W. Haefele about their experience with forms, process, and working with O'Connor. W. Haefele responded that he would be interested in finding out how strict they were. Krumbholz said he will get the contact info to W. Haefele.

Olson said he has concluded from W. Haefele's report that we are on the cusp of getting our required documents ready to go and asked if another meeting prior to the scheduled meeting next month will be needed; W. Haefele responded that he does not think it will be needed; A. Haefele reported that O'Connor said the informational meeting MHWD held in November may be able to take the place of a public meeting and to hold off on holding another public meeting until she hears back about the Environmental report. Depending on if there is information that the public needs to hear regarding the environmental report, we may not need to do another meeting. If we do, we can post the meeting info in the newspaper at the same time as our announcement of intent to apply for USDA funding, which just needs to be within 60 days of applying for the application.

Olson commented that things seem to be moving along smoothly but that the next big hurdle is the bidding process. W. Haefele said that with all due respect to our local contractors, off-island contractors that would be interested would include HB Hanson – they re-did the whole water system at Spencer Spit State Park – they did polyethylene, open cut throughout the whole park and did an excellent job – you would hardly know that they had even been there. Jennings said he wants to stick up for local contractors that he feels would do a really nice job such as Buffum Bros (he particularly knows a couple of the operators and they clean up after themselves very well), Dirt Dogs (he knows this operator and he does great work as well), and Steinbruck (who cleans up nicely after his work which is unusual with a lot of contractors); Jennings said we shouldn't write them out of the job.

#### E. Commissioners Reports

Krumbholz said that he had received a list of questions from Linda Noreen regarding the drainage issues faced by Agate Beach properties; he said he had responded to them accordingly and copied A. Haefele on the email. Additionally, Noreen had brought up that there may be a conflict of interest since Krumbholz held positions on both the MHWD and Agate Beach Association boards. Krumbholz stated that although he did not feel there ever have been or are currently any conflicts, he has officially resigned from Agate Beach Association and would like A. Haefele to file the record of the communications in the MHWD files. A. Haefele accepted them and said that she would.

#### F. Public Comment

Noreen requested the status of the exposed pipe at Agate Beach; W. Haefele said he was supposed to have cut it out but he has not done it yet; Noreen said that it is enlarging and there is dirt that is falling on the pipe which is putting weight on it and further exposing both ends; W. Haefele said he will take care of it.

#### G. Commissioners Additions to the Agenda

None.

#### UNFINISHED BUSINESS

##### A. Continue Discussion of 2019–2020 Audit and Recommendations:

Olson reiterated that these are suggestions we are getting from the auditor and we need to make an effort to comply with them in the hope that it can be resolved in the next audit; we are not entirely obligated to do anything about it but we are trying to comply with some of them or at least show that we are interested in working on those recommendations; and maybe they won't charge us \$900 next time. A. Haefele stated that at the last meeting it was determined that just two of the recommendations needed to be revisited at this meeting: purchasing and procurement, and the capital asset threshold. Olson stated that for purchasing and procurement we determined we would attach county payment confirmations to our vouchers; A. Haefele clarified that this was our solution for the billing and receipting controls recommendation but that purchasing and procurement was related to the bidding process, about which W. Haefele had commented at the last meeting that the requirements were going to be a "waste of time". Jennings asked if we could just set a threshold for our projects so that if it isn't over a certain amount of money we won't have to go out and get three bids; we can put a policy together and approve it. W. Haefele responded that by State Law, agencies like MHWD have a lower limit on their bidding; anything below \$50k can be purchased and won't require bidding; anything between this and the lower limit of the small works roster process requires soliciting 3 quotes and the lowest quote can be chosen; once the amount reaches the threshold for the small works roster process (projects approx. between \$65k and \$150k), that process must be followed which involves soliciting 5 quotes and keeping copies on file; projects \$150–\$300k require soliciting everyone on the small works roster list; if the project goes above \$300k then a formal bidding process is required with advertising through a newspaper. W. Haefele stated that technically if MHWD just had a policy that said we would comply with state law on our bidding limits, then that would be a legal policy; however, that may not be adequate control and more strict policy than the state may need to be put in place; State law would govern unless local law is more strict. W. Haefele offered to write up some copy of state law as it applies to us, and asked if that would be sufficient. Krumbholz said that would be great, and stated that then the commissioners could have a brief conversation around if they felt any additional controls were necessary; it would be a great starting point to have a conversation around. A. Haefele said that discussing it and having some kind of policy would go a long way towards meeting the audit recommendation. Olson asked if we need a formal motion to ratify the proposal. Jennings said not until W. Haefele brings us the proposal; W. Haefele said he is prepared to write it up. All agreed that this should be done.

Jennings said Stanley Arnott can do most of the things needed by the district without hitting the threshold anyway; W. Haefele said that is why he feels this conversation is neither here nor there since Arnott does

the work and bills us for the vast majority of MHWD needs; he stated that sometimes things have more to do with politics than they do with realities.

Olson asked about the capital asset threshold and W. Haefele suggested setting the threshold at \$1000 before capitalizing anything; most things will be under \$1000 and if it is over that then we probably want to capitalize it anyway.

Olson stated that he believes we should send the Auditing agent a message now detailing how we are going to address their recommendations rather than waiting until the next audit; Krumbholz agreed he doesn't see any harm in addressing it now. A. Haefele agreed she would write up a response detailing the steps MHWD has decided to take.

#### B. Financing for Agate Beach Lane Project

A. Haefele stated that she had corresponded with O'Connor is waiting until she reviews the environmental report before having a public meeting because it may not be necessary; as a result of this A. Haefele did not yet send out the notice. Olson asked if O'Connor was basing her decision on the video; A. Haefele responded that she felt O'Connor was basing her decision primarily off of the meeting minutes, however she had also sent O'Connor the link to the video as well; she mentioned that O'Connor said she felt the November meeting would be sufficient as long as there wasn't any additional information that needed to be presented to the public related to the environmental report.

A. Haefele noted that a lot of the information in the application is hinging on the engineering and environmental reports from W. Haefele, but that she has filled out everything in the report that it was possible to fill out without it. She said she believes that the section of the application that is asking for the anticipated funding sources is where we would put the portions of the project that will be paid for by Rockisland and OPACLO, and our portion of the project funding would be under "Rural Development" which is the USDA. Krumbholz said to leave out any mention of possible EPA and other governmental funding for now. A. Haefele asked if the USDA funds were going to be funds that the customers wouldn't have to pay back; Krumbholz responded that the USDA could fund us with either a loan or a grant, or a combination of both.

A. Haefele said she needs help determining a list of short-lived assets; W. Haefele asked what their definition of short-lived assets is and said that in the past they have determined that MHWD doesn't have any; A. Haefele said she will find out from O'Connor about the definition; W. Haefele further explained "We don't have short-lived assets because our system is very simple and anything that would be of short-lived nature we would simply go out, get a replacement and expense it. Large systems have stockpiles of small parts and treating chemicals as inventory. We don't have inventory. Our water is untreated. We don't have anything sitting on-hand."

A. Haefele said that because we don't have a balance sheet, she wasn't sure if she should be putting anything down in the application for assets, like the pump house or the wells; Krumbholz said they are fully depreciated; W. Haefele said if they need replacement costs then we can provide that.

A. Haeefele said that concludes her report, she will go through the application with O'Connor again once the engineering info is entered. She also explained the USDA level 2 user process to Krumbholz so he can sign up and view the application as well.

Krumbholz reported that the date for the US 2022 budget came and went and they "kicked the can down the road" from mid-February to mid-March and hopefully there will be some action on it then.

#### **NEW BUSINESS**

##### **A. Resolution for Insurance:**

A. Haeefele stated that MHWD's contact for insurance reached out to her and asked that she have the commissioners sign the resolution to opt-in to the insurance pool; Krumbholz asked if MHWD gets insurance through them; A. Haeefele confirmed that MHWD has insurance through them but they neglected to send this to us earlier; Olson signed the document after consensus was reached.

##### **B. Review and Sign Easements**

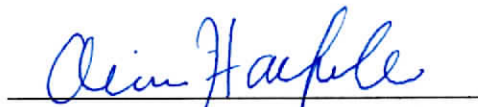
Signing of easements was postponed until all easements are in hand because they need to be signed in the presence of a notary.

#### **ADJOURNMENT**

Olson declared adjournment. The meeting was adjourned at 6:38 p.m.



Commissioner – San Olson



District Clerk – Alice Haeefele