

**MACKAYE HARBOR WATER DISTRICT
BOARD OF COMMISSIONERS
MINUTES
December 19, 2022**

CALL TO ORDER

The Board of Commissioners for MacKaye Harbor Water District met on December 19th 2022 at the residence of San Olson. Chairman Olson called the meeting to order at 1:20 p.m. and noted that the meeting began late due to the freezing weather and snowy conditions. Present were commissioners San Olson, KC Jennings, and Walt Krumbholz (via telephone); manager Wayne Haefele; and clerk Alice Haefele.

REGULAR BUSINESS

A. Approval of October 31 & November 21 Minutes

A. Haefele provided a copy of the revised October 18 minutes which had been approved with corrections at the previous meeting; Olson signed the revised copy.

October 31 special meeting minutes; Olson moved to approve, Jennings seconded, the minutes were unanimously approved.

November 21 minutes; Olson reported no concerns about grammar, spelling or content, Jennings concurred; Olson moved to approve; Krumbholz seconded, the minutes were unanimously approved.

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 \$874.67.

The claim documents were reviewed; A. Haefele noted that there was nothing unexpected and that the only big item was that A&A Well Drilling had billed for most of the year's services; Olson moved to approve; Jennings seconded; the claim voucher was approved in the amount of \$9,201.01.

Olson expressed concern with A&A waiting to bill all at once at the end of the year; A. Haefele agreed she would reach out to Trisha Arnott and request that she bill on a monthly basis.

C. Financial Report

A. Haefele confirmed with the commissioners that they had received the December budget; she noted no additional income since all customers had paid; commissioner wages were higher than usual but not as high as the prior payroll; A&A Well Drilling had a large billing; she stated that there was nothing unexpected; the total year to date revenue came to \$64,584.85; total expenditures for the month came to \$10,158.93; she recommended that \$15,000 be transferred from the investment pool to the general fund in order to cover these December claims and the 13th month claims that would be submitted in January for inclusion in the 2022 year; there will be \$8,976.02 left in general fund after the December claims; the costs

to be incurred for the 13th month claims in January consist of approximately \$3,300 public utility tax, and approximately \$4,500 for any costs incurred in December based on the numbers from last year. Olson moved to approve the budget and funds transfer proposed; Jennings seconded; the motion was unanimously approved.

A. Haeefe reported that she had been in communication with the County about the new BARS codes for the 2023 budget; she had received the new codes for the PFFAP and EPA funds, USDA placeholder BARS code was already set up from 2022; she is still waiting on the surcharge and loan repayment BARS codes; she will follow up again with Heather Lee, the new payroll deputy.

Per Olson's request, A. Haeefe will also reach out to Sally Rogers who replaced Ingrid Gabriel as the SJC Council Clerk, congratulate her on her new position, and inquire about next steps for PFFAP funding.

D. Manager's Report

W. Haeefe reported that Arnott had requested the meter readings spreadsheet; he came back with the conclusion that Well #1's meter was reading wrong, and he thought it may be clogged with sand; he will take the meter out and inspect it; W. Haeefe doesn't think it is clogged with sand but instead that the check valve is installed wrong; waiting for a report from Arnott on his findings.

Nothing further to report; no complaints or communications from anyone; no news is good news.

Jennings reported seeing that the well field area had been weed-eaten recently, he assumed this was for inspection of the issues with Well #1.

Krumbholz asked if Arnott will check the valves and orientation at the same time that he checks for a clog; W. Haeefe said he will make sure Arnott knows to do this.

Commissioners Reports

None

F. Public Comment

None.

G. Commissioners Additions to the Agenda

None

UNFINISHED BUSINESS

A. Discussion of USDA Loan Application:

A. Haeefe reported that she and Krumbholz had had a call with the USDA on December 8th in order to get more clarification prior to the EPA meeting scheduled for December 20th; they had discussed the possibility of including the entire scope of the project (both parts, where Part 1 = Agate Beach, and Part 2 = System Improvements) in the USDA application with the intention of having the loan funded at the very end, this

way MHWD would only have to borrow what was actually needed; according to USDA, including the entire project would be possible but because the total project cost would be significantly higher, it would surpass a threshold that requires a different funding process; MHWD would need to obtain a line of credit (interim financing), all other funding sources would need to be used prior to any USDA funds being disbursed, and the funds would be disbursed at the very end after project completion as opposed to on a draw basis. These differences would increase the total cost of the loan and would likely delay how quickly MHWD could move forward with Part 1. Krumbholz stated that they had come away from the conversation with the conclusion that it would be better to apply for Part 1 alone; the project could be started earlier, the total loan cost would be less, and either way the customers would still have the higher amortization amount.

Krumbholz said that the timing issue for Part 1 is critical, but there is also the risk of completing Part 1 with loan funds and then not being able to spend all of the grant funds for Part 2, letting it go to waste; if there are cost overruns on Part 1, EPA grant funds could be used to make up the shortfall since those funds are for the entire scope of the project; an estimate for Part 2 is needed but that won't be available for a while.

Olson asked what the payments would be for the customers; A. Haefele said she had calculated the annual cost for a \$250k loan at 3.5% interest at \$11,706, making the annual cost per customer \$188.84, or \$94.42 per invoice; she mentioned that the USDA had talked about a 4.5% interest rate on their phone call, so the rates may have changed; the last official document she had found stated 3.5% as the highest rate, but she will look to see if they have put out an updated rate sheet.

A. Haefele asked if using USDA funds for Part 1 instead of EPA funds would step on any toes politically since that was the main piece of the project that the EPA funds were meant to cover; Krumbholz responded that the funds were for the overall transmission improvements and that the USDA loan is meant to be our 20% match; there should not be an issue; A. Haefele noted that in the last EPA seminar it seemed that only USDA grants would qualify and not loans; prior documents had referenced USDA funds but did not specify loan vs grant; EPA needs to clarify if USDA loans qualify.

Krumbholz stated that our reason for borrowing from USDA in first place was to meet the 20% funding requirement and we may need to fall back and rethink if USDA loans are not accepted.

Krumbholz presented the following idea; if the EPA approves both the OPALCO and County PFFAP funds as *qualifying for the 20% match*, then the project could be sized so that Part 1 is completed first using EPA and OPALCO funds and then whatever money is left after that is available to do Part 2; and if we feel there is not enough funding to complete Part 2, we can submit a USDA application specifically for the piece of the project needing to be covered at the end; this would be different than including USDA in the total project from beginning to end and avoid interim financing and the other complications.

Olson stated that this idea would give us the option to be more precise on what loan amount is needed. Krumbholz said we should find out from the EPA if they would allow us to draw funds for Part 1 of the overall project before the Part 2 budget is finalized so that we can get things started.

Olson said we can't decide about the USDA loan until we talk to EPA and get definitive answers, so the meeting should move on to preparation for the EPA call.

Krumbholz summarized the three approaches MHWd could take with USDA:

- 1) Take out the \$250k USDA loan upfront to fund only Part 1 and still have all other funds to work with for Part 2; total project cost of approximately \$1.1M.
- 2) Apply to USDA for the entire project scope (Parts 1 & 2) so that the loan will come at the very end and only for the amount needed; total project cost of approximately \$1.1M; all bids would have to come in before moving ahead.
- 3) Take the total of EPA, County, and OPALCO funds and do as much work as possible within that budget; approximately \$850K; don't approach the USDA for a loan and then if we realize we need more money later we can go back to them for only what is needed to complete the project.

B. Discussion of EPA Grant Application

Krumbholz presented the following questions and discussion points for the EPA meeting:

1. Confirm if USDA loans (vs grants) qualify for the cost share.
2. Confirm if OPALCO and PFFAP funds will qualify for the cost share.
3. Discuss how to proceed with submitting an initial application to draw funds for engineering design and survey.
4. Clarify how to proceed with a request for a NEPA review; pre application outside of Grants.gov.
5. Confirm if the Consultant Roster Process (which is a state procedure) is an acceptable means of selecting an engineer, or if a separate federal process will be required.
6. Confirm if admin expenses can be included in the request for advance funding for design and survey.
7. Ask if MHWd will be able to begin the construction process for Agate Beach (Part 1) before getting bids for the System Improvements (Part 2) section of the project.

A. Haefele agreed to send out these questions via email to everyone prior to the meeting with EPA.

W. Haefele forwarded the Microsoft Teams meeting invitation (12/20/22 at 1pm) to everyone.

Krumbholz said he would send Megan Browning pertinent information regarding our options before the meeting; he will also direct the conversation at the meeting.

W. Haefele noted that we should ask EPA if the roster process is acceptable and then once we get a verdict on that we can disclose what engineer was selected using that process; he said that the USDA had been ok with using an approved state process so hopefully EPA will be the same.

Olson asked where the roster advertisements were placed; A. Haefele clarified that it was the Daily Journal of Commerce and Journal of the San Juans; Olson asked her to find out from the how widely that posting was distributed; W. Haefele reminded that the advert was for our general roster and not for any specific project.

NEW BUSINESS

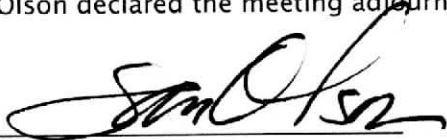
A. Discuss Acceptance or Rejection of Budget Proposed by Engineering Firm for Infrastructure Improvements in Accordance with QBS

Olson asked if this decision should be postponed until EPA confirms that the roster process is acceptable for EPA purposes; Krumbholz stated that he felt they should move forward under the assumption that it is.

Olson made a motion that the proposal (which includes design up through bidding, a bid recommendation, and an engineer's estimate) from Wayne Haefele & Associates be accepted; Krumbholz seconded, the proposal was approved unanimously.

ADJOURNMENT

Olson declared the meeting adjourned at 3:00 p.m.



Commissioner - San Olson



District Clerk - Alice Haefele