

**HARTSTONE POINTE WATER-SEWER DISTRICT
REGULAR MEETING
CONDUCTED VIA TELECONFERENCE
Per State of Emergency Declared in Washington State and Mason County
December 3, 2020 1:00 P.M.**

AGENDA

1. Call to Order
2. Roll Call
3. Subscriber Remarks
4. Correspondence
 - Discuss Letter from Rate Payer RE: 2021 Budget (2-4)
5. Present Agenda
6. Minutes of the November 19, 2020 Regular Meeting (5-6)

REPORTS:

7. Commissioner Reports
8. Water Board Bible Review: Chapter 11
9. Financial/Administrative Report:
 - Bills to Be Authorized:
 - Voucher 2020-48
 - Bills to Be Reviewed:
 - Voucher 2020-47
 - Monthly Financial Report (7-9)
 - Monthly Billing Report (10)

BUSINESS:

10. Review/Amend GM Performance Evaluation Documents (11-15)

To: Hartstene Pointe Water and Sewer District Board of Directors.

The recent developments involving the Hartstene Pointe Water and Sewer District are of great concern. I recommend the commissioners review the recent cost history and take the appropriate action.

Since December, 2018 to the current proposed rate increased, the water and sewer rates have increased \$46.54 per month. That is a 42 percent increase. This compared to the cost of living CPI) index that has increased less than three percent per year. The rate increases are also increasing at a higher yearly sequential rate.

Since 2017 the operating costs have almost double. In the last two years, the operating costs have increased \$200,859.00, a 56 percent increase. In 2019 operating costs increased \$124,453.00, a 35 percent increase and in 2020 operating costs increased \$76,406.00 or 16 percent. In your 2021 budget proposal, you are proposing a \$42, 901.00 increase in operating costs. Keep in mind that operating costs does not include debt payments, capital improvement cost, commissioners per diem, insurance, taxes etc.

The largest increase in operating cost is labor. Since 2018, the labor cost has more than doubled. In two years, labor cost has increased \$172,830.00 or 125 percent. The increase in labor cost is attributed to a management decision to go from contracted labor to hire /employee labor. The district now has four full time personnel working forty hours a week with generous salary and benefits.

The district has operated on a contracted system for 20 years. Prior to Hartstene Pointe management of the water and sewer system, Mason County operated the water and sewer system with one person that would devote four hours four to five days a week managing both water and sewer operations.

When Hartstene Pointe Water and Sewer District was first established in 1998, the commissioners managed the water and sewer operations with a contracted manager that managed the water system and a contractor that managed the wastewater plant. The water manager was a full time job and served as the district manager and the wastewater contractor came to the plant about three

days a week for two to four hours. Contractors are professional licensed operators and normally manage one to three smaller water or sewer plants.

The district functioned under these conditions for 20 years and the water flowed and the toilets flushed. Since the operating costs were under control, management could invest unused revenue in capital improvements

Hartstene Pointe Water & Sewer District is a small district with about 450 connections and limited to about 550 connections when all lots are fully developed. It appears that our current management is managing the district as if we were a large community with unlimited growth potential. I researched comparable salaries in other water and sewer districts and discovered the current district salaries and benefits are equivalent to salaries paid by large water and sewer districts that operate larger and more complex systems. Here are some of the job openings being offered by other districts:

1. Surfside Homeowners Association in Bellingham is advertising for a water treatment plant operator for \$16.00 to \$26.00 per hour. This district has more than 2 000 connections
2. Lake Stevens Sewer District is advertising for a wastewater treatment plant supervisor for \$101,000.00. Lake Stevens has 33,000 population
3. City of Stanwood is advertising for a wastewater treatment plant operator for \$53,000.00 to \$74,368.00 per year. Population of Stanwood is 7200.
4. Lakehaven Water and Sewer District in Federal Way is advertising for a wastewater treatment plant operator I for \$52,000.00 to \$79,000.00, the district serves a population of 120,000 and the treatment plant run 15,000.000 gallon of wastewater a day.
5. Sunland Water District in Sequim serving 1000 customers is advertising for a water distribution operator for \$46,000.00 to \$52,000.00.

When HPWSD was established, the Washington State Association of Sewer and Water Districts assigned a mentor to help us manage the district. Our mentor, Larry Curles was the General Manager of West Sound Utility District located in Port

Orchard. Larry would repeatedly emphasize to the commissioners that Hartstene Pointe Water and Sewer District is a small district and should be managed as a small district with a priority on controlling operating costs and to allocate excess revenue to capital improvement projects to improve equipment reliability. This philosophy has been adhered to from 1998 to 2017. .

History has proven that our district can be efficiently operated on a contractor basis. The district has invested in excess of three million dollars for a new water treatment plan, booster pump and wastewater treatment systems to improve operation reliability and reduce equipment maintenance. These investments should be reducing operating cost; however, our operating costs have substantially increased. Both water and sewer systems are computerized and can operate independently by an off site operators.

In addition, what is the business case for replacing the water meters? I assume replacement cost would run \$500,000.00 to \$800,000.00. Plus the district would have to borrow the money and the interest cost would be another \$100,000.00 or more. Reading the existing meters probably cost less than \$5,000.00 a year. It would take more than 100 years to recover our investment. The district has more important capital improvement priorities.

I don't mind the rate increase, but I don't like the revenue going into excessive operating cost. I think there is a savings in excess of \$150,000.00 a year if operating cost were properly managed. This money should go into increasing our capital reserve account or capital improvement account.

The district has some major capital expenditures that will be required in the near future such as replacing the water lateral pipes and the lateral sewer pipes. Saving money now, will lessen the burden in the future.

Hartstene Pointe Resident

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING of the BOARD OF COMMISSIONERS
November 19, 2020
Conducted Via Teleconference
Per State of Emergency Declared in Washington State and Mason County**

MINUTES

PRESENT: President E. J. Anderson, Secretary S. Swart, Audit Commissioner A. Hospador, Project & Accounts Manager (PM) J. Sartori. GM was absent.

CALL TO ORDER: The meeting was called to order at 1:02 pm.

SUBSCRIBER REMARKS: PM noted correspondence from a rate payer who felt positive about the 2021 budgeting process and results.

CORRESPONDENCE: None.

PRESENT AGENDA: *Commissioner Swart moved to adopt the agenda as presented. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the agenda was adopted.*

MINUTES: The minutes of the November 5, 2020 regular meeting were presented. Commissioner Swart noted corrections to be made. *Commissioner Swart moved to approve the minutes as amended. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved.*

REPORTS:

Commissioner Reports:

- Commissioner Hospador presented “The Great Shakeout” in preparation for discussing emergency preparedness.
- Commissioner Swart reviewed the Legislative Outreach Workshop she attended, emphasizing in the following areas:
 - The Public Works Trust Fund
 - Modifying ways to help people pay during Covid crisis
 - Implemented special purpose district rules of transparency
 - Commissioner Swart looks to work with legislators to lobby on several issues involving special purpose utility districts.

Financial/Administrative Report:

- Bills to Be Authorized:
 - Voucher 2020-46, in the amount of \$27,187.39, was presented in full. *Commissioner Hospador moved to approve voucher 2020-46 in the amount of \$27,187.39. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
- Bills to Be Reviewed:
 - PM presented voucher 2020-45 for review

General Manager's Report: Commissioners reviewed submitted report

BUSINESS:

Approve Resolution 2020-05, Adopting the 2021 Budget: Commissioners discussed the feedback submitted from subscribers and discussed the 2021 budget. *Commissioner Hospador moved to adopt the 2021 Budget. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the 2021 Budget was adopted.*

Approve Resolution 2020-06, Adopting a District Fee Schedule for 2021: *Commissioner Hospador moved to adopt the District Fee Schedule for 2021. Commissioner Swart seconded. Hearing 3 aye votes and 0 nay votes, the District Fee Schedule for 2021 was adopted.*

Review Proclamation Amending Proclamations 20-05 and 20-25, et seq. 20-25.8: Commissioners reviewed the proclamations.

Review Scope of Work from Century West for Updating Sewer System Plan: Commissioners reviewed the documents submitted.

Commissioner Swart moved to cancel the special meeting scheduled for 1/14/2021, due to proclamations reviewed during the meeting and noting the likely lack of feasibility to hold a meeting at 119 E Liberty Road. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the meeting is canceled.

Commissioner Swart moved to schedule a special meeting, "Emergency Response Planning Retreat," on 1/14/2021 at 1:00 pm, to be held via Teleconference. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the special meeting is scheduled.

Commissioner Hospador moved to adjourn the meeting. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the meeting adjourned at 2:20 pm.

Respectfully Submitted By:

Signature

Name and Title

Approved at the Regular Meeting of the Board on: _____

Hartstene Pointe Water Sewer District Monthly Financial Report - Fund Activity

October 2020

	Beginning Balances	Payments & Transfers Out	Deposits & Transfers In	Ending Balances	Fund Balance Change
Reserve Funds					
030 - Ecology Reserve	40,493.11	-	6.51	40,499.62	6.51
050 - DWSRF Loan Reserve	275.77	-	6,723.77	6,999.54	6,723.77
060 - Bond Fund	0.00	-	-	0.00	-
070 - USDA Revenue Bond Reserve	32,789.76	-	333.01	33,122.77	333.01
Total Reserve Funds	73,558.64	-	7,063.29	80,621.93	7,063.29
Unreserved Funds					
EFT Account - Columbia Bank	31,331.91	(47,823.83)	48,675.73	32,183.81	851.90
Petty Cash Account	1,746.36	(991.05)	637.99	1,393.30	(353.06)
Xpress Deposit Account	4,128.18	(36,011.22)	38,560.77	6,677.73	2,549.55
010 - Operating Fund					
<i>Operating Investment Fund</i>	50,000.00	-	-	50,000.00	-
<i>010 - Operating Fund - Other</i>	71,427.52	(66,319.88)	68,275.53	73,383.17	1,955.65
Total 010 - Operating Fund	121,427.52	(66,319.88)	68,275.53	123,383.17	1,955.65
065 - Capital Project Account	0.00	-	-	0.00	-
Total Unreserved Funds	158,633.97	(151,145.98)	156,150.02	163,638.01	5,004.04
Committed Funds					
020 - Water/Sewer Committed Fund					
Asset Replacement Fund	39,540.00	-	-	39,540.00	-
Capital Improvement Fund					
<i>I&I Repair</i>	80,617.25	-	-	80,617.25	-
<i>Reservoir Repair</i>	56,714.95	-	-	56,714.95	-
Total Capital Improvement Fund	137,332.20	-	-	137,332.20	-
Risk Management Fund	139,372.70	-	50.83	139,423.53	50.83
Total 020 - Water/Sewer Committed Fund	316,244.90	-	50.83	316,295.73	50.83
Total Committed Funds	316,244.90	-	50.83	316,295.73	50.83
Total Funds	548,437.51	(151,145.98)	163,264.14	560,555.67	12,118.16

I hereby certify that the above statement is true.

Project & Accounts Manager

Date

Audit Commissioner

Date

Hartstene Pointe Water Sewer District

Profit & Loss

October 2020
Oct 20

Ordinary Income/Expense

Income

Non-Operating Revenue	7,383.88
Operating Revenue	<u>64,364.28</u>
Total Income	71,748.16

Expense

534 - Water Expenditures	9,901.59
535 - WW Treatment Expenditures	23,272.48
538 - Combined W/S Expenditures	<u>26,330.82</u>
Total Expense	<u>59,504.89</u>

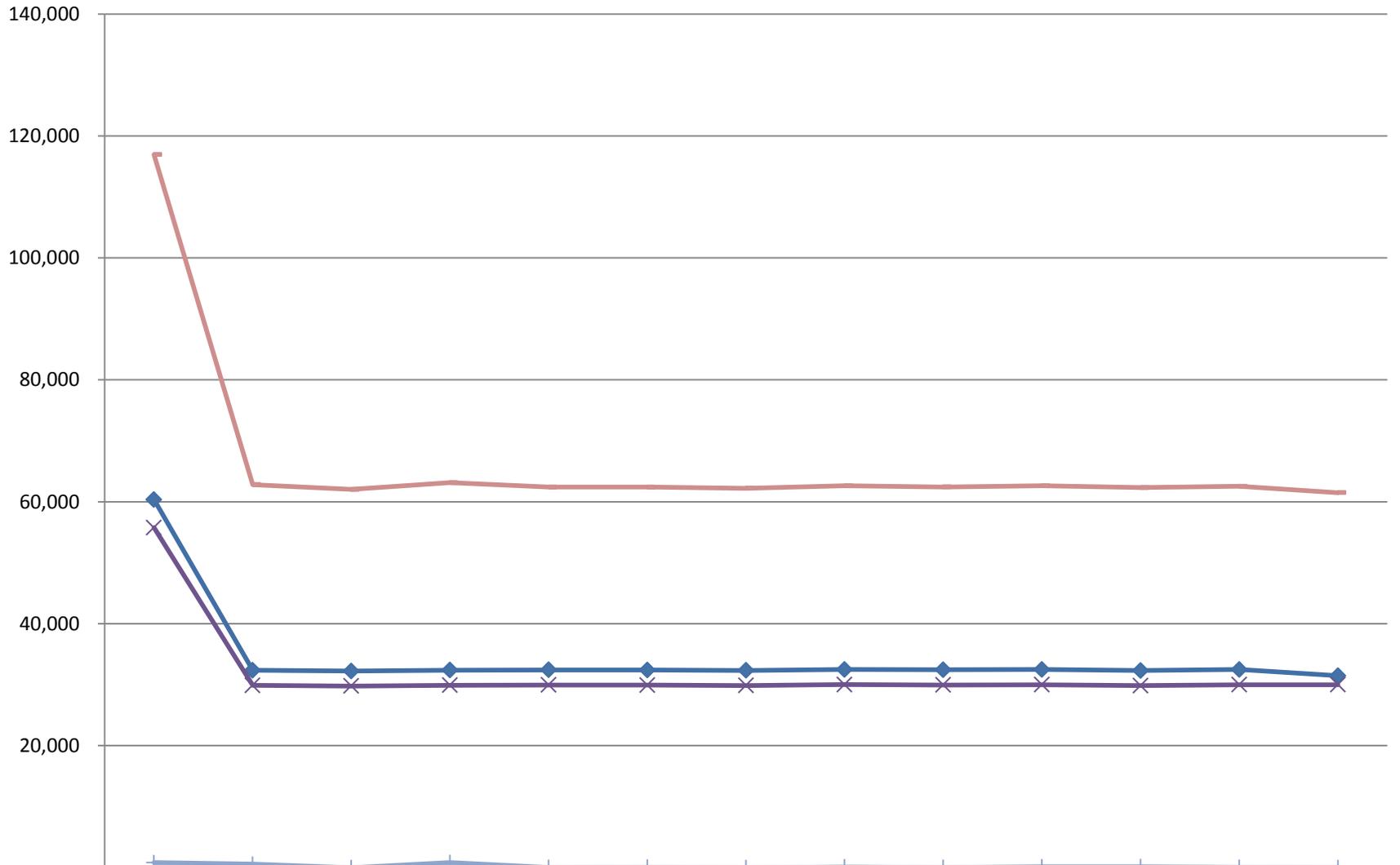
Net Ordinary Income	<u>12,243.27</u>
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Net Income	<u><u>12,243.27</u></u>
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**Hartstene Pointe Water Sewer District
 Profit & Loss Budget vs. Actual
 January through October 2020**

	<u>Profit & Loss</u>	<u>Budget v Actual</u>			
	<u>Oct 20</u>	<u>Jan - Sept '20 (75% of Yr)</u>	<u>Total 2020 Budget</u>	<u>\$ Over (Under) Budget</u>	<u>% of Total Budget</u>
Ordinary Income/Expense					
Income					
Non-Operating Revenue	7,383.88	25,303.95	11,535.00	13,768.95	219.37%
Operating Revenue	64,364.28	627,957.19	766,586.00	-138,628.81	81.92%
Total Income	71,748.16	653,261.14	778,121.00	-124,859.86	83.95%
Expense					
534 - Water Expenditures	9,901.59	246,020.60	259,730.00	-13,709.40	94.72%
535 - WW Treatment Expenditures	23,272.48	190,052.86	217,086.00	-27,033.14	87.55%
538 - Combined W/S Expenditures	26,330.82	209,259.03	295,612.00	-86,352.97	70.79%
Total Expense	59,504.89	645,332.49	772,428.00	-127,095.51	83.55%
Net Ordinary Income	12,243.27	7,928.65	5,693.00		
Net Income	<u>12,243.27</u>	<u>7,928.65</u>	<u>5,693.00</u>		

Regular Utility Billing



	Nov/Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020
◆ Water Service	60,363	32,359	32,241	32,380	32,422	32,405	32,344	32,493	32,435	32,481	32,315	32,482	31,472
✕ Sewer Service	55,766	29,891	29,781	29,910	29,949	29,932	29,875	30,013	29,958	30,001	29,848	30,001	29,992
+ Late/Misc. Fees	813	565	-	840	40	80	-	120	40	140	155	60	20
— Total Charges	116,942	62,815	62,022	63,130	62,411	62,416	62,219	62,626	62,433	62,622	62,318	62,543	61,484

HPWSD GENERAL MANAGER PERFORMANCE DIMENSIONS

1) Operational Compliance and Public and Environmental Health

- Ensuring that the District is in operational compliance with all state and local regulations is imperative to the health and safety of the community and District staff. It is the responsibility of the General Manager to make sure that the staff is adequately trained and certified in the operation of all field equipment and infrastructure as failure to do this could have catastrophic implications.

- a. Has the District received any violation notices from the Department of Health within the past year?
 - i. For what reason?
 - ii. When was the violation?
 - iii. What measures were taken to bring the District back into compliance?
- b. Has the District received any violation notices from the Department of Ecology within the past year?
 - i. For what reason?
 - ii. When was the violation?
 - iii. What measures were taken to bring the District back into compliance?
- c. Have there been any “on the job” injuries that have occurred as a result of negligence within the past year?
 - i. When did the event occur?
 - ii. Was an L&I claim filed?
 - iii. Why did the event occur?
 - iv. How did the GM resolve this?
- d. Does the General Manager conduct regular and diverse safety training with staff?
 - i. How often are these meeting held?
 - ii. Where do these meeting take place?
 - iii. If staff members are absent for a particular safety meeting would they be provided with an opportunity to receive the training given at said meeting?
 - iv. Have Standard Operating Procedures been created for field equipment?
 1. How does the General Manager ensure staff is following SOP's?
- e. Are all monthly and annual reports being filed on time with both Department of Health and Department of Ecology?
 - i. If not, why not?
 - ii. What corrective measures are being taken?
- f. Is the General Manager ensuring that all samples are being taken in accordance with DOH and DOE standards?
 - i. If not, why not?

- g. Is the General Manager ensuring that any/all process control changes are being documented?
 - i. If not, why not?
 - ii. What measures will/did the General Manager put in place to ensure that adequate records are being kept?

2) Technical and Operational Competence

-An essential component for successful performance in the position of General Manager is demonstrated competence in all aspects of water and sewer system operations of our small district. The manager must possess a solid understanding of technical principles of each service area and demonstrate an ability to apply that knowledge.

- a. Has the General Manager achieved/attained any technical competencies or relevant Certifications within the past year?
 - i. Which certification was achieved?
 - ii. Was this relevant to the regulatory, technical, or efficiency needs of the District?

-The Manager must attain and maintain essential licenses, certifications, and degrees, consistent with assuring this level of technical competence. He/she should attend training sessions, courses, and seminars to stay current with best practices in each area of service delivery.

- b. Has the General Manager completed any relevant training/degrees within the past year?
 - i. Describe how this training/degree is relevant to the District and define the added benefit if any?

3) Financial Management and Administration

-Assuring that District funds are managed consistent with state law and sound financial management practices is essential for the General Manager. Managing the ratepayer's money in a way that protects the financial integrity of the district and maintains public trust is a very important element of the Manager's responsibility. Similarly, achieving good value in purchases and expenditures is of paramount importance.

- a. Has the General Manager managed District funds and resources in an ethical way over the past year?
 - i. Give one example of steps taken to ensure transparent governance of public funds that took place within the past year:

-The General Manager must assure that all legal requirements and Board policies with respect to financial reporting, purchasing, bidding, audits, grant administration, and project management are followed.

- b. Receiving clean audits from the State Auditor's office is crucial as this demonstrates proper procedures are being followed and funds are being managed ethically.
 - i. Was the District audited within the past year?
 - ii. Were there any findings?
 - 1. If so, how were they resolved?
 - 2. Was the board notified?

-The General Manager will present a proposed annual budget consistent with the priorities of the Board and the service delivery requirements of the District. Once approved, the budget should be followed and deviations from the budget should only be made at the direction of the Board by vote at a public meeting.

- c. Did the General Manager create and present the budget to the board of commissioners in a timely manner (First meeting in October)?
 - i. Was the information presented to the BOC in a clear and concise manner?
 - ii. Did the General Manager demonstrate expertise and professionalism when presenting the annual budget to the BOC and community?
 - iii. Did the General Manager promote transparency with the general public and answer questions with specifics and facts?

4) Personnel Administration

-Personnel management and supervision is a key part of the General Manager's responsibilities. He/she is solely responsible for hiring, and must assure that employees are hired on the basis of their skill and experience appropriate for the position. Employee compensation, performance evaluations, and discipline, are the sole responsibility of the General Manager.

- a. Does the General Manager Conduct annual employee reviews?
 - i. Are salary increases documented and recorded in employees file?
- b. Has the General Manager needed to administer employee disciplinary measures?
 - i. When?
 - ii. What measures were taken?

-Legal requirements of employee hiring, supervision, and pay/benefits administration are the responsibility of the General Manager.

- c. Have there been any new hires within the past year?
 - i. Was employee insurance paperwork submitted to PEBB within 30 days of hire?

-The General Manager is expected to present information to the Board regarding amounts to be budgeted so that employees with the skills and experience necessary to meet the needs of the District can be hired and retained. Similarly, it's the Manager's

responsibility to inform the Board if expertise is needed by way of additional budgeted positions, contract labor, or additional training of current staff.

- d. Has the General Manager needed to hire any outside contractors within the past year?
 - i. Who?
 - ii. When?
 - iii. Were unbudgeted funds required in order to compensate this contractor?
 1. Was the board notified of the need promptly?
 2. Was all necessary paperwork filed prior to issuing the final payment to contractor? (Intent and Affidavit w/L&I)

5) Customer Service and Communication

-Telephone, e-mail, and written communication from utility customers and the public should be responded to in a timely fashion with clarity and courtesy.

- a. Does the General Manager respond to all inquiries promptly and thoughtfully?
 - i. Share one or two examples of email, or written correspondence, with the general public that demonstrate the above criteria:

-The timely dissemination of understandable public information is very important in a small district. Explanations using State and Board established protocols for water and sewer issues, problems, and programs assure that the public understands the operational, legal, and environmental constraints that we operate under. Using broadcast e-mails, newsletters, web page, social media, personal presentations, and postings, all contribute to creating timely public awareness.

- b. Is relevant information being delivered to the public on a regular and as needed basis?
 - i. Give a few examples:

-Recognizing the unique relationship the District has with HPMA, the Manager and staff should work to assure that a mutually beneficial partnership exists between these two important public service providers.

- c. Are there indications that the GM maintains an effective working relationship with HPMA?
 - i. Have there been any cooperative projects or tasks between HPWSD and HPMA within the past year?
 1. What?
 2. When?
 3. Briefly describe...

-Maintaining a professional appearance is an important part of assuring public confidence in the District and staff. Every effort should be made to assure utility vehicles are clean and well marked as being operated by the District. Employees should be readily identified as District employees and be professional in their appearance and demeanor.

- d. Does the General Manager maintain a professional appearance?
- e. Does the General Manager ensure that both they and the employees are clearly distinguishable?
 - i. Explain:
- f. Does the General Manager complete impromptu inspections of facilities and vehicles in order to address any neglect?
 - i.

6) Board Relations—(To be completed by BOC at General Managers annual review)

For each of the following the Board of Commissioners writes a few sentences describing the General Manger's performance.

-The General Manager should assure that the Utility Commissioners are kept informed of all relevant information necessary to perform their duties. "General Manager Reports" on Board agendas should be clear and the information timely. Emergencies and problems should be communicated quickly to the commissioners so they can provide support and public information as is appropriate to the event.

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-It is the responsibility of The General Manager to assure all legal matters such as Open Public Meeting law requirements are followed and communicated to the Board, and required postings, agendas, and notices are (remove: done) consistent with State Law and Board policies. Agenda packets and information necessary for the functioning and decision making of the Board should be disseminated in a timely fashion.

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-Financial reports presented at each meeting should be clear and timely.

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-The Manager should understand and adhere to the role/delineation between the Commissioners and Manager and support these important role distinctions in his/her activities.

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