

**MACKAYE HARBOR WATER DISTRICT  
BOARD OF COMMISSIONERS  
SPECIAL MEETING MINUTES  
October 31<sup>st</sup>, 2022**

**CALL TO ORDER**

The Board of Commissioners for MacKaye Harbor Water District met on October 31<sup>st</sup> 2022 at the residence of San Olson. Chairman Olson called the meeting to order at 1:02 p.m. Present were commissioners San Olson, KC Jennings, and Walt Krumbholz; clerk Alice Haefele, and guest Linda Noreen.

**A. Selection of Engineering Firm for Improvements**

Olson stated that five firms had responded to MHWD's request for statements of qualification (SOQ), only three of those were engineering firms; the other two were survey and biological companies which are not applicable to the current discussion; the three engineering firms being considered for design of the infrastructure improvements are RH2 Engineering, Wilson Engineering, and Wayne Haefele & Associates (WH&A). Olson explained that they would be using a Qualifications Based System modeled after guidelines from California; after review of the SOQ documents submitted by the three engineering firms, the commissioners independently evaluated and rated them based on five questions relevant to the project; they will be selecting the firm that scored the highest for opening negotiations with; the cost will not be considered in this initial decision.

A. Haefele asked why CA guidelines were being used; Olson answered that they are much more thorough than the guidelines in the WAC; they are 8-10 pages of specific directions on the process as well as providing forms to use to be very objective; Krumbholz added that CA has done the most work on this process and their guidelines are looked at as model.

Krumbholz noted that WH&A's services was used on an emergency basis last year to complete the designs for the Agate Beach pipe relocation, however this current evaluation and decision is for the design of the remainder of the system upgrades; the expedience in this decision-making process is so that momentum with USDA and EPA funding is not lost.

Olson stated that they would start by each sharing their ratings of the three firms (which had not been previously discussed or shared) and follow with a conversation of the pros and cons of each firm. Krumbholz said that the following criteria were selected because the commissioners felt that it would be a legitimate assessment of the qualifications of the firms. Each question could be answered with a rating between 0 and 10 with a greater number being a better rating.

He read the five criteria aloud:

- 1) Does the firm regularly work with very small Group-A water systems, being defined as less than 100 connections?

- 2) Does the firm have current or recent projects in the islands? Enough to have a good feel for the economic and logistic limitations of building here?
- 3) Do the firm's past projects share similarities with the kind of improvements needed by MacKaye Harbor Water District?
- 4) Is the firm's professional staff sufficient for the work at hand?
- 5) Does the firm have a local presence?

Olson started with his evaluation:

RH2 – 30/50 points total: Q1=5, Q2=5, Q3=10, Q4=10, Q5=0

Wilson – 40/50 points total: Q1=5, Q2=10, Q3=10, Q4=10, Q5=5

WH&A – 50/50 points total: Q1=10, Q2=10, Q3=10, Q4=10, Q5=10

Regarding question #4, Jennings asked if it was assumed that WH&A would provide the appropriate staffing; Olson answered yes, that he has confidence that WH&A would seek and provide any professional staffing or advisors needed to complete the project. Krumbholz mentioned that WH&A does have an associate that works for the company as well. Jennings pointed out that the other firms also have outside consultants that they contract with when needed as indicated in their SOQs.

Jennings shared his evaluation:

RH2 – 20/50: Q1=0, Q2=5, Q3=5, Q4=10, Q5=0

Wilson – 30/50: Q1=5, Q2=5, Q3=5, Q4=10, Q5=5

WH&A – 50/50: Q1=10, Q2=10, Q3=10, Q4=10, Q5=10

Jennings noted that he doesn't feel that RH2 works with many small water systems.

Krumbholz shared his evaluation:

RH2 – 30/50 points total: Q1=5, Q2=5, Q3=5, Q4=10, Q5=5

Wilson – 40/50 points total: Q1=7.5, Q2=7.5, Q3=10, Q4=10, Q5=5

WH&A – 45/50 points total: Q1=10, Q2=10, Q3=10, Q4=5, Q5=10

Krumbholz stated that RH2 is a larger firm with a high level of oversight and bureaucracy and not a lot of small projects or activity in the islands; he said he really liked Wilson, they had done an excellent job of presenting the projects they had done and that there were four or five projects that would be considered Class A water systems. Krumbholz also stated that he was impressed with WH&A, the SOQ had given him a much better sense of Wayne Haeferle's project experience and an appreciation for his knowledge and skill; it flushed out the range of projects as well as the number, almost all small scale and in the Islands; he is definitely the most local out of the three firms; WH&A's project with the school district is almost exactly the same situation as MHWD's project.

The commissioners discussed the scores and the attributes of the firms; Krumbholz stated that they could easily work with any one of the firms but need to determine which would best meet the needs of MHWD; he believes knowledge of local resources and availability of experience should score higher.

Olson stated that RH2 may be too big for what MHWD needs, they have substantial and knowledgeable staff but also the possible burden of bureaucracy; in his mind, RH2 ranks third. Jennings agreed and said he felt that such a big firm would cause MHWD's small project to get pushed to the "back burner".

Krumbholz stated that he likes Wilson Engineering but he feels that WH&A has a unique and special knowledge that the other firms don't have; knowledge of our system, its strengths and weaknesses, W. Haefele knows the location and the challenges, what the historic issues and problems have been, and he has a better feel for customer issues from a distribution standpoint; he has a unique knowledge of the overall growth and development than the other firms due to his knowledge of the islands and of Lopez in particular; he has something that the others don't have, which is history and experience with MHWD where he has demonstrated a high level of capability and performance; WH&A has already done some work and there would be no need to bring him up to speed, in the California rules it is allowable to give a firm credit for the relationship and experience you've had with them. For those reasons Krumbholz rated WH&A higher and suggested choosing WH&A over Wilson, although he believes Wilson could do a good job as well.

Olson said he likes Wilson's potential to provide new ideas in terms of the design; new ways to solve the problem; but the advantage that WH&A has is that he has already looked at the project and probably knows the contractors which would allow him to have a better ability to manage the project overall.

Jennings said he thinks Wilson is more out in the industry than WH&A and might have a few more "tricks up their sleeves", but he thinks WH&A has everything MHWD needs to build an appropriate system.

Krumbholz agreed that an outside firm may have new ideas to apply to the system, but since MHWD's system is not very complex, he doesn't think it is a distinguishing factor.

A. Haefele mentioned that if the commissioners had any questions for the firms to clarify any information that it was possible to reach out to them; Krumbholz responded that he felt there was more than enough information provided to make the decision.

Krumbholz moved that based upon the review of the SOQs of the three firms, and based on the commissioners' assessments and discussion, that MHWD move forward with WH&A to initiate discussions relative to the design work of system upgrades; Jennings seconded the motion; The motion was unanimously approved.

Krumbholz clarified that this will be a separate contract from any other work WH&A does for MHWD.

Olson stated that he would like to confirm which firm is second in line; he made a motion that Wilson Engineering be considered as the secondary choice to be contacted if negotiations fail with WH&A; Jennings seconded; the motion was unanimously approved.

#### B. Executive Session

None. It was determined that no executive session was necessary.

### C. Discussion of USDA Loan Application

Krumbholz began by reporting that he had spoken with Mat Martinson; Martinson confirmed that even if MHWD received a waiver for the 20% matching funds, the grant would still be limited to \$694,000 (i.e. it wouldn't get MHWD any additional money); Krumbholz asked if we could submit an application for part of the project and then come back for the rest; Martinson responded that he was not in a position to answer those questions but that they had recently hired Megan Browning to be in charge of individual project reviews for Region 10 and we can reach out to her for guidance; Krumbholz also asked if opening conversation when we aren't ready to "pull the trigger" could potentially disadvantage us; he answered that no it wouldn't and it would be a great case to bring up right at the beginning; he recognizes our challenges and wants to get us answers so they can be shared with others that have the same questions.

Krumbholz concluded that in order to move forward we need to work to negotiate a contract for the design work so that we can take the whole package to the EPA; we need to schedule a meeting with Megan Browning to lay out the issues and get guidance in terms of sequencing since we can't commit to paying for engineering services without knowing we have funds available; Krumbholz said Martinson had understood this dilemma and hoped Megan would be able to advise us.

Krumbholz further explained that MHWD doesn't have an issue covering the 20% match, but that we will have to figure out how to have funds available for the engineering work since our match amounts are not immediately available for that; Cattle Point had to get a line of credit to complete their \$1M project, but this isn't something we can do until we have a commitment of funds; if we speak to Browning and get approval to move forward with the USDA with it pre-approved as a piece of the overall project, then with USDA committed we could go to a bank for a line of credit or grant anticipation funding. Krumbholz reported that Cattle Point told him that they had worked with Banner Bank on San Juan for their line of credit; they said they were easy to work with and they would send him the contact; Krumbholz will also request more information on their soft costs for the project.

Olson stated that he would like to schedule a meeting with Browning with all of us present; Krumbholz said Martinson indicated that these meeting would involve personnel in Seattle but that arrangements would be made online; Olson said he prefers a Zoom meeting.

A. Haefele said she had updated the budget and the Agate Beach cost estimate based on the soft costs she had available so far; engineering cost for Agate Beach was \$5,500 per WH&A invoice; she had updated the contingency to 20% and it is now based on the whole project cost per the last discussion with USDA, not just construction costs.

A. Haefele asked if the OPALCO contract should be discussed; Olson answered that this should wait until W. Haefele is present.

The Clerk Authority for Payments was discussed; a letter to the USDA verifying that there is no conflict of interest with the clerk making payments to the district engineer is needed; Krumbholz read a draft letter of explanation certifying no conflict of interest and no advisory relationship between W. Haefele and A.

Haefele, as well as describing MHWD's history and relationship with Wayne Haefele, Helen Cosgrove, and Alice Haefele; he stated that more clarification on the clerk's authority is needed and the letter must be clean and precise. A. Haefele will reach out to Helen Cosgrove to ask if vouchers can be approved by email; she will also determine if it can be stated that she has no authority to approve vouchers prior to commissioner approval.

It was tentatively decided that the commissioners would approve a narrow exception for the clerk to authorize payment of recurring bills for OPALCO and CenturyLink to avoid late charges, but that all other vouchers would require commissioner approval. Any other exception could be approved by commissioners in advance at a meeting.

Krumbholz requested feedback from guest, Linda Noreen, regarding the cost to the customers for the upcoming projects; he asked if borrowing roughly \$300,000 to get approximately \$1,000,000 worth of upgrades would seem reasonable; Noreen asked for clarification on how much this would cost the customers; he responded that it would cost roughly \$270 per year per customer; Linda said she thought it was very reasonable.

Krumbholz said that these improvements would greatly benefit the customers because it would mean that there would be no issues with the system for an extended period of time, it will be safer and backed up with new generators, and MHWD would be able to generate additional revenue from new hookups; Olson noted that adding more customers would also lower the repayment surcharge amount per customer.

Krumbholz said he would work to schedule a meeting with Megan this week and will also follow up with Cattle Point for soft cost categories.

D. Discussion of USDA Loan Application

See section C. – discussion of EPA and USDA is intermixed as the funding is all inter-related.

E. 2023 Budget

None. Postponed.

ADJOURNMENT

The meeting was unanimously adjourned at 2:49 p.m.



Commissioner – San Olson



District Clerk – Alice Haefele