

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

District Office

772 E Chesapeake Drive, Shelton, WA 98584

March 15, 2018 1:00 P.M.

AGENDA

1. Call to Order
2. Roll Call
3. Subscriber Remarks
4. Correspondence
 - FROM: WA Association of Sewer & Water Districts (WASWD) RE: *Crown West Realty vs. Dept. of Ecology*
 - FROM: Pacific Northwest Subsection – American Water Works Association RE: Conference in Tacoma April 25 - 27
5. Present Agenda
6. Minutes:
 - March 1, 2018 Regular Meeting
 - March 8, 2018 Special Meeting

REPORTS:

7. Commissioner Reports
8. Emergency Preparedness Report
9. Financial/Administrative Report:
 - Bills to Be Authorized: Voucher 2018-06
 - February Financial Report
 - January/February Utility Billing Report
10. Manager's Report

BUSINESS:

11. Well 1 Treatment Building Roof Replacement – Award Contract
12. RH2 Engineering Proposal – Well 4 Services During Construction
13. Plans for Special Meeting With Consultants



American Water Works Association
Pacific Northwest Section

(/)

- PNWS-AWWA HOME ([HTTP://WWW.PNWS-AWWA.ORG/](http://www.pnws-awwa.org/)) **CONFERENCE**
- Just Add Water** KEYNOTE SPEAKER ([HTTP://WWW.PNWS-AWWA.ORG/CONFERENCE/KEYNOTE-SPEAKER/](http://www.pnws-awwa.org/conference/keynote-speaker/))
- CONVENTION CENTER/HOTELS ([HTTP://WWW.PNWS-AWWA.ORG/CONFERENCE/CONVENTION-CENTER-HOTELS/](http://www.pnws-awwa.org/conference/convention-center-hotels/))
- VENDORS/SPONSORS ([HTTP://WWW.PNWS-AWWA.ORG/CONFERENCE/VENDORS-SPONSORS/](http://www.pnws-awwa.org/conference/vendors-sponsors/))
- HIGHLIGHTS CONTACT ([HTTP://WWW.PNWS-AWWA.ORG/CONFERENCE/CONTACT/](http://www.pnws-awwa.org/conference/contact/))

The Northwest's largest conference and trade show for drinking water professionals.

Tacoma, WA
April 25 - 27, 2018
The Greater Tacoma Convention & Trade Center

Registration

Online registration for the 2018 Pacific Northwest Section Annual Spring Conference in Tacoma, WA, April 25-27 opens Tuesday, January 2.

NEW THIS YEAR - Three registration links depending on what you are registering for.

Conference attendee, volunteer, speaker and moderator registration is on this page.

VOLUNTEERS ONLY (not moderators or speakers)- Please see the [Volunteer Interest Letter \(http://www.pnws-awwa.org/wp-content/uploads/2018/01/Volunteer-Interest-Letter.pdf\)](http://www.pnws-awwa.org/wp-content/uploads/2018/01/Volunteer-Interest-Letter.pdf) to see the positions we have available. You must receive a confirmation email prior to registering as a volunteer.

Sponsors and Vendors you will find your registration link on the [Sponsor Vendor Page \(/conference/vendors-sponsors/\)](/conference/vendors-sponsors/).



2018 TACOMA PNWS

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2

Guest registration, and golf registration can be found on the [Networking and Guest Registration Page \(/conference/networking/\)](/conference/networking/).

Conference Prices

All prices quoted are AWWA member prices. Non-Members will be charged an additional fee which will include a membership in AWWA. This membership is valid June 2018-June 2019. If you are not a current AWWA member you can also join now by **clicking here!** (<http://www.awwa.org/membership/join.aspx>) Your AWWA membership information will be emailed to you within two weeks from joining.

Any cancellations made after March 31, 2018 will result in a 25% penalty.

~~Wednesday Pre-Conference – \$130 (a pre-conference session is not included in the conference registration. It is an additional charge for topics that will be covered in depth)~~

Full Conference Registration (Thursday and Friday) – \$366

One Day Registration (Either Thursday or Friday) – \$230

AWWA Student Member Full Registration (Thursday and Friday) – \$50

Retired AWWA Members – FREE!

Volunteers, Speakers or Moderators

Speakers – Attend for free the day that you are speaking. Single day charges would apply for additional non-speaking days that you attend.

Moderators – Attend the day for free that you are moderating. Single day charges would apply for additional non-moderating days you attend. Moderators are selected by the committee responsible for that technical track.

Volunteers – You must volunteer for 4 hours to receive the remaining day for free. Single day charges would apply for days you attend that you are not volunteering. **All volunteers must check in with the Volunteer Coordinator Stephanie Kennedy prior to registering.**

Meals

Pre-registration can include meals if you so select. They are:

Wednesday Pre-Con – continental breakfast, lunch and Fun Night dinner.



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③

Thursday – continental breakfast, lunch (attendees are on their own for dinner)

Friday – continental breakfast, lunch and the closing night banquet

If you register on-site at the conference your registration fees do not include any meals. There are many off site restaurant locations within close proximity.



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Conference Attendees, Volunteers, Speakers and Moderators:

CONFERENCE REGISTRATION ([HTTPS://WWW.REGONLINE.COM/BUILDER/SITE/DEFAULT.ASPX?EVENTID=2092977](https://www.regonline.com/builder/site/default.aspx?eventid=2092977))

PNWS-AWWA, PO Box 872467, Vancouver, WA 98687

[v.flickr.com/photos/50710902@N05/](https://www.flickr.com/photos/50710902@N05/)

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[v.youtube.com/watch?](https://www.youtube.com/watch?v=KylE-Kins)

(mailto:execdir@pnws-awwa.org)

[\)GN0&feature=related](#))

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[inkedin.com/groups/Pacific-Northwest-](https://www.linkedin.com/groups/Pacific-Northwest-A-1988623/about)

[A-1988623/about](#))

[.wwa.org](https://www.pnws-awwa.org))

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Fw: Protecting Municipal Water Rights

1 message

RobertS <rswrite21@mindspring.com>
To: Miceal Carnahan <acct@hpwatersewer.com>

Mon, Mar 12, 2018 at 11:52 AM

Here is the email from Twila about water rights, Miceal, for the agenda packet.

Thanks,

Robert

From: Twila Fluaite
Sent: Friday, March 9, 2018 1:45 PM
To: WASWD Staff
Cc: James Kuntz
Subject: Protecting Municipal Water Rights

TO: WASWD Member Water District Staff and Commissioners

WASWD has been following the *Crown West Realty vs. Dept of Ecology* court case. Please find attached a brief description of the issues. If the Dept of Ecology's faulty "active compliance" interpretation prevails in court, municipal water rights will be negatively impacted. Specifically, if you hold a municipal water right and are currently only using a portion of it, the unused quantity could be at risk in this court case. WASWD is considering filing an Amicus Brief.

The Washington Public Utility District Association has expressed interest joining us in this effort. With WASWD currently expending legal funds on the King County Ordinance issue, we do not have sufficient legal funds to file an Amicus Brief within our current budget.

The purpose of this email is to seek your input on several questions;

1. Does your district have unused municipal water rights?
2. If yes, would your district have an interest in joining a coalition of similar water districts in making a financial contribution to help WASWD file an Amicus Brief?

Once I get a reply from the number of interested districts, I will provide you with a cost share estimate. At this point we are just trying determine member interest. For those water districts with interest, could you please e-mail back no later than Friday, March 16. Thank you.

**Outline of Potential Amicus Brief in *Crown West Realty v. Dep't of Ecology* –
Revised per February 23, 2018 WWUC Meeting**

I. INTRODUCTION

- Brief introduction of WWUC and interest in MWL and protecting municipal rights.
- In short, Ecology proposed and the PCHB adopted a dubious interpretation of “municipal water supply purposes” that imposes a new requirement that is not stated in statute.
- The agencies’ interpretation results in a different policy outcome as to the scope of “municipal” purposes than intended by the legislature.

II. ARGUMENT

1) “Active compliance” is contrary to the text of the “municipal water supply purposes” definition.

- a) The definition identifies “municipal water supply purposes” as a recognized type of beneficial use but does not provide that a water right must be actually used to qualify.
- b) An agency interpretation of a statute cannot read in or add words that the legislature omitted.
- c) Ecology’s interpretation improperly relies on adding “actual” to beneficial use in order to reach the conclusion that “active compliance” through present and actual use is required.
- d) The legislature used the phrase “actual beneficial use” elsewhere in the MWL, but intentionally omitted it in the definition. *Compare* RCW 90.03.330(3) and (4) with RCW 90.03.015(4).

2) Contrary to legislative intent, Ecology’s “active compliance” requirement undermines the “good standing” of municipal water rights.

- a) Active compliance creates uncertainty for and presents a real risk of loss of municipal water rights, contrary to the purpose of the MWL. *See* POL-2030 §9(d), p. 3 (rights not in “active compliance” with definition to be relinquished).
- b) A primary purpose of the MWL was to clarify the law and add certainty to municipal water rights as “rights in good standing.”
- c) Under Ecology’s interpretation, the active compliance interpretation (resting on the words “beneficial use” in the definition) directly contradicts the “rights in good standing” provision.
- d) Ecology’s interpretation would restrict “good standing” to only actively used water rights, contrary to the plain text which applies to all “pumps and pipes” certificates, including their inchoate portions, regardless of “actual beneficial use.”
- e) According to Ecology, certificated municipal water “rights in good standing” are now, under “active compliance” and POL-2030, subject to loss and relinquishment.
- f) Ecology’s interpretation of the definition undermines “good standing” and thwarts the legislative purpose of the MWL.

3) Ecology’s “active compliance” interpretation vitiates the municipal exception to relinquishment.

- a) Ecology’s circular and illogical interpretation requires that the holder of a water right perform an action in order to qualify for a status that does not require the action.
- b) Namely, “active compliance” requires that a water right be presently or actively or actually



- used in order to qualify for a definition status that, in turn, excuses non-use of water.
- c) Ecology requires the very thing – actual use – that the statute expressly excuses.
 - d) Active compliance renders a statutory provision, RCW 90.14.140(2)(d), superfluous.
- 4) **Instead of applying settled principles of statutory interpretation, the PCHB applied legally incorrect presumptions, resulting in an absurd outcome that is inconsistent with the legislative intent of the MWL.**
- a) Incorrectly interpreted “municipal water supply purposes” solely on basis that it is an exception to relinquishment.
 - b) Reliance on case law that pre-dates the MWL to imply several presumptions against municipal water rights.
 - c) Incorrectly deferred to Ecology’s interpretation:
 - i) Definition of “municipal water supply purposes” is clear on its face. No deference is afforded to agency interpretations where the statute is not ambiguous.
 - ii) Deference is not afforded to mere policy statements, like POL-2030.

(A) POL-2030 is invalid because agency pronouncements that meet the definition of a “rule” under the Administrative Procedures Act are invalid unless adopted as rule.
 - iii) No deference is due to Ecology because this is not a technical matter.
 - iv) No deference is afforded to agency pronouncements where the logic of its policy contradicts the statute and is not persuasive.
- 5) **No court has ever approved of Ecology’s “active compliance” policy or interpretation.**
- a) The Washington Supreme Court considered Ecology’s active compliance proposal in *Cornelius* and *Lummi Indian Nation*. The *Lummi* court expressly refused to address it. The *Cornelius* case does not mention or cite POL-2030 or “active compliance.”
 - b) The *Cornelius* court rejected the active compliance policy by analyzing the validity of WSU’s water rights without reference to the active compliance test.
 - c) The PCHB’s strained reading of *Cornelius* fails.
- 6) **MWL is constitutional as-applied without “active compliance.”**
- a) *Cornelius* held that so long as there were no adjudicated facts finding that particular water rights had been relinquished, retroactive application of the MWL would not violate the Constitution.
 - b) If Ecology claims that “active compliance” is needed to address “ghost towns”, state that the abandonment doctrine protects against “ghost town” risk by creating presumption of abandonment after long periods of non-use.

III. CONCLUSION

- Summary of perspective and urge the Court to reverse the PCHB’s decision.
- Specifically, the Court of Appeals should hold that “active compliance” is not correct and that the PCHB erred in making it a requirement.
- With respect to Crown West’s application, the Court should remand the appeal to the PCHB for further proceedings consistent with the Court’s rulings.

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING of the BOARD OF COMMISSIONERS
March 1, 2018
District Office, 772 E Chesapeake Drive, Shelton, WA 98584**

MINUTES

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

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

SUBSCRIBER REMARKS: Jim Anderson present.

CORRESPONDENCE:

- FROM: Department of Ecology RE: November and December Discharge Monitoring Reports, Permit Violations
- FROM: MRSC RE: Strategic Long-Term Budgeting Webinar
- FROM: HPMa Permit Review Committee RE: 467 Chesapeake Drive Tree Limbing Application Request

PRESENT AGENDA: The agenda for the March 1, 2018 regular meeting was presented. Commissioner McNabb moved to adopt the agenda as presented. President Scarola seconded. *Hearing 2 aye votes and 0 nay votes, the agenda was adopted.*

MINUTES: The minutes of the February 15, 2018 regular meeting were presented. *Commissioner McNabb moved to approve the minutes as presented. President Scarola seconded. Hearing 2 aye votes and 0 nay votes, the minutes were approved as presented.*

REPORTS:

Commissioner Reports:

- Commissioner McNabb: Presented a geological study on the Puget Sound Area aquifer.
- Commissioner Scarola:
 - Thanked the AAS for the March/April newsletter.
 - March 22nd is World Water Day.
 - Reported some statistics on the number of people around the world who drink contaminated water.

Emergency Preparedness Report: HPMa Emergency Preparedness Committee has been having neighborhood meetings to discuss coordinating efforts in the different parts of the Pointe.

Financial/Administrative Report:

- Bills to Be Authorized: Voucher 2018-05, in the amount of \$27,766.65, was presented. *President Scarola moved to approve the voucher. Commissioner McNabb seconded. Hearing 2 aye votes and 0 nay votes, the voucher was approved.*
- AAS Status Update: AAS did not accept the job offer she informed the Board of at the last meeting. Jeffreys Management Services will continue to offer accounting and administrative services to the District for the time being.

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

BUSINESS:

District Project Priorities Discussion: It was discussed that the Well 4 project is presently the District's top priority. It was also discussed that the District needs to work on long-range planning and a succession plan.

Long Range and Succession Planning Discussion: It was proposed that the Board have a special work session to discuss long range planning, a succession plan, reorganization, as well as a review of the budget. It was also proposed the District request technical assistance from Rural Communities Assistance Corporation and Washington Association of Sewer and Water Districts (WASWD). Commissioner McNabb will contact WASWD to set up a meeting to receive preliminary assistance and input.

Marina Water Usage Review: GM reported the marina is currently using about 2,000 gallons per day. As part of the dock replacement project, HPMA is looking into replacing the water lines with very high quality material.

Well 4 Fitting Contract Award: The District received no quotes for the Well 4 Fitting project which were due February 28th. The GM and AAS will brainstorm ideas about how to proceed.

Minor Reservoir Repairs: The opening on the top of the reservoir needs to be sealed and peeling paint on the hatch cleaned up. *President Scarola moved to authorize Jeffreys Management Services to complete the work as minor repairs and maintenance. Commissioner McNabb seconded. Hearing 2 aye votes and 0 nay votes, the motion passed.*

Marty Milander Tree Trimming Request: Marty Milander, owner of 467 Chesapeake, has put in an application to the HPMA Permit Review Committee to limb the trees adjacent to the District Office and the fence line at the WWTP. He has periodically trimmed the trees in the past, with the District's permission, to enhance his view. In discussions with the GM, Mr. Milander has indicated he would be willing to contribute \$1,000 towards the cost of completely removing the trees. The trees are a danger to the District's facilities. *President Scarola moved to authorize GM to put in an application to the HPMA Permit Review Committee to remove the 7 trees on the District's property at the WWTP. Commissioner McNabb seconded. Hearing 2 aye votes and 0 nay votes, the motion passed.*

Commissioner McNabb moved to adjourn the meeting. President Scarola seconded. Hearing 2 aye votes and 0 nay votes, the meeting was adjourned at 3:30 pm.

Respectfully Submitted By:

Signature

Name and Title

Approved at the Regular Meeting of the Board on: _____

**HARTSTENE POINTE WATER-SEWER DISTRICT
SPECIAL MEETING of the BOARD OF COMMISSIONERS
March 8, 2018
District Office, 772 E Chesapeake Drive, Shelton, WA 98584**

MINUTES

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

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

BUSINESS:

GM Report:

- Well 2 Pump Condition: GM presented a report on the condition of the motor and pump for Well 2, an estimate to replace the pump, and the steps involved to replace the pump and rehabilitate the well.
- Well 4 Project Status: As reported at the March 1st regular meeting, the GM had sent out a request for quotes to well drillers through the small works roster, but the District received no quotes in response. In order to complete the project quickly and within budget, the GM and AAS discussed breaking the project up into three parts: well pump placement, mechanical/plumbing, and electrical. The AAS put in a question to the State Auditor's Client Helpdesk regarding whether the District could contract directly with would-be sub-contractors for completion the project without it being construed as an unlawful division of a project to avoid bid-law requirements. The State Auditor's Office said the District could, but would be expected to maintain documentation of the first attempts to bid out the project, use the small works rosters, discussion with contractors about the scope, and reason for splitting the projects based on the feedback. The District will still need to follow the small works roster procedures for the three different pieces of the project.

AAS Report:

- 2018 Budget Status: The AAS presented a report on current 2018 budget projections.
 - Operating/Maintenance Expenditures: The District is at or below budget projections on operating and expenditure line items, with a few minor exceptions.
 - Capital Expenditures: The District had to purchase a new composite sampler to replace the failing sampler, an un-budgeted expense. The reservoir mixer project is projected to cost \$8,000 more than budgeted.
 - Expenditure Projections: AAS reported on estimated capital budget over-runs and unanticipated capital costs in 2018, totaling an estimated \$112,950. Because the reservoir inspection report recommended only minor repairs, the \$150,000 in the Capital Improvement Fund: Reservoir Repair would be available to fund other capital costs. ***Commissioner McNabb moved to utilize the funds in the Capital Improvement Fund: Reservoir Repair for unanticipated capital costs. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.***

Well 2 Pump Replacement Project Timeline, Implementation Plan, and Budget Allocation: The Board and GM discussed proceeding with Well 2 rehabilitation and pump replacement, estimated to cost \$35,000. ***Commissioner Hospador moved to authorize the GM to go out for quotes for the Well 2***

Rehab and Pump Replacement. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.

Well 4 Project Completion Timeline, Implementation Plan, and Budget Allocation: The Board and GM discussed proceeding with requesting separate quotes for the three phases of the Well 4 Equipping and Fitting project. *Commissioner Hospador moved to authorize the GM to go out for separate quotes for the Well 4 pump placement, mechanical, and electrical. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.*

Succession Planning Meeting Options: Commissioner McNabb contacted the Jim Kunz of the Washington Association of Sewer and Water Districts (WASWD) to meet with the District along with Reg Hearn, General Manager of Grays Harbor County Water District #2, to discuss potential District re-organization and succession planning. It was proposed the District have a special meeting on March 22nd to meet with Mr. Kunz and Mr. Hearn. President Scarola will contact Mr. Kunz and Mr. Hearn to set up the meeting.

Commissioner Hospador moved to adjourn the meeting. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the meeting was adjourned at 2:35 pm.

Respectfully Submitted By:

Signature

Name and Title

Approved at the Regular Meeting of the Board on: _____

Hartstene Pointe Water Sewer District Profit & Loss Budget vs. Actual January through February 2018

| | Jan - Feb 18 (16.67% of Year) | Total 2018 Budget | \$ Over (Under) Total Budget | % of Total Budget |
|---------------------------------|----------------------------------|----------------------|---------------------------------|----------------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| Non-Operating Revenue | 155,778.14 | 177,471.00 | -21,692.86 | 87.78% |
| Operating Revenue | 105,839.29 | 642,762.00 | -536,922.71 | 16.47% |
| Total Income | 261,617.43 | 820,233.00 | -558,615.57 | 31.9% |
| Expense | | | | |
| 534 · Water Expenditures | 38,994.89 | 469,197.91 | -430,203.02 | 8.31% |
| 535 · WW Treatment Expenditures | 17,684.67 | 210,291.40 | -192,606.73 | 8.41% |
| 538 · Combined W/S Expenditures | 30,655.20 | 142,493.00 | -111,837.80 | 21.51% |
| Total Expense | 87,334.76 | 821,982.31 | -734,647.55 | 10.63% |
| Net Income | 174,282.67 | -1,749.31 | 176,031.98 | |

(12)

Hartstene Pointe Water Sewer District
Monthly Financial Report

February 2018

| | Beginning Balances | Payments & Transfers Out | Deposits & Transfers In | Ending Balances | Fund Balance Change |
|--|--------------------|--------------------------|-------------------------|-----------------|---------------------|
| Reserve Funds | | | | | |
| 030 · Ecology Reserve | 38,697.24 | - | 44.56 | 38,741.80 | 44.56 |
| 050 · DWSRF Loan Reserve | 27,425.63 | - | 6,881.30 | 34,306.93 | 6,881.30 |
| 060 · Bond Fund | 0.00 | - | 19,665.00 | 19,665.00 | 19,665.00 |
| 070 · USDA Revenue Bond Reserve | 21,119.72 | - | 351.93 | 21,471.65 | 351.93 |
| Total Reserve Funds | 87,242.59 | - | 26,942.79 | 114,185.38 | 26,942.79 |
| Unreserved Funds | | | | | |
| EFT Account - Columbia Bank | 1,381.85 | (30,747.74) | 31,985.64 | 2,619.75 | 1,237.90 |
| Petty Cash Account | 1,953.62 | (1,102.74) | 626.91 | 1,477.79 | (475.83) |
| Xpress Deposit Account | 8,866.90 | (29,371.16) | 21,221.56 | 717.30 | (8,149.60) |
| 010 · Operating Fund | 80,000.00 | - | - | 80,000.00 | - |
| <i>Operating Investment Fund</i> | 28,903.50 | (51,368.65) | 59,907.52 | 37,442.37 | 8,538.87 |
| 010 · Operating Fund - Other | 108,903.50 | (51,368.65) | 59,907.52 | 117,442.37 | 8,538.87 |
| Total 010 · Operating Fund | 79.17 | (11,200.00) | 154,834.17 | 143,713.34 | 143,634.17 |
| 065 · Capital Project Account | 121,185.04 | (123,790.29) | 268,575.80 | 265,970.55 | 144,785.51 |
| Total Unreserved Funds | | | | | |
| Committed Funds | | | | | |
| 020 · Water/Sewer Committed Fund | 21,540.00 | - | - | 21,540.00 | - |
| Asset Replacement Fund | 49,540.00 | - | - | 49,540.00 | - |
| Capital Improvement Fund | 125,070.27 | - | - | 125,070.27 | - |
| <i>I&I Repair</i> | 174,610.27 | - | - | 174,610.27 | - |
| <i>Reservoir Repair</i> | 76,726.12 | - | 314.23 | 77,040.35 | 314.23 |
| Total Capital Improvement Fund | 272,876.39 | - | 314.23 | 273,190.62 | 314.23 |
| Risk Management Fund | 272,876.39 | - | 314.23 | 273,190.62 | 314.23 |
| Total 020 · Water/Sewer Committed Fund | | | | | |
| Total Committed Funds | | | | | |
| Total Funds | 481,304.02 | (123,790.29) | 295,832.82 | 653,346.55 | 172,042.53 |

Matt [Signature] 3/12/18

I hereby certify that the above statement is true.

Acct. & Admin. Services Mgr. Date Audit Commissioner Date

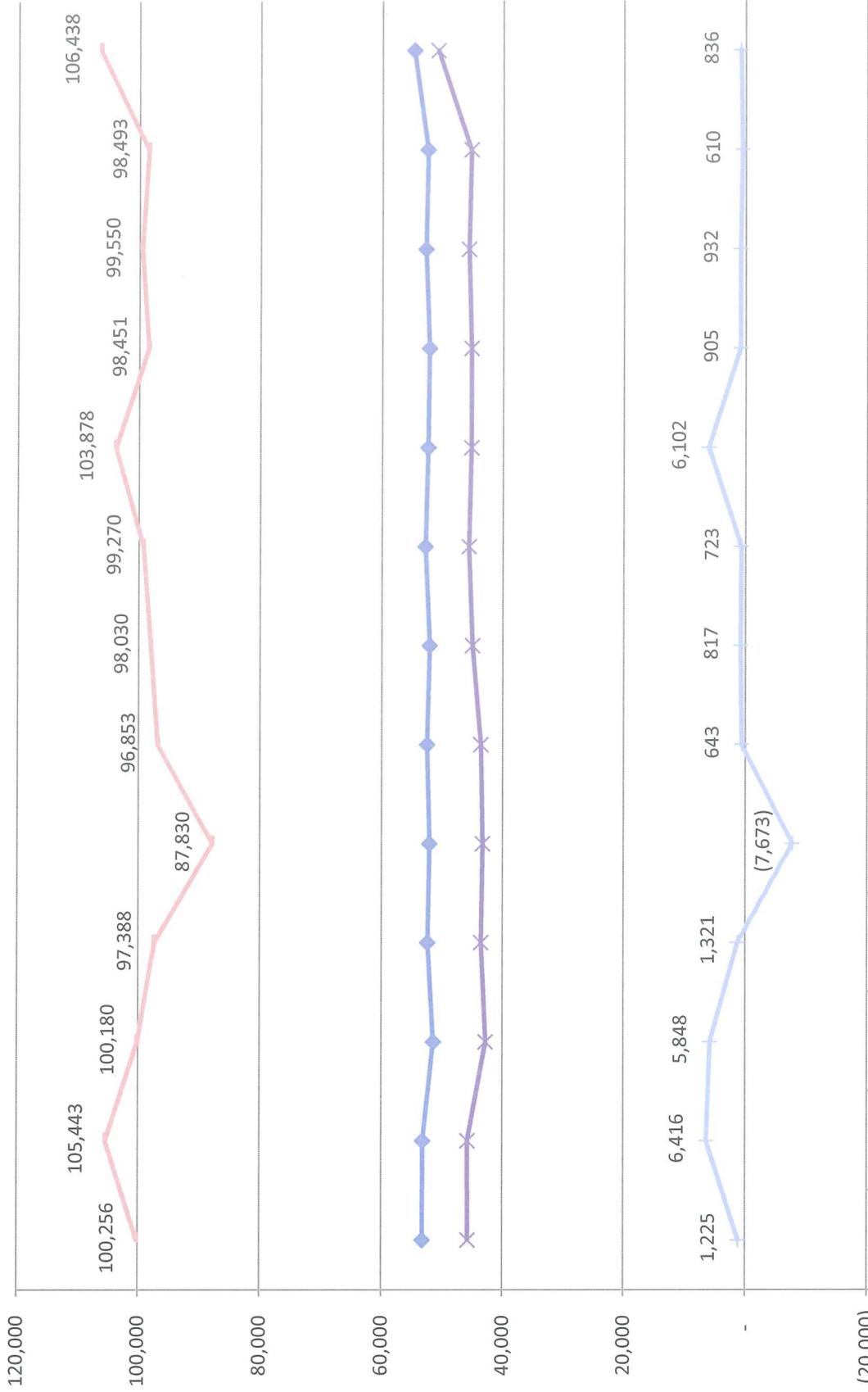
Utilities Trial Balance

Hartstene Pointe Water-Sewer District
01/01/2018 through 02/28/2018

| Utility | | Beginning A/R Balance | Receipts | Billing | Ending A/R Balance |
|---------|-----------|--------------------------|-------------------|-------------------|-----------------------|
| Water | Basic | 2,800.70 | 54,959.38 | 54,775.16 | 2,616.48 |
| | Other | 380.84 | 380.00 | 385.00 | 385.84 |
| | Late Fees | (10.62) | 319.49 | 328.76 | (1.35) |
| | | <u>3,170.92</u> | <u>55,658.87</u> | <u>55,488.92</u> | <u>3,000.97</u> |
| Sewer | Basic | (533.70) | 50,839.11 | 50,826.78 | (546.03) |
| | Other | - | - | - | - |
| | Late Fees | 10.62 | 131.47 | 122.20 | 1.35 |
| | | <u>(523.08)</u> | <u>50,970.58</u> | <u>50,948.98</u> | <u>(544.68)</u> |
| Totals | | <u>2,647.84</u> | <u>106,629.45</u> | <u>106,437.90</u> | <u>2,456.29</u> |

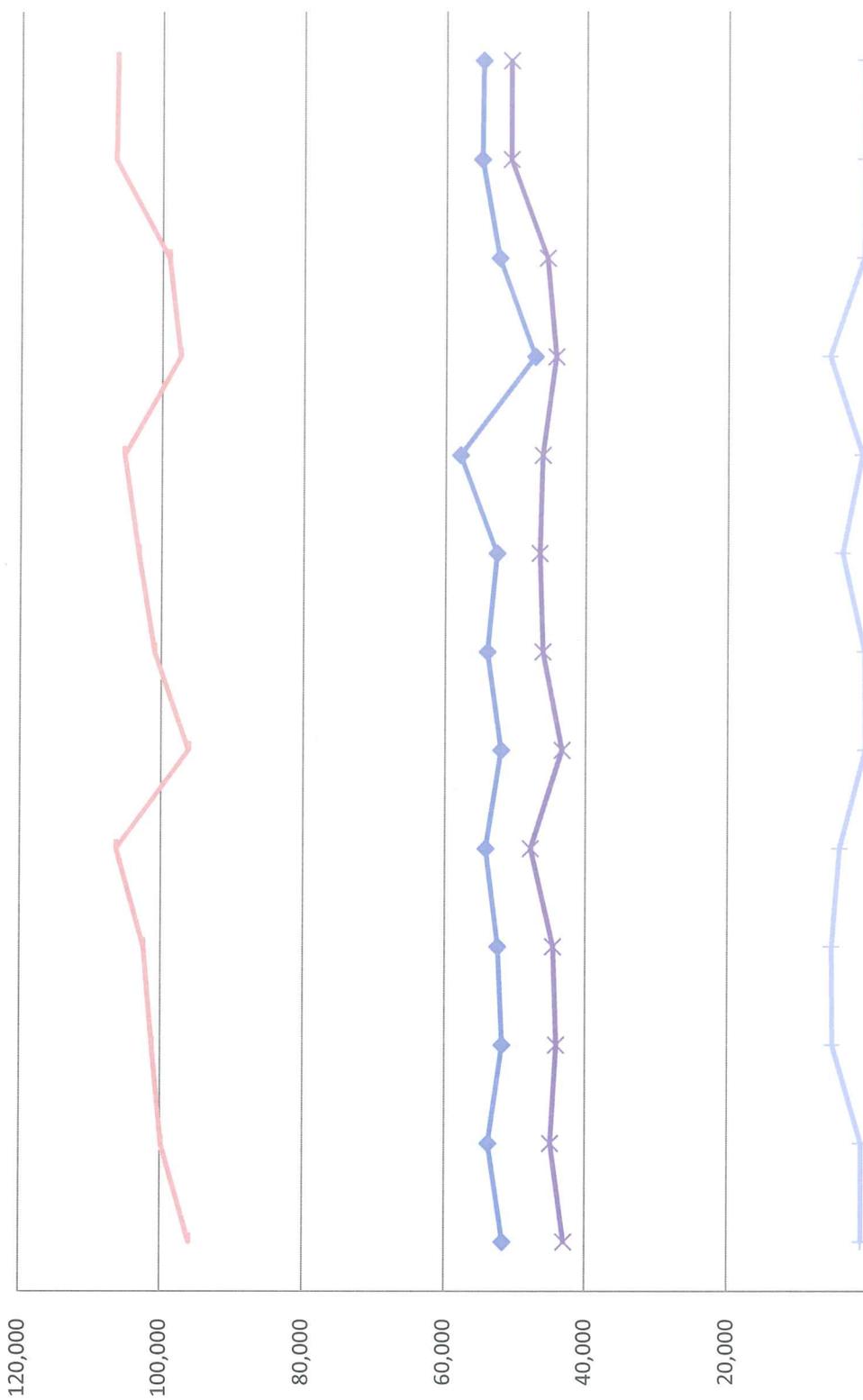
Notes: Rate increase as of January 1, 2018.

All Utility Billing Activity



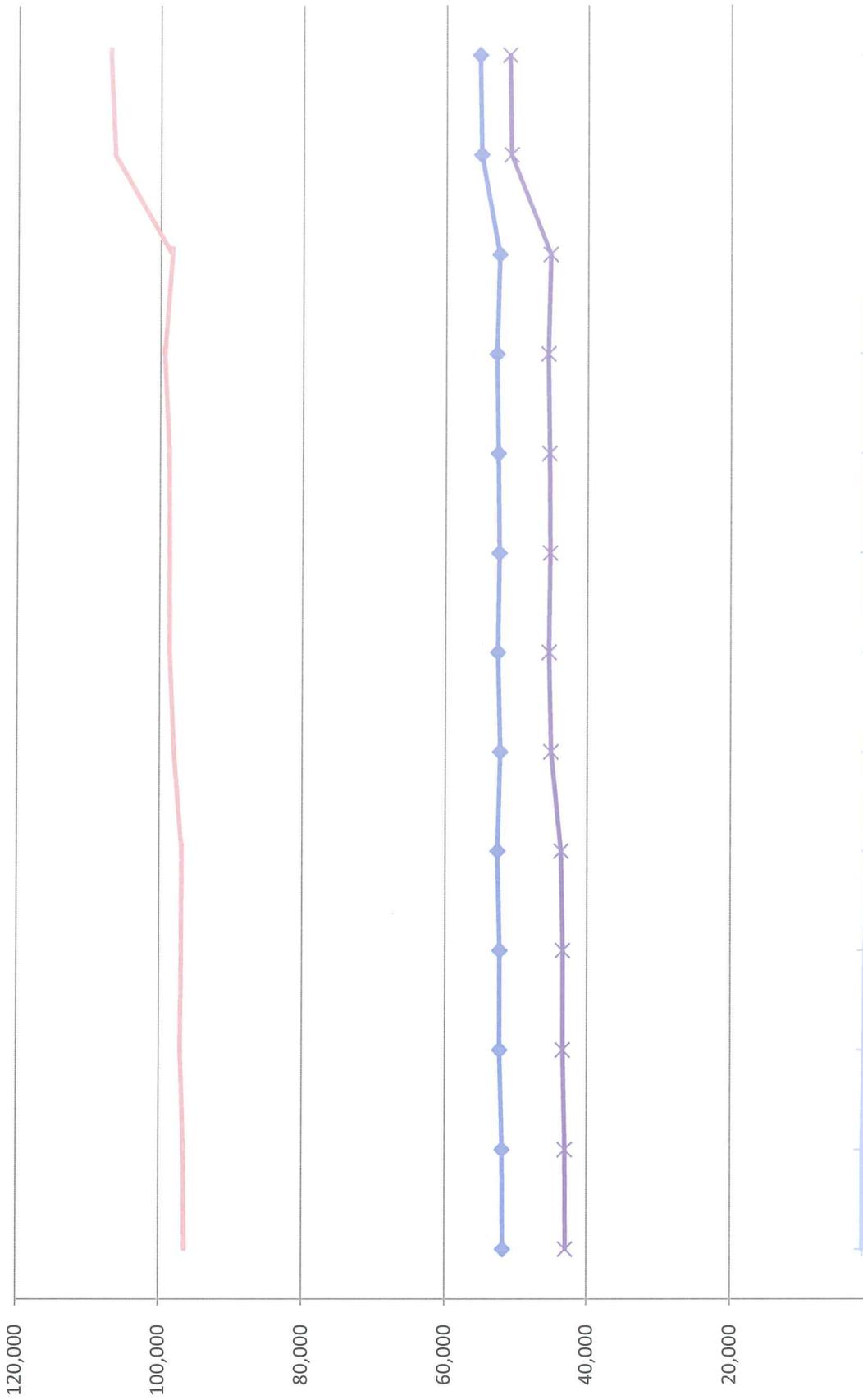
| | Jan/Feb 2016 | Mar/Apr 2016 | May/June 2016 | Jul/Aug 2016 | Sept/Oct 2016 | Nov/Dec 2016 | Jan/Feb 2017 | Mar/Apr 2017 | May/June 2017 | Jul/Aug 2017 | Sep/Oct 2017 | Nov/Dec 2017 | Jan/Feb 2018 |
|-----------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Water Service | 53,260 | 53,219 | 51,489 | 52,459 | 52,153 | 52,562 | 52,144 | 52,877 | 52,479 | 52,254 | 52,879 | 52,537 | 54,775 |
| Sewer Service | 45,771 | 45,808 | 42,843 | 43,608 | 43,350 | 43,648 | 45,069 | 45,670 | 45,297 | 45,292 | 45,740 | 45,346 | 50,827 |
| Late/Misc. Fees | 1,225 | 6,416 | 5,848 | 1,321 | (7,673) | 643 | 817 | 723 | 6,102 | 905 | 932 | 610 | 836 |
| Total Charges | 100,256 | 105,443 | 100,180 | 97,388 | 87,830 | 96,853 | 98,030 | 99,270 | 103,878 | 98,451 | 99,550 | 98,493 | 106,438 |

Utility Receipts



| | Jan/Feb 2016 | Mar/Apr 2016 | May/June 2016 | Jul/Aug 2016 | Sep/Oct 2016 | Nov/Dec 2016 | Jan/Feb 2017 | Mar/Apr 2017 | May/June 2017 | Jul/Aug 2017 | Sep/Oct 2017 | Nov/Dec 2017 | Jan/Feb 2018 |
|-----------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Water Service Charges | 51,708 | 53,781 | 51,821 | 52,465 | 54,225 | 52,045 | 54,022 | 52,691 | 57,920 | 47,328 | 52,454 | 54,959 | 54,775 |
| Sewer Service Charges | 43,028 | 44,932 | 44,137 | 44,616 | 47,830 | 43,394 | 46,142 | 46,620 | 46,239 | 44,359 | 45,648 | 50,839 | 50,827 |
| Late/Misc. Fees | 1,198 | 1,190 | 5,266 | 5,372 | 4,274 | 667 | 793 | 3,922 | 1,152 | 5,740 | 952.07 | 831 | 835.96 |
| Total Receipts | 95,934 | 99,903 | 101,224 | 102,453 | 106,329 | 96,106 | 100,958 | 103,233 | 105,312 | 97,428 | 99,054 | 106,629 | 106,438 |

Regular Utility Billing



| | Mar/Apr 2016 | May/June 2016 | Jul/Aug 2016 | Sep/Oct 2016 | Nov/Dec 2016 | Jan/Feb 2017 | Mar/Apr 2017 | May/June 2017 | Jul/Aug 2017 | Sep/Oct 2017 | Nov/Dec 2017 | Jan/Feb 2018 | Mar/Apr 2018 |
|-----------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Water Service | 51,847 | 51,931 | 52,318 | 52,317 | 52,647 | 52,303 | 52,640 | 52,481 | 52,636 | 52,857 | 52,498 | 55,099 | 55,335 |
| Sewer Service | 43,027 | 43,097 | 43,417 | 43,418 | 43,693 | 45,141 | 45,435 | 45,299 | 45,431 | 45,623 | 45,311 | 50,897 | 51,119 |
| Late/Misc. Fees | 1,543 | 1,544 | 1,305 | 1,194 | 551 | 584 | 561 | 905 | 729 | 956 | 604 | 513 | 677 |
| Total Charges | 96,418 | 96,573 | 97,040 | 96,929 | 96,891 | 98,028 | 98,636 | 98,686 | 98,796 | 99,436 | 98,413 | 106,509 | 107,132 |

PROFESSIONAL SERVICES AGREEMENT

This Agreement combines all understandings between RH2 Engineering, Inc., hereinafter called the "Consultant," and Hartstene Pointe Water-Sewer District, hereinafter called the "Client," regarding professional services for Groundwater Replacement Well 4. This agreement supersedes all prior proposals, quotations, solicitations, negotiations, representations, agreements, or understandings, whether written or oral. The performance of the professional services described in this Agreement as well as payment for the services shall be in accordance with the terms and conditions in this Agreement and the following Exhibits which are attached:

| | |
|------------|--------------------------------------|
| Exhibit A: | Scope of Work |
| Exhibit B: | Fee Estimate |
| Exhibit C: | Schedule of Hourly Rates and Charges |

Authorization To Proceed

Signing this form is authorization by the Client for the Consultant to proceed with the work as described in the Scope of Work stated in the Agreement, unless otherwise provided for in the Agreement.

Scope of Work

The Consultant agrees to perform the work in **Exhibit A** and according to the rates shown in **Exhibit C**. The cost to perform this work shall not exceed \$27,878.00, as shown in **Exhibit B**, without the Client's prior written authorization. Direct expenses are defined as costs other than payroll costs which are directly attributable to the work. They shall include mileage and related expenses, long-distance telephone, facsimile, postage, and delivery, and other expenses incurred in the direct interest of the project. If the Consultant is delayed in the performance of the work by conditions which are beyond their control, or by a change in the Scope of Work, the schedule may be revised.

Ownership of Products and Documents to Be Furnished By the Consultant

Upon completion of the project, the Consultant shall provide the Client with copies of the project documents in accordance with **Exhibit A**. The Consultant shall retain ownership of the source files and information developed by the Consultant in preparing the project documents. Upon request, the Consultant shall provide the Client with electronic copies of the project documents, in accordance with **Exhibit A**, in any of the following formats: Adobe Portable Document Format (PDF), AutoCAD Drawing Web Format (DWF) or JPEG (JPG). Any reuse of the project documents that is beyond the scope of the project is prohibited without written authorization from the Consultant. Any reuse of the project documents by the Client or any third party shall be without liability to the Consultant.

Professional Standards

The Consultant shall be responsible to the level of competency presently maintained by other practicing professional engineers in the same type of work in the Client's community, for the work furnished under this Agreement. The Consultant makes no other warranty, expressed or implied. The Consultant is entitled to rely on the accuracy and completeness of any data, information, or materials provided by the Client or others in relation to the work.

Outside Services

When technical or professional services are furnished by an outside source, an additional 15% shall be added to the cost of these services for the Consultant's administrative costs. Such services shall not be acquired without approval of Client.

Payment

The Consultant will send monthly invoices to the Client for completed work for services rendered under this Agreement as provided hereinafter and as specified in **Exhibit B** and **Exhibit C**. Such statements shall be for work performed or services rendered and for all labor, materials, supplies, equipment, and incidentals necessary to complete the work. All statements for work performed under this Agreement will list actual time (days and/or hours) and dates during which the work was performed, and the compensation shall be figured using the rates in **Exhibit C**. Finance charges, computed by a "Periodic Rate" of one percent (1%) per month, which is an annual percentage rate of twelve percent (12%) (applied to the previous month's balance after deducting payments and credits for the current month), will be charged on all past-due amounts unless otherwise provided by law or by contract. Invoices not paid within thirty (30) days shall be considered past due.

Termination

Either Client or Consultant may terminate this Agreement by giving ten (10) days' written notice to the other party. In such event, the Client shall pay in full for all work previously authorized and performed prior to the effective date of termination. If no notice of termination is given, relationships and obligations created by this Agreement shall be terminated upon completion of all applicable requirements of this Agreement.

Legal Relations

This Agreement shall be interpreted and construed in accordance with the laws of the State of Washington. The parties shall make a good faith effort to resolve any disputes concerning questions of fact in connection with work prior to initiating legal action. In the event that either party institutes legal action or proceedings to enforce any of its rights in this Agreement, both parties agree that any such action shall be brought in the courts of the State of Washington, situated in King County.

The Consultant shall secure general liability, property damage, auto liability, and professional liability coverage in the amount of \$1.0 million, with a General Aggregate in the amount of \$2.0 million, unless waived or reduced by the Client. The Consultant shall submit to the Client a completed Standard ACORD Certification Form as proof of insurance. This Form shall name the Client as an additional insured for Consultant's applicable insurance policies.

All coverages provided by the Consultant shall be in a form and underwritten by a company acceptable to the Client. The Client will normally require carriers to have a minimum A.M. Best rating of A VII. The Consultant shall keep all required coverages in full force and effect during the life of this project, and a minimum of thirty (30) days' notice shall be given to the Client prior to the cancellation of any policy. The Consultant's relation to the Client shall be at all times as an independent contractor.

RH2 PROJECT NUMBER

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Execution and Acceptance

This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed to be an original having identical legal effect. The Consultant does hereby ratify and adopt all statements, representations, warranties, covenants, and agreements contained in the supporting materials submitted by the Consultant, and does hereby accept the Agreement and agrees to all of the terms and conditions thereof.

In witness whereof, the parties hereto have executed this Agreement as of the day and year written below.

APPROVED

Richard L. Ballard, Director

PRINT NAME and TITLE

DATE

RH2 Engineering, Inc., 22722 29th Drive SE, Suite 210, Bothell, WA 98021

APPROVED

PRINT NAME and TITLE

DATE

Hartstene Pointe Water-Sewer District, 772 Chesapeake Dr., Shelton, WA 98584

EXHIBIT A
Scope of Work
Hartstene Pointe Water-Sewer District
Groundwater Replacement Well 4
Additional Design and Permitting, Services During Construction,
and Pilot Study Assistance

February 2018

Background

Design of the Groundwater Replacement Well 4 project (to replace Well 1) has been completed by RH2 Engineering, Inc., (RH2), and it has been approved for construction by the Washington State Department of Health (DOH). Due to elevated levels of arsenic in Well 4, DOH requires a full-scale pilot study be performed prior to pumping to the distribution system. The goal of the pilot study is to demonstrate a reduction in the Well 4 arsenic levels to below the maximum contaminant level (MCL) while utilizing the upgraded Well 1 Water Treatment Plant processes. The Hartstene Pointe Water-Sewer District (District) is performing services during bidding. RH2 will provide on-call bidding services, as part of a separate contract with the District.

The District has requested that RH2 prepare a Scope of Work to provide services during construction (SDC) and facilitate the pilot study. During the design and permitting phase, additional work by RH2 was required that is also included in this Scope of Work. No future tasks are anticipated at this time.

Task 1 – Additional Design and Permitting Assistance

Objective: Complete additional design work and provide additional permitting assistance as part of the DOH Source Approval and Construction Documents approval processes.

Approach:

- 1.1 Provide additional design, specification work, and coordination with DOH and District to prepare and submit a Source Approval project report letter; prepare and submit Construction Documents; and correspond with DOH and the District during completion of DOH approval processes.

Task 2 – Services During Construction

Objective: Assist the District during the construction phase by providing construction contract administration services as described in this Task up to the level of effort shown in the Fee Estimate.

Approach:

- 2.1 Provide the following services on an on-call basis as the District requests.
 - Respond to requests for information (RFIs) submitted by the contractor and technical questions posed by the contractor and/or the District.
 - Review contractor-provided product submittals, shop drawings, schedules, and product specific operations and maintenance (O&M) manuals for conformance to the Technical Specifications and Plans, and approve or reject, if necessary.
 - Review change orders and supporting information submitted by the Contractor, as required. *The District will handle final approval and execution of all change orders.*



- 2.2 Produce two (2) sets of half-size plans (color) and specifications for RH2's use during construction. Produce one (1) set of half-size plans (color) and specifications for the District's use. Prior to contractor's work, review contractor's proposed procedures for disinfecting the well, well pump and motor, and piping. After installation and testing, review the contractor's completed disinfection procedures (as documented by the District), pressure and leakage test(s) results, and bacteriological test(s) results to verify compliance with DOH-approved project requirements. *The District will observe all mechanical and equipment installations and witness all pressure, leakage, and water quality tests.* Provide mechanical and well pump operation and control witnessed testing and startup by RH2 project engineer. Prepare testing and startup checklist. Provide the District with a mechanical punchlist of work that requires the contractor rectify issues. *One (1) site visit is assumed.* Complete and sign the Construction Completion Report (CCR) form after successful startup and submit to DOH.
- 2.3 Provide electrical and automatic control observation and witnessed testing and startup by RH2 electrical engineer. Prepare observation report. Prepare testing and startup checklist. Provide the District with an electrical and automatic control punchlist of work that requires the contractor rectify issues. *Two (2) site visits are assumed: one (1) site visit to observe installations and witness functional testing of electrical and automatic control improvements (requires well pump to be fully installed and functional but will be performed prior to well pump operation and control witnessed testing); and one (1) site visit to witness well pump operation and control testing and startup.*
- 2.4 Review the contractor's and District's field records and revise construction contract plans for use in preparing record drawings. Provide the District with one (1) set of full-size set and a PDF of color record drawings.

Assumptions:

- *The District will contract directly with the control system integrator (integrator) and provide all coordination with the integrator.*
- *The District will handle the pre-construction meeting with the contractor. RH2 will not attend.*
- *The District will handle all construction contract execution, including review of contractor-completed contract forms, and prepare the notice to proceed letter.*
- *The District will review and negotiate, if necessary, all monthly pay requests submitted by the contractor.*
- *The District will observe all native subgrade conditions, fill and rock compaction, conditions of native fill to be used as backfill material(s), buried and above-grade mechanical materials and installations, coatings, and structural materials and installations (rebar, concrete anchors, concrete, and enclosures).*
- *The District will witness all pressure, leakage, and water quality testing and provide copies of results to RH2. The District will fill out the Pressure, Leakage, and Bacteriological Test Report form (from DOH) and provide RH2 with a copy.*
- *The contractor is responsible for all scheduling and coordination for testing and startup events.*
- *Well pump witnessed testing and startup will occur on the same day based on the size and scope of the project.*

- *RH2 will provide a single mechanical, electrical, and automatic control punchlist after witnessed testing and startup site visit. The District will compile RH2 and District punchlists and provide to the contractor for completing. The District will perform all final on-site observation to ensure completeness of the work by the contractor.*
- *The District will perform final project close-out with the contractor, including project acceptance, retainage, and performance and payment bond.*

Provided by the District:

- Review all contract forms provided by the contractor for construction contract execution.
- Prepare the notice to proceed letter.
- Monthly pay request review and approval.
- Final change order approval and execution.
- Site, utility, mechanical, and structural observations.
- Witness all pressure, leakage, and water quality testing and provide copies of results to RH2.
- Complete DOH's Pressure, Leakage, and Bacteriological Test Report form and provide a copy to RH2.
- Compiled punchlists and final observation.
- As-built field record mark-ups on plans.
- Project close-out.

RH2 Deliverables:

- Responses to contractor's RFIs and contractor's or District's technical questions by e-mail or PDF.
- Review of product submittals, shop drawings, schedules, and product specific O&M manuals submitted by the contractor.
- Review of change orders submitted by the Contractor.
- One (1) set of printed full-size color plans for the contractor.
- Three (3) sets of half-size color plans (two (2) sets for RH2 and one (1) set for the District).
- Three (3) sets of printed color specifications (two (2) sets for RH2 and one (1) set for the District).
- Review and respond by e-mail or PDF to Contractor's proposed disinfection procedures and completed test results.
- One (1) site visit for mechanical and well pump operation and control witnessed testing and startup.
- Two (2) site visits for electrical and automatic control observation and witnessed testing and startup.
- PDF of electrical and automatic control on-site observation report denoting contractor's work passed and work to be rectified.
- PDF or hard copy completed and signed CCR submitted to DOH by e-mail or mail.
- PDFs of the mechanical and the electrical and automatic control testing and startup checklists.

- PDF and Word file of the mechanical, electrical, and automatic control punchlist identifying final work to be rectified by Contractor.
- One (1) set of full-size color record drawings and a PDF of record drawings.

Task 3 – Pilot Study Assistance

Objective: Facilitate a full-scale pilot study to be performed by the District to show the existing treatment processes are sufficient for removing Well 4 raw water arsenic levels to below the MCL.

Approach:

- 3.1 Prepare a pilot study protocol to be reviewed by DOH and used by the District for full-scale testing. Coordinate with the District and DOH to discuss testing logistics and requirements while developing the pilot study protocol. Submit a draft PDF copy of the protocol to the District for review. Finalize the protocol based on the District's comments and submit a PDF of the protocol to DOH for review. Amend the final version to address DOH comments, if any.
- 3.2 Provide off-site technical assistance to the District during pilot study testing. Review partial testing data and assist the District with possible process changes based on results.
- 3.3 Analyze the District's pilot study data at the completion of testing and summarize findings in a report. Submit a draft PDF copy of the report to the District for review. Finalize the report based on the District's comments and submit two (2) printed copies to DOH for review. Print two (2) additional hard copies of the final report, one (1) each for District and RH2 records. If necessary, respond to DOH comments by letter.

Assumptions:

- *Pilot study testing will utilize the existing Well 1 Water Treatment Plant processes: sodium hypochlorite and potassium permanganate addition followed by filtration.*
- *The focus will be removal of arsenic. In addition, the District will monitor and test to confirm sufficient reduction in levels of iron and manganese to below the Secondary MCLs for each.*
- *The District will perform a trial run followed by two (2) rounds of pilot study testing. Each round will consist of backwashing the filters and then operating the well and treatment plant until iron or manganese breakthrough (i.e., levels above half of the Secondary MCL).*
- *A contract amendment will be prepared if any additional pilot study planning and testing is necessary to show sufficient removal of arsenic in the treated water.*

Provided by District:

- Review comments for drafts of the pilot study protocol and report.
- Pilot study testing operation and on-site water quality testing.
- Sampling, delivery, and payments for laboratory water quality testing.
- Compiled and organized water quality test results.

RH2 Deliverables:

- Pilot study protocol – draft PDF for District review, final PDF for DOH review, and PDF amendment, if needed.

- Pilot study report – draft PDF for District review, two (2) printed copies of final for DOH review, and two (2) printed copies of final, one (1) each for District and RH2 records.
- E-mailed PDF and mailed hard copy letter response to DOH pilot study review comments, if needed.

EXHIBIT B

Hartstene Pointe Water-Sewer District
Groundwater Replacement Well 4
Additional Design & Permitting, SDC and Pilot Study
Fee Estimate

| Description | | Total Hours | Total Labor | Total Subconsultant | Total Expense | Total Cost |
|----------------------|---|-------------|------------------|---------------------|-----------------|------------------|
| Classification | | | | | | |
| Task 1 | Additional Design and Permitting Assistance | 20 | \$ 3,277 | \$ - | \$ 179 | \$ 3,456 |
| Task 2 | Services During Construction | 100 | \$ 16,778 | \$ - | \$ 1,381 | \$ 18,159 |
| Task 3 | Pilot Study Assistance | 34 | \$ 6,060 | \$ - | \$ 203 | \$ 6,263 |
| PROJECT TOTAL | | 154 | \$ 26,115 | \$ - | \$ 1,763 | \$ 27,878 |

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**EXHIBIT C
RH2 ENGINEERING, INC.
2018 SCHEDULE OF RATES AND CHARGES**

| RATE LIST | RATE | UNIT |
|---------------------------|-------------|---|
| Professional I | \$138 | \$/hr |
| Professional II | \$153 | \$/hr |
| Professional III | \$164 | \$/hr |
| Professional IV | \$175 | \$/hr |
| Professional V | \$191 | \$/hr |
| Professional VI | \$203 | \$/hr |
| Professional VII | \$219 | \$/hr |
| Professional VIII | \$230 | \$/hr |
| Professional IX | \$230 | \$/hr |
| Technician I | \$100 | \$/hr |
| Technician II | \$107 | \$/hr |
| Technician III | \$132 | \$/hr |
| Technician IV | \$140 | \$/hr |
| Administrative I | \$69 | \$/hr |
| Administrative II | \$81 | \$/hr |
| Administrative III | \$96 | \$/hr |
| Administrative IV | \$114 | \$/hr |
| Administrative V | \$131 | \$/hr |
| CAD/GIS System | \$27.50 | \$/hr |
| CAD Plots - Half Size | \$2.50 | price per plot |
| CAD Plots - Full Size | \$10.00 | price per plot |
| CAD Plots - Large | \$25.00 | price per plot |
| Copies (bw) 8.5" X 11" | \$0.09 | price per copy |
| Copies (bw) 8.5" X 14" | \$0.14 | price per copy |
| Copies (bw) 11" X 17" | \$0.20 | price per copy |
| Copies (color) 8.5" X 11" | \$0.90 | price per copy |
| Copies (color) 8.5" X 14" | \$1.20 | price per copy |
| Copies (color) 11" X 17" | \$2.00 | price per copy |
| Technology Charge | 2.50% | % of Direct Labor |
| Mileage | \$0.545 | price per mile (or Current IRS Rate) |
| Subconsultants | 15% | Cost + |
| Outside Services | at cost | |

Rates listed are adjusted annually.

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