

**HARTSTONE POINTE WATER-SEWER DISTRICT
REGULAR MEETING**

District Office

772 E Chesapeake Drive, Shelton, WA 98584

October 26, 2017 1:00 P.M.

AGENDA

1. Call to Order
2. Roll Call
3. Subscriber Remarks
4. Correspondence:
 - FROM: Water Sewer Risk Management Pool RE: Pool's financial condition and District's 2017-2018 allocation. (pgs. 2)
 - FROM: Connie Rivera RE: Drinking Water State Revolving Fund loan disbursements, federal vs. state funds. (pg. 3)
5. Present Agenda
6. Minutes (pgs. 4-6)

REPORTS:

7. Commissioner Reports
8. Emergency Preparedness Report
9. Financial/Administrative Report:
 - Bills to Be Authorized: Voucher 2017-29
10. Manager's Report

BUSINESS:

11. DWSRF Loan Projected Amortization and Reserve Transfer Schedules (pgs. 7-8)
12. BIAS Software 2018 Renewal (pgs. 9-10)
13. Reservoir Mixer Quotes
14. Commissioner Position Changes Following 2017 Election (pg. 11)
15. November/December Meeting Schedule (separate)
16. 2018 Preliminary Budget (separate)

October 20, 2017

Mont Jeffreys
General Manager
Hartstene Pointe Water-Sewer District
772 E Chesapeake Drive
Shelton, WA 98584

Dear Mont:

I am writing you today to provide you with some good news about the financial condition of the Water and Sewer Risk Management Pool and to let you know what the 2017-18 FY allocation is for your district.

As of today, we have not had any liability claims reported this year that would significantly impact the pools balance sheet or profitability. Our net position (retained earnings) should exceed \$2.1 million on 10/31/17 compared to \$1.5 million at the same time last year. Our loss ratio (claims paid and adjusting expense compared to net revenue) is under 30% this year (35.7% in 2016) which is extremely low compared to other insurance companies. For example, Enduris' loss ratio was 57% in 2016.

Last week, we finalized negotiations with a new reinsurance partner that has the potential to reduce the pool's reinsurance expense by 37% (over \$100K) compared to this year. In addition, our budgeted expenses for next year are 3.2% less than this year. We will continue to look for ways to become more efficient while providing your district with superior insurance coverage.

We will begin rolling out industry specific training and risk management in early 2018 that has not been available before in Washington. Our partner in this endeavor has successfully helped many California water and wastewater districts improve their loss control efforts and staff competency training. This service will be available to our members at no additional cost. More information about this new service will be coming soon.

The 2017-18 allocation for Hartstene is \$9,564 which is an increase of \$1,409 from this year. This increase is primarily due to the higher loss history the district has experienced.

Thank you for your continued loyalty and business! Please contact me at (425) 452-9750 or carye@wsrmp.org if you have any questions or suggestions for improvement.

Best regards,

Cary J Ecker, MSF
Executive Director

2018 Loan Disbursements Federal vs. State

4 messages

Miceal Carnahan <acct@hpwatersewer.com>

Sat, Oct 21, 2017 at 1:28 PM

To: "Rivera, Connie (COM)" <connie.rivera@commerce.wa.gov>

Connie,

I am working on our 2018 budget projections for audit costs. I am trying to determine whether or not we should expect a single audit for 2017. Is there any way to know roughly how much of our loan disbursements so far in 2017 are made of up federal funds versus state funds?

Thanks,

Miceal Carnahan
Accounting and Administrative Services Manager
Hartstene Pointe Water-Sewer District
772 E Chesapeake Dr
Shelton WA 98584
(360) 427-2413 - District Office
(360) 545-2480 - Direct Line

Rivera, Connie (COM) <connie.rivera@commerce.wa.gov>

Mon, Oct 23, 2017 at 9:57 AM

To: Miceal Carnahan <acct@hpwatersewer.com>

Miceal,

I have the following amounts drawn in 2017, \$84,502.32 from Federal and \$621,158.73 from State:

3/15/2017	84,502.32	Federal
4/11/2017	308,143.91	State
5/16/2017	160833.52	State
7/14/2017	84,196.09	State
7/27/2017	67,985.21	State

Con

Connie Rivera

Public Works Board, -Program Manager

Local Government Division | Washington State Department of Commerce

(360) 725-3088 | Work hours: 7 to 5:30, Monday-Thursday.

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING of the BOARD OF COMMISSIONERS
October 12, 2017
District Office, 772 E Chesapeake Drive, Shelton, WA 98584**

MINUTES

PRESENT: President M.A. Cary, Secretary A. Hospador, Commissioner D. McNabb, Accounting and Administrative Services Manager (AAS) M. Carnahan, General Manager (GM) M. Jeffreys.

CALL TO ORDER: The meeting was called to order at 1:00 pm.

SUBSCRIBER REMARKS: Robert Scarola present.

CORRESPONDENCE:

- FROM: Department of Ecology RE: July 2017 Discharge Monitoring Report
- FROM: Mason County Auditor's Office Recording Manager RE: Lien recording fees change
- FROM: Retail Lockbox RE: Proposed Amended Agreement, Term
- FROM: Mason County Financial Services RE: 2018 Budget Documents and Accounts Payable Schedule
- FROM: State Auditor's Office RE: 2017 Accountability Audit Schedule

PRESENT AGENDA: The agenda for the October 12, 2017 regular meeting was presented. *Commissioner McNabb moved to accept the agenda. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the agenda was adopted.*

MINUTES: The minutes of the September 28, 2017 regular meeting were presented. *Commissioner Hospador moved to approve the minutes as presented. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved as presented.*

REPORTS:

Commissioner Reports:

- Commissioner McNabb:
 - Presented an article about using manhole inserts to prevent storm water inflow into the sewer system. The GM reported the District has inserts in the necessary manholes, however some are old and brittle and need to be replaced.
 - AWWA is hosting the Sustainable Water Management Conference in Seattle, March 25-28, 2018. Commissioner McNabb would like to attend for two days. The two-day registration fee would be \$310.

Emergency Preparedness Report: HPMMA Community Emergency Response Team had a meeting on October 10th. They are trying to determine whether their first investment should be in a building to serve as a command center or a trailer for storage of emergency supplies. It was reiterated that there is a need to have a core group of people trained to assist the District in an emergency situation. The GM is working on an Emergency Plan for the water, sewer, and wastewater systems, with a goal of having the first draft ready by December.

Financial/Administrative Report:

- Bills to Be Authorized:
 - Early Voucher 2017-27, in the amount of \$17,274.66, was presented. *Commissioner Hospador moved to approve the voucher. President Cary seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
 - Voucher 2017-28, in the amount of \$9,901.84, was presented. *Commissioner Hospador moved to approve the voucher. President Cary seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
- September 2017 Financial Report: Presented, reviewed. *President Cary moved to approve the September 2017 Financial Report. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.*
- 2017 3rd Quarter Financial Report: Presented and reviewed.

Meeting was recessed at 2:10 pm. Meeting was reconvened at 2:20 pm.

Manager's Report: A written report was presented (attached).

BUSINESS:

Capital Improvement Plan 2018 – 2022: Preliminary CIP was presented, reviewed, and discussed. Changes discussed will be incorporated into the 2018 preliminary budget.

Reservoir Cleaning & Inspection Contract Award: The GM called the references provided by the low bidder, H2O Solutions. All of the responses received by the GM were very positive and indicated that the contractor does very good work, has excellent equipment, and is easy to work with. *Commissioner Hospador moved to award the contract for Reservoir Cleaning & Inspection to H2O Solutions in the amount of \$2,115.75 including sales tax. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes.*

773 Windjammer Circle House Demolition, Water/Sewer Billing During Construction: The home at 773 Windjammer Circle is scheduled to be demolished at the end of the month. Immediately following demolition, the owners will be building a new residence on the lot. Because the District does not have a billing policy specifically for such a situation, the GM and AAS agreed the Board should provide direction on how the lot should be billed for water and sewer. *Commissioner Hospador moved to treat 773 Windjammer Circle as a Connected Lot beginning November 1, 2017 and charge the lot the Connected Lot rate every bi-monthly billing, beginning with the November/December 2017 billing until the new residence is issued Occupancy status, at which point the connection will again be charged the Residential rate. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.*

Annual Contractor Review:

- Jeffreys Management Services:
 - General Management/Water Operations/Sewer Collection: The board discussed performance and compensation. The Board directed the GM and AAS to include a 5% increase for consideration in the 2018 Proposed Budget.

- Accounting/Administrative Services: The Board discussed the proposal to amend the District's agreement with Jeffreys Management Services, changing the payment structure for accounting and administrative services from \$30 per hour to a uniform \$3,500 per month. The Board directed the General Manager to include the proposal in the 2018 Proposed Budget for accounting and administrative services.
- MDG Water & Wastewater Services, Wastewater Operations: The Board expressed disappointment that the District's wastewater treatment plant permit violations persist. The Board directed the GM to actively manage the Wastewater Treatment Operator and to ensure the lab samples are being taken and received in a timely manner.
- Retail Lockbox, Lockbox Services: Retail Lockbox has provided a proposed amendment to the District's agreement which would reduce their charges by roughly half. Xpress Bill Pay, the District's online payment system provider, has also submitted a proposal for lockbox services which, given the District's current volume of checks process, would save the District approximately 90% over Retail Lockbox's proposal. The Board agreed that the District should change to Xpress Bill Pay for lockbox services upon the expiration of the District's current agreement with Retail Lockbox in June 2018.
- Xpress Bill Pay, Online Payment System: The AAS reported that Xpress Bill Pay has been great to work with, the system works well, and the customer support is very responsive.
- Evolution Controls, SCADA/Telemetry System: GM expressed that he has been very pleased with their response time when the District is having an issue. The GM needs to get the Wastewater Treatment Plant Operator coordinated with the SCADA contractor to determine how he would like the alarming programmed.

Newsletter Topics: topics for the upcoming November/December 2017 newsletter were discussed.

- Prepare for Winter Storms/Emergency Preparedness
- Budget Hearing, 2018 Proposed Budget: State of Water/Wastewater Industry, Sustainability
- Commissioner's Corner, Commissioner McNabb
- IVR Payments
- What does not belong in the sewer system

Meeting adjourned at 4:15 pm.

Respectfully Submitted By:

Andrew Hospador, Secretary

Approved at the Regular Meeting of the Board on: _____

MEMORANDUM

TO: BOARD OF COMMISSIONERS
FROM: MICEAL CARNAHAN, ACCOUNTING AND ADMINISTRATIVE SERVICES MANAGER
SUBJECT: DWSRF LOAN PROJECTED AMORTIZATION SCHEDULE
DATE: OCTOBER 24, 2017
CC: MONT JEFFREYS, GENERAL MANAGER

This month the District made its first annual Drinking Water State Revolving Fund (DWSRF) loan payment. Upon receiving the invoice for this first payment, I was surprised by the payment amount, which was about \$11,000 more than I had projected based on the amortization schedule I created for the loan. I inquired with Connie Rivera at the Department of Commerce (DOC). She provided me with their loan amortization schedule, which is for a 1.5% fixed-principal loan, repaid over 20 years. This means the payment amount going towards the loan principal remains the same throughout the loan term. Each interest payment is 1.5% of the principal balance and decreases over the loan term. The total annual payment amount decreases over the loan term.

I have been making my loan payment amount projections based on a fixed-payment loan amortization schedule, which is standard. I had also believed the 24-year loan term was the repayment period, meaning the District would have 24 annual payments. I re-read the loan contract, and though nowhere does it indicate the loan is a fixed-payment loan, it does say the 24-year term begins with contract execution. Because the project took longer than four years to complete following the loan contract execution, the District has only 20 years to make payments.

What this means for the District is the original payment amount projections were understated by over \$11,000 for 2017 and over \$16,000 for 2018. The silver lining is that over the life of the loan the District will pay almost \$54,000 less in interest than I had projected. However, this does create a greater budgeting challenge right now and pushes our debt ratio up over 26%.

Per the District's Fund Policy and loan contract, the District had been making regular transfers from the General Operating Fund into the DWSRF Loan Reserve Fund such that by the first loan payment date the fund balance equaled the projected annual DWSRF loan debt service payment. The balance of this fund is invested in the State Investment Pool until withdrawn for disbursement for the annual debt service payment. All interest earned on the fund accrue and are applied toward reducing the amount of the Drinking Water State Revolving Fund loan.

When the first loan payment of \$76,959 came due, the reserve fund held \$68,205, which was used to make the payment. The remaining \$8,754 was paid out of the Operating Fund.

Using the new amortization schedule and projections for the remaining amount to be disbursed from the loan to complete the project, I have projected the October 2018 payment amount to be \$81,840. In order to ensure the fund balance equals the projected payment amount, I propose the District make monthly fund transfers of \$6,820 from the Operating Fund to the DWSRF Loan Reserve Fund, beginning October 2017.

Projected DWSRF Loan Fixed Principal Amortization Schedule

Prepared: 10/21/2017

Data Section					
Final Loan Amount:	1,304,479	First Payment Date:	10/1/2013		
Loan Start Date:	4/22/2013	Last Payment Date:	10/1/2036		
Annual Interest Rate:	1.50%	Loan Structure:	Fixed-Principal		

Pmt Due Date	Additions	Accrued Interest	Principal Pmt	Interest Pmt	Payment Due	Loan Balance
10/1/2013	10,991.44	72.82	-	-	-	10,991.44
10/1/2014	116,155.84	1,219.56	-	-	-	127,147.28
10/1/2015	158,818.27	3,943.60	-	-	-	285,965.55
10/1/2016	81,268.71	4,650.52	-	-	-	367,234.26
10/1/2017	767,439.73	10,339.21	56,733.70	20,225.71	76,959.41	1,077,940.29
10/1/2018	169,805.00	16,169.10	65,670.81	16,169.10	81,839.91	1,182,074.48
10/1/2019	-	17,731.12	65,670.81	17,731.12	83,401.92	1,116,403.68
10/1/2020	-	16,746.06	65,670.81	16,746.06	82,416.86	1,050,732.87
10/1/2021	-	15,760.99	65,670.81	15,760.99	81,431.80	985,062.07
10/1/2022	-	14,775.93	65,670.81	14,775.93	80,446.74	919,391.26
10/1/2023	-	13,790.87	65,670.81	13,790.87	79,461.67	853,720.46
10/1/2024	-	12,805.81	65,670.81	12,805.81	78,476.61	788,049.65
10/1/2025	-	11,820.74	65,670.81	11,820.74	77,491.55	722,378.85
10/1/2026	-	10,835.68	65,670.81	10,835.68	76,506.49	656,708.04
10/1/2027	-	9,850.62	65,670.81	9,850.62	75,521.43	591,037.24
10/1/2028	-	8,865.56	65,670.81	8,865.56	74,536.36	525,366.43
10/1/2029	-	7,880.50	65,670.81	7,880.50	73,551.30	459,695.63
10/1/2030	-	6,895.43	65,670.81	6,895.43	72,566.24	394,024.82
10/1/2031	-	5,910.37	65,670.81	5,910.37	71,581.18	328,354.02
10/1/2032	-	4,925.31	65,670.81	4,925.31	70,596.12	262,683.21
10/1/2033	-	3,940.25	65,670.81	3,940.25	69,611.05	197,012.41
10/1/2034	-	2,955.19	65,670.81	2,955.19	68,625.99	131,341.60
10/1/2035	-	1,970.12	65,670.81	1,970.12	67,640.93	65,670.80
10/1/2036	-	985.06	65,670.81	985.06	66,655.87	(0.01)
		\$ 204,840.43	\$ 1,304,479.00	\$ 204,840.43	\$ 1,509,319.43	

SERVICES ORDER FORM

ORDER FORM for: Hartstene Pointe Water-Sewer District

Prepared on: October 12, 2017

Contract Start Date: 01-01-2018

Contract End Date: 12-31-2018

MANAGED SERVICES TOTAL	\$3,143.23
Utilities Essential Enterprise Users (s) Hosted	

ORDER PREPARED FOR:
Company: Hartstene Pointe Water-Sewer District
Contact: Miceal Carnahan
Address: 772 Chesapeake Dr. Shelton, Washington 98584
Phone: (360) 427-2413
Email: acct@hpwatersewer.com

ORDER PREPARED BY:
Company: BIAS Software
Proposed by: Mark Felchlin
Address: 327 E. Pacific Spokane, WA 99202
Phone: (509) 443-3332
Email: mark@biassoftware.com

ORDER DETAILS

ORDER DETAILS						
PRODUCTS	Enhancements	ORDER TERM (MONTHS)	MONTHLY/UNIT PRICE	QTY	TOTAL PRICE	
Utilities Essential	Xpress	12	\$120.75	1	\$1,449.00	
Enterprise Users (s)	N/A	12	\$10.00	2	\$240.00	
Hosted	N/A	12	\$100.00	1	\$1,200.00	
<i>Discounts:</i>						
Tax:					\$254.23	
Remarks:					Grand Total (Tax Included)	\$3,143.23

SERVICES ORDER FORM

ORDER FORM for: Hartstene Pointe Water-Sewer District

Prepared on: October 12, 2017

Contract Start Date: 01-01-2018
 Contract End Date: 12-31-2018

MANAGED SERVICES TOTAL	\$3,143.23
Utilities Essential Enterprise Users (s) Hosted	

TERMS AND CONDITIONS

PAYMENT

Annual Support Fee is due on the contract year by January 31st. Invoice will be generated upon receiving signed Order Form.

REMARKS

Upon signature by Customer and submission to BIAS, this Order Form shall become legally binding and governed by the Master Subscription Agreement v.7.1010 between BIAS and Customer unless otherwise agreed by BIAS and Customer.

During the Contract Term and for one year thereafter, Customer shall not disclose the pricing or terms hereunder to any third party (unless required by law) without BIAS prior written consent.

Name: _____ Title: _____ Date: _____	Signature: _____
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PLEASE RETURN BOTH PAGES

PLEASE SIGN DIGITALLY OR PRINT AND FAX TO 888.228.0030 OR EMAIL TO SUE@BIASSOFTWARE.COM

MEMORANDUM

TO: BOARD OF COMMISSIONERS
FROM: MICEAL CARNAHAN, ACCOUNTING AND ADMINISTRATIVE SERVICES MANAGER
SUBJECT: COMMISSIONER SEATS FOLLOWING 2017 ELECTION
DATE: OCTOBER 24, 2017
CC: MONT JEFFREYS, GENERAL MANAGER

I called the Mason County Elections Office this week seeking clarification on when Robert Scarola and Commissioner Hospador would each be seated as Commissioner Position 3 and Commissioner Position 1 respectively. Due the State's law regarding non-partisan elections following appointments, and the fact that we have two unexpired terms being filled in this election, the question was a bit confusing, even to the elections staff.

Here is how the positions on the board will change following the certification of the election on November 28th:

- **December 14th Regular Meeting:**
 - Commissioner Hospador will be sworn in as Commissioner Position 1, currently filled by Commissioner Cary. There will be two forms and oaths, one for the short term, ending December 31, 2017, and one for the six-year term, ending December 31, 2023.
 - Robert Scarola will be sworn in as Commissioner Position 3, currently filled by Commissioner Hospador. This oath of office will be for the 2-year unexpired term, ending after the 2019 election.
 - Given that the current Board President, Commissioner Cary, will not be on the Board for the remainder of the year, I would recommend electing new officers for the rest of 2017 at the December 14th meeting, following the swearing in of the new commissioners.
- **January 11th Regular Meeting:**
 - Per District Resolution, officers (President and Secretary) will be elected at the first meeting of the year. The newly elected Board President will then appoint an Audit Commissioner.