

**MACKAYE HARBOR WATER DISTRICT
BOARD OF COMMISSIONERS
MINUTES
May 9, 2022**

CALL TO ORDER

The Board of Commissioners for MacKaye Harbor Water District met on May 9th 2022 at the residence of San Olson. Chairman Olson called the meeting to order at 5:36 p.m. Present were commissioners San Olson, KC Jennings, and Walt Krumbholz by telephone; manager Wayne Haefele; and clerk Alice Haefele.

REGULAR BUSINESS

A. Approval of April 20 Minutes

Olson asked if anyone had corrections to the minutes; A. Haefele said she hadn't received any; no objections were noted; the April 20th Minutes were approved unanimously.

B. Approval of Vouchers and Payroll

A. Haefele distributed the claims payment request forms and the payroll form; and noted that OPALCO was not on the claim voucher; she said she would do a second claim form once she receives the invoices after the 16th. Olson asked if OPALCO had agreed to give a credit, A. Haefele confirmed they will issue a credit of the advance late fee if the payment does post before the due date. Olson noted that the payroll is correct with 3 hours per commissioner and moved to approve; the payroll was approved unanimously in the amount of \$384.00. Olson stated to Krumbholz that Jennings had reviewed the claims voucher and confirmed it looked correct, Krumbholz and Olson declared they trust Jennings' opinion; the claims payment request was approved unanimously in the amount of \$3,214.53.

C. Financial Report

A. Haefele distributed the general fund report; she stated that she was finally able to deposit the last check in payment of January billings from the customer who was having some difficulty with legibility; the bank was able to deposit it. Jennings said that the bank can find out if anyone is helping the customer with their estate and get a facsimile stamp; A. Haefele clarified that it was the written amount on the check that was the problem and not the signature, so someone would need to write the amount of the check for the customer and have them sign it; Olson stated he didn't think this individual had anyone currently helping them and that this may continue to be an issue on future billings.

A. Haefele confirmed that the customer reimbursement for backflow prevention had been received and that it was deposited under the correct BARS code for income in the "reimbursement from a prior year" category; she also noted that the Department of Health bill had come in for the annual permit, shown on line 39 of the budget for \$297.00; she confirmed that this is an annual expense that has been paid in prior years. The total expenditures including payroll came to \$3,629.16, however she noted this includes everything except for OPALCO billings which are not available yet; the Balance Cash is \$16,104.36 and there is still \$25,000 in the investment pool. Olson stated that MHWD is financially in a good position.

D. Manager's Report

W. Haefele confirmed that all easements were in his possession and all had been notarized on the landowners' end; he provided them to Olson with the direction that they be signed by him with a Notary, in this case Helen Cosgrove. Olson said he would drop them off to A. Haefele's office after getting them notarized by Cosgrove and A. Haefele agreed she would send them on to the County to be recorded. Regarding the status of the USDA application, W. Haefele reported that he and A. Haefele had been working together on the application because the remaining updates that USDA wants to the engineering report are financial in nature. They wanted a Proforma Budget that shows how MHWD would pay off the USDA loan; he said he and A. Haefele solved this by using the existing budget and adding a prospective expense called "USDA Monthly Payments" as well as a prospective revenue called "USDA Surcharge"; annual cost works out to about \$5,500 and with 55 connections this would be roughly \$100 per bill; not a lot but enough that people will definitely notice. W. Haefele noted that some customers who are not on Agate Beach Lane might complain about this cost; Olson commented that they are also paying for infrastructure and updates to the whole system; he will put out a notice so that people will understand that they have actually received "a bargain".

W. Haefele stated that in the actual application itself, he figured out how to do the required mapping; the online funding application has a section where you must use their program to map the limits of the service area which they have tied directly to census data; they use census data to determine the average income of the project area. W. Haefele said the other USDA updates still needed are a lifetime cost of the pipe that is going in the ground and an estimate of the operation and maintenance cost; he noted that it is virtually nothing, but the problem is coming up with a number to represent that; Jennings asked if the manufacturer can inform us of the lifespan of the pipe and W. Haefele responded that it is 100-300 years. He said some of the other items USDA wants don't make sense to him; such as requiring complete estimates for alternatives to the project. He will provide the option of doing nothing (which is easy) and the other alternative is re-routing the pipe along the other side of MacKaye Harbor Road; he will have to do a construction cost estimate for this option even though it is not a viable alternative due to being too far from the County's road and wouldn't allow participation with OPALCO (therefor doubling the cost to the district). W. Haefele stated that he believes that the USDA application will be done by next meeting, and he will create documents for everything requested despite much of it seeming unusual and unnecessary. Olson asked if W. Haefele had talked to Cattle Point regarding their USDA Loan experience; W. Haefele answered no because the Town of Friday Harbor had been involved in a brand-new USDA loan and so he had already been in communication with O'Connor.

Krumbholz said that Cattle Point's total project cost was around \$1M and that they had received a 60/40 split so that 40% of the money was in the form of a USDA grant; he suggested that if MHWD doesn't end up with any Federal money and is only relying on USDA funds, then it would be worth reaching out to the manager of Cattle Point for further information on how they got their grant.

A. Haefele asked if we have to do something on our end to request the funds as a grant; W. Haefele responded that, in his dealings with USDA for the Town, O'Connor had actually "gone to bat for the Town" to get the grant portion to be larger and that whether or not an applicant qualifies for a grant is related to specific parameters endemic to the application. He believes O'Connor will tell us if we qualify for a grant.

W. Haefele also confirmed that in his experience, USDA funds are disbursed on a reimbursement basis at the end of the project; Krumbholz concurred that was his understanding as well and that MHWD will need credit accommodation from a bank.

E. Commissioners Reports

Krumbholz reported that he wasn't able to get more information from Sean Connell but that he made some progress with the links to the EPA grant program that W. Haefele had sent via email. Starting with contact information from these links, and after many contact attempts and redirections, he was eventually put in touch with Matthew Martinson who is a branch manager for permits, drinking water, and infrastructure for region 10; his email response said that he can answer our questions or get us to the right person; Krumbholz will call him first thing in the morning. It was mentioned by one of the EPA staff that they are in the process of hiring 19 new employees for region 10 in order to handle this new infrastructure grant activity, so they are struggling to catch up with the workload.

Krumbholz confirmed that we will have to make applications to a bank for bond financing and he will work with W. Haefele and A. Haefele to see if an application can be started with one of the banks. Jennings asked if bond insurance will be needed as well; Krumbholz responded that yes, the only way you can get a bank to lend money is if they do it in the form of bond financing, bond anticipation financing, or grant anticipation funding; because MHWD is a municipal corporation there is only one kind of process and it requires bond options. He also noted that all these associated costs could be included in the overall budget so that MHWD would only end up needing to fund 20% of it. W. Haefele asked if the bank provides bond council or if we will have to have our own attorney; Krumbholz replied that the bank will have a list for us but that Cattle Point has a contact for low-cost bond opinion from a firm in Seattle that he can get the information on. W. Haefele mentioned that MHWD should make sure to track non-project costs which are still payable under the USDA.

Jennings asked W. Haefele about the new rules for project materials that were emailed by O'Connor; Olson said he had read through the 17 pages and that 55% of our materials costs now needs to have been manufactured/produced in USA; W. Haefele said we should be within that requirement because the pipe represents most of the materials cost and it is made in TX.

F. Public Comment

None.

G. Commissioners Additions to the Agenda

None.

UNFINISHED BUSINESS

A. Financing for Agate Beach Lane Project:

The USDA funding update was discussed in the Manager's Report; the EPA funding update was discussed in Krumbholz commissioner's report. Olson suggested that the project timeline be delegated to a committee and that it is not necessary to discuss it today. W. Haefele said he will make a horizontal timeline schedule

(bar chart) that will give some insight into when these projects could be accomplished; the appointed committee can then review it.

Olson declared that his biggest concern is regarding the bids and he is worried there won't be interest if we wait too long; W. Haefele responded that there will be interest but the question is from who; he has an idea of what contractors to make sure hear about the job; we can send out notices to specific contractors that do this kind of work here on the islands to make sure that it is properly advertised. Jennings commented that MHWD does not have to take the lowest bidder, a contractor can be chosen based on performance on past projects; Olson wondered if we would have to justify that; Jennings responded that we might have to justify it if a contractor comes to a meeting and objects.

Olson asked if it would still be necessary to have an outside engineering firm do the work or if W. Haefele was available; W. Haefele confirmed he is available for the work but suggested that it might be good for the commissioners to see what other engineers cost (as he will be charging for his time) and weigh their options. Olson asked if there would be a conflict of interest; W. Haefele responded that there could potentially be one if the bid info comes through Wayne Haefele and Associates, however to avoid this he will compile a list of engineers for the commissioners and they can reach out to these firms themselves with the project criteria. He suggested not to ask about dollars at first but instead about qualifications. W. Haefele said he will create documents that will define the scope of work which should be sent to the firms, then the commissioners should ask for statements of qualifications, evaluate the statements against the list of criteria, choose an engineer based on this and then get a fee proposal to compare to Wayne Haefele and Associates' fee proposal.

Olson asked if W. Haefele could act as Clerk of the Works now that he is no longer employed by the Town; W. Haefele confirmed that he could, which will save the district money on per diem.

NEW BUSINESS

A. Adoption of Procurement Policy

A. Haefele distributed the printed copy of the policy and noted that she had added signature lines and a Resolution number (2022-02) since the version she emailed; W. Haefele explained that what the auditor's office was asking for was for MHWD to have an explicit policy regarding procurement; he had gone to the bidding book and determined what the requirements are for bidding for districts and created a policy that says MHWD will follow the procedures in the bidding book and comply with state law; he noted that a lot of agencies lower limits and make things more difficult for employees, but he thinks MHWD should comply to the law but not add to it; this resolution would accomplish that. Krumbholz requested more time to look the over the policy; W. Haefele said that since we will not be audited until next year we have plenty of time and can revisit the policy at the next meeting.

Jennings asked W. Haefele for a status update on the discrepancy between the well meters; W. Haefele responded that he has instructed Stanley to dig up the piping that connects wells 1 and 2 to the master as soon as things dry out enough to get into the well field with equipment; he and Stanley agree that if there is a disagreement between then meters then there must be a leak in that piping, but it is currently too wet to investigate.

Olson ask W. Haeefele if he would like hear from David Saylor the “electronics guy” about controls; W. Haeefele says yes if we are actually going to re-do our pumping arrangement.

ADJOURNMENT

Olson declared adjournment. The meeting was adjourned at 6:26 p.m.

Commissioner – San Olson

District Clerk – Alice Haeefele