

The meeting was called to order at 4:10 PM at the offices of Canterwood Commercial.

Attendees: Mike Hondorp, Ed Caudill and Michael Williams (Directors); Russell Tanner (Canterwood Development Co.)

A quorum of the Board was present. There were no requests for additions to the agenda.

There were no minutes of the meeting of April 19, 2012 to consider. Hondorp asked who was responsible for preparing those minutes (since both he and Mike Williams, who normally draft the minutes, were not at the last meeting). Caudill and Tanner said that President Muretta took the meeting notes and they thought he would prepare them. Tanner said he would talk to Muretta about the matter.

The committee then moved to financial matters. Co-Treasurer Hondorp indicated that the April 30, 2012 financial reports were a revised version that he had requested from Debbie at Kalles due to a problem in the original statements with the amounts on the balance sheet for beginning retained earnings and YTD net income. Hondorp indicated that a similar problem with retained earnings and annual net income also existed in the balance sheet for December 31, 2011. The amounts in error were related to the accounting entries necessary to record the costs and depreciation expense on the STEP's pre-treatment facility that was built in 2010, but not properly accounted for until September 2011. Hondorp said that, unfortunately, Debbie's recent revisions did not fix all of the problem amounts. Therefore, he would continue to work with her to ensure that the proper corrections to the statements are made.

Hondorp then discussed the recent changes to the Recurring Footnotes to Unaudited Financial Statements, effective for reporting periods beginning December 31, 2011. He stated that he had updated certain policy disclosures, added the estimated total cost of donated infrastructure assets of \$820,000, as provided by Tanner (as well as the estimated average of 18 years of use), and clarified the reserve account disclosures. It was agreed by all that the footnotes were a useful and necessary adjunct to the STEP's monthly financial reports. The group also concurred with Hondorp's recommendation that the footnotes, as now presented, should be included in the STEP Financials section of the web site for members' information. Hondorp said he would send them to Muretta for that purpose and that he would update them in the future as necessary when financial matters materially changed.

Due to the absence of Vice-President Allen, who oversees receivables and legal issues, it was agreed to defer discussion of delinquent accounts receivables and any related collection or legal actions until the Board's next regular business meeting.

Hondorp briefed the group on recent problems he had discovered with the preparation of Excise Tax filings for February and March 2012 by Debbie of Kalles. He said that in both months, Debbie has used incorrect amounts in the initial filings and that the format she used was also incorrect. Debbie has revised the February filing with the Dept. of Revenue (DOR) and the March filing will be corrected as well. Hondorp said he will continue to monitor these reports for accuracy in the future. He noted that the STEP's excise taxes are now about 25% of what they were before receiving the favorable ruling from DOR allowing for the deduction of treatment costs paid to the City of Gig Harbor.

With respect to the Request for Refund of \$26,600 (of overpaid excise taxes since January 2008) that he had prepared and submitted on May 10, 2012 to DOR, Hondorp said that he has not yet heard from DOR. He said that this may be a sign that the request is simply being processed as requested. He also

said that he will contact DOR for a status update if he hasn't heard anything or if the requested refund hasn't been received by the end of the first week of June.

Discussion then switched to operations matters, namely the status of the new Magmeter installation project. Tanner, who is overseeing this effort, discussed the reason for the delays to date and indicated that the new meter will be in operation well before the end of June. Tanner said that the meter will use solar power panels and, since a new power line across Baker Way was not needed, the project will cost less than the \$10,000 originally budgeted. The new Magmeter, which has no filter, will also not require the frequent and costly filter cleaning service that the current meter entails. Tanner said that once the Magmeter is installed, the STEP can start monitoring the readings to see if the ever-increasing, and often widely fluctuating, effluent volumes were attributable to the old meter that is being replaced.

There was a discussion of the status of the draft contract with Kalles. Hondorp indicated that he had submitted numerous edits to President Muretta, but that he hadn't heard back from him as to the status of the matter. All present were anxious to get the contract matter moving again. They also all agreed that the draft agreement needs to be reviewed by the STEP's general legal advisor, Mark Roberts, once it is in a more readable state. Hondorp also said he wants to add a new provision to prevent Kalles from billing the STEP for any re-work time spent correcting things that Kalles did wrong in the first place and all concurred. Finally, Hondorp asked who, if anyone, on the Board is actually reviewing Kalles's monthly billings to the STEP for accuracy and propriety since the draft contract outlined so many rates for special services. This question led to discussion of whether or not Kalles has been submitting detailed monthly billings to the STEP Board or just paying itself monthly from the new bank account that was established in December 2011. Co-Treasurer Caudill said he would take the billing matter up with Kalles to ensure that detailed billings are provided monthly and that they are approved by a Board member prior to payment.

The final matter of business was the Board's regular business meeting schedule. Hondorp discussed the importance of having a firm calendar so that all Board members can plan accordingly. He also discussed the calendar handout for the balance of 2012 and 2013 that reflected the meeting dates that the group had all agreed to at the March meeting. Caudill stated that it is important, from a fiduciary perspective, to have set meeting dates in the event the membership want to attend meetings as well. After discussion of the benefits of a set meeting calendar, and with a recognition that special meetings can be held if circumstances dictate (such as the upcoming June 11, 2012 meeting on the LOSS project), it was moved, seconded and unanimously approved that the meeting calendar for the balance of 2012 and 2013, as shown in the handout, be adopted. All meetings will be at 4:00 PM unless changed.

Hondorp commented that, in accordance with the STEP Bylaws, the December meetings should be considered for the required annual membership meeting since the annual budget is now adopted at that time. He also noted that the Bylaws require 3 of the 5 current directors to stand for election in 2012. This will require appropriate planning and ballot mailing prior to the annual meeting.

Hondorp acknowledged the value of Susan Anderson's recent help in agenda preparation and distribution. Williams asked if she could also do meeting minutes, but Tanner indicated that the current monthly fee of \$205 to Canterwood Commercial for admin. support doesn't allow for that type of work. The group indicated that it preferred holding future meetings at Canterwood Commercial rather than at the Kalles office in Gig Harbor and Tanner said that was agreeable to him.

Prior to adjournment, there was brief discussion on a few of the items shown on the Existing Projects/Pending list at the bottom of the agenda. Tanner indicated that there is a need to discuss the handling of STEP hookup fees in the future in light of the City of Gig Harbor's shift from approving new

STEP hookups in lieu of direct sewer connections. This matter will be added to the listing for further analysis when time permits.

The next Board meeting is a special meeting on Monday June 11, 2012 at 4:00 PM to discuss the LOSS project.

The next regular Board meeting is Thursday June 21, 2012 at 4:00 PM.

The meeting was adjourned at 5:30 PM.