

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

CALL TO ORDER

The Board of Commissioners for MacKaye Harbor Water District met on November 21st 2022 at the residence of San Olson. Chairman Olson called the meeting to order at 5:00 p.m. Present were commissioners San Olson, KC Jennings, and Walt Krumbholz (via telephone); manager Wayne Haefele; and clerk Alice Haefele.

Public Hearing - 2023 Budget

Olson opened the public hearing; no members of the public were present to comment; Olson closed the public hearing.

REGULAR BUSINESS

A. Approval of October 18 Minutes

Krumbholz requested specific corrections to the minutes to ensure accuracy as a public document; Olson also requested correction of several minor grammatical errors; Jennings moved; Krumbholz seconded; it was unanimously agreed that the October minutes were approved with the modifications discussed and would be officially signed at the December monthly meeting.

B. Approval of Vouchers and Payroll

A. Haefele distributed the claims payment request form and payroll.

Olson moved to approve the payroll; Jennings seconded; the payroll was approved unanimously in the amount of \$1,493.33.

The claim documents were reviewed; Jennings moved; Krumbholz seconded; the claim vouchers were approved in the amounts of \$76.61 and \$4,341.11.

A. Haefele requested that an additional claim be approved in payment of the annual insurance premium with Water and Risk Management in the amount of \$4,266.00; Krumbholz moved, Olson seconded, the additional claim was unanimously approved for payment.

C. Financial Report

A. Haefele brought up that the 2023 budget would need to be discussed and finalized at this meeting, it was agreed that it would be added under Commissioners' Additions to the Agenda.

A. Haefele began her report by stating that there was no revenue for the month aside from an estimate for the investment income; she noted that the payroll was more than usual as a result of additional work

needed for the USDA and EPA communications; the November budget she provided does not include the insurance payment that was just approved; without it the expenses totaled \$5,976.15, with it the total expenses came to \$10,242.15; leaving a balance cash of \$4,018.62 in the general fund; this means some money will need to be moved over from the investment pool in order to pay remaining 2022 expenses; she will request all 2022 invoices from A & A Well drilling and is expecting about \$5000 in water operator fees from them.

Olson asked if the entire \$25,000 in the investment pool would need to be moved; A. Haefele answered that she believes it will be more along the lines of \$10,000; W. Haefele asked if this was because there was a cash flow issue or if expenses were going up; A. Haefele confirmed that expenses had been going up; Jennings asked if it was due to work that MHWD is doing or due to inflation; A. Haefele responded that she thinks it is a little bit of both, but that it is mostly due to the work being put in for the funding applications.

A. Haefele also reported that Helen Cosgrove had completed her review of the July billings and she had found a slight but insignificant discrepancy; A. Haefele will review the billings and her report to better understand what caused this discrepancy.

D. Manager's Report

W. Haefele reported that he had spoken with Stanley Arnott who told him that he will clean the inside and outside of the tank, most likely in mid-December.

W. Haefele also reported that he had reviewed the meter readings spreadsheet and that the meters at the well field are still off; he was surprised because Arnott had just changed the check valves at the end of August; at the end of September there was a huge jump in the error between the sum of the two well meters; the sum of the two wells is now 50-60% of the combo meter results; the combo meter itself was within 1-2% of the usage up until September and is now around 8% above the usage; he had double checked the readings spreadsheet and all the formulas and numbers looked correct with nothing messed up; A. Haefele said that she also had reviewed the spreadsheet many times to ensure the formulas were working correctly.

Olson asked if the combo meter could be broken; W. Haefele said that broken meters usually never measure high so he doesn't think that is it; he said that all three meters are electronic and brand new using ultrasonic emitters to measure the flow; the chances of there being something wrong with new meters is pretty low; he thinks that there must still be a problem with the check valves, like one installed backwards; he is going to go to the well field and troubleshoot.

Krumbholz asked how much of this equipment would be replaced when the system upgrades are completed; W. Haefele responded that depending on how the project is completed, almost all of it will be replaced except the well pump in Well #1; Krumbholz asked W. Haefele to take reasonable steps to see if the problem can be identified, but not to waste a lot of time on it if we are going to change everything out in 6 months anyway, especially since it currently isn't having a substantial impact on the customers or our resource.

W. Haefele said he had used the meter reading data to update the water usage chart; found that this year's usage is back to figures that were "normal" prior to 2020; water usage was inflated in 2020 and 2021 likely due to Covid 19; Jennings noted that rainfall should be taken into account when looking at the chart; W. Haefele agreed but said that the chart currently does not show differences in rainfall, only water usage.

Commissioners Reports

Olson reported that he had received a call from Council Member Christine Minney, chair of the PFFAP selection committee, congratulating MHWD on receiving the full \$102,000 request; she had especially recognized Jamie Stephens as a major advocate for MHWD receiving this grant.

Krumbholz said that since this request was specifically for new generators, the new well, and system control upgrades, negotiations would need to be initiated with the County if we plan to use the funds on anything aside from those line items; since we will have funds coming in from multiple sources we will need to be specific about whose funds are paying for what pieces of the overall project.

Olson said that he had written Jamie Stephens to thank him and to ask how to access the funds and what documentation would be needed, but he has not yet heard back.

F. Public Comment

None.

G. Commissioners Additions to the Agenda

Olson added discussion of the 2023 Budget.

A. Haefele passed out the updated draft 2023 Budget documents and began by noting that the primary changes from the last draft was the addition of the PFFAP grant and an updated USDA loan amount recalculated to include soft costs and a 20% contingency of the total project cost; the 2023 budget was discussed in reference to how the USDA loan and other funding would impact MHWD financially in the coming year; A. Haefele stated that the budget should be a best estimate of costs and there would be no need to determine the exact amount of the USDA loan before submitting the budget to the County, which is due by the end of the month.

A. Haefele stated that the 2022 budget estimated the USDA loan at \$350k and that it could either be left at that number or updated to be closer to the most recent estimate of \$238k for MHWD's portion of the Agate Beach project; she suggested leaving out OPALCO's share of the project from the budget and making the USDA loan \$250k; Krumbholz observed that since the end liability will be the estimated \$238k for MHWD's share regardless of if the full project amount including OPALCO's share must be borrowed, he thinks that we should use that number as our loan amount but round it up to \$250k; he said adding the USDA, EPA, and PFFAP funds in the revenue section and expensing the same amount under Water System Improvements in the expense section should ensure that we have accounted for the cost of our projects on the budget, assuming that our engineer designs the projects within this funding.

W. Haefele suggested setting up additional BARS codes as subcategories under Water System Improvements so that different types of project expenses could be tracked without having to mix them into the BARS codes for regular operations; A. Haefele will enquire if this is possible.

Olson asked if MHWD should consider revising its fee structure to provide more cushion; Jennings replied that operating expenses are increasing and we will need to raise rates to reflect that, but he would like to wait to announce any fee changes at the same time we announce the USDA surcharge; Krumbholz acknowledged that rate adjustments would need to be made, but pointed out that there is not enough information to go on to decide on any numbers right now; an appropriate level of reserve going forward will need to be determined after the new system is in place; he feels we should keep the numbers as they are on the budget but recognize that we will have to adjust them once everything comes into focus.

The commissioners unanimously agreed on the following actions regarding submitting the 2023 budget: A. Haefele will put all operating expenses back to match the 2022 budget; she will add the USDA Loan at \$250,000, the PFFAP Grant at \$102,000, and the EPA Grant at \$694,480 to the revenue section; update the Water Systems Improvements expense line item to equal the total of those three sources of funding (\$1,046,480); update the USDA Loan Surcharge and USDA Loan Repayment line items to each equal the annual payment calculation for a \$250k 40 year loan at 3.5% APR; she will request BARS numbers for all new line items and ask about BARS numbers to use as subcategories of the Water System improvements in order to accurately track project costs.

UNFINISHED BUSINESS

A. Financing for Agate Beach Lane Project:

A. Haefele stated that she had updated the Agate Beach USDA cost estimate spreadsheet to reflect the soft costs that Krumbholz had sent her; she had used \$20k as an estimated Archeological/Biological cost based on Shannon & Wilbur's recent proposal for the System Improvements portion of the project, but it is unknown how much OPALCO actually spent on their report; she said she added this as part of OPALCO's share; she also had calculated 20% contingency based on the entire project cost.

In reference to OPALCO's environmental report cost, Krumbholz said that items that have already been paid should not be included in the loan amount; A. Haefele replied that the project costs in the application must match the PER project estimate exactly and since the application calculates the loan amount automatically based on project costs, she is not sure we would be able to exclude it; it will need to be confirmed with the EPA how to show all project costs as requested but exclude any already paid expenses from the loan.

A. Haefele asked if MHWD would have to take out the full project cost including OPALCO's share; Krumbholz responded that as long as OPALCO pays timely for expenses then we won't have to take out the full loan amount; A. Haefele asked how the contract specified OPALCO's payments obligations; W. Haefele answered that the contract is written that OPALCO will reimburse MHWD for their pro-rata share of the actual project costs.

Jennings asked if the end USDA loan amount is the same loan amount that was applied for in the beginning of the process; Krumbholz answered that the loan amount is set in the beginning and invoices are submitted to draw against that amount; any difference that is left at the end between the amount drawn and the total loan amount would be applied to the principal balance of the loan, but it would not change the payment schedule.

Krumbholz noted that if costs run high on the Agate Beach portion of the project MHWD would have the EPA money to cover the shortfall but that it would leave less money for the system upgrade portion of the project; he feels that we need to estimate the costs for both Agate Beach and the Systems Upgrades before submitting the USDA application; since we won't be able to start the Agate Beach project until spring 2023, there should be enough time between now and the end of March to put together all of the numbers so that applications can be submitted to both EPA and USDA at the same time with the same numbers and information.

W. Haefele stated that if he ends up with a contract to do the design work, it will be his job to make sure that the balance of the work comes in low enough so that it will all fit within the EPA/USDA funding; this is why when he provided the estimate for the pressurization portion of the project he "threw in everything but the kitchen sink in terms of bells and whistles" and that the cost of that capital expenditure can be reduced to what it needs to be to fit within the funding.

B. Discussion of EPA Grant Application

Krumbholz said that he had forwarded everyone a copy of the email from the EPA regarding submitting an application that reflects the need to draw money for design and survey costs in advance of the full application; they said that they could accommodate this need and provided a path for doing it; MHWD would submit a rough total project budget identifying what additional money is needed for the design and survey work (archaeological and biological), they would then approve that estimate and MHWD could draw funds to make those payments; the project budget can be best estimates of costs, these amounts can later be amended as long as the change is within plus or minus 10%.

Krumbholz said that the EPA had given MWHD the opportunity to sit down with them to ask questions and discuss project needs; a meeting needs to be set to ask any questions, especially regarding NEPA review requirements; it would be a Microsoft Teams meeting.

Olson asked if we need to have our cost estimate prepared prior to the meeting; Krumbholz confirmed that would be ideal and asked how long it would take Wayne Haefele to provide an estimate of the costs; W. Haefele answered that he is waiting on some information but can have the proposal to the commissioners by the end of the week; Olson said a meeting should be scheduled to begin negotiations with WH&A.

It was unanimously decided that a working meeting should take place on December 5th at 1pm at the residence of San Olson to discuss engineering by WH&A and the scope of the EPA call.

NEW BUSINESS

None

ADJOURNMENT

Olson declared the meeting adjourned at 7:15 p.m.

A handwritten signature in black ink, appearing to be "San Olson", written over a horizontal line.

Commissioner - San Olson

A handwritten signature in blue ink, appearing to be "Alice Haefele", written over a horizontal line.

District Clerk - Alice Haefele