

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

Attendees: Doug Allen, Mike Hondorp, Ed Caudill and Michael Williams (Directors); Russell Tanner (Canterwood Development Co.); Eva Hill (Still Water Planning, Inc.)

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

Vice President Allen chaired the meeting in President Muretta's absence. The first matter of business was a discussion of the engineering report, dated May 22, 2012, from consultant David Jensen on the feasibility of certain property in Canterwood for a Large On-Site Sewer (LOSS) system. Consultant Eva Hill provided an overview of various aspects of Jensen's report. She mentioned that the City of Gig Harbor had recently passed an ordinance that will allow for new sewer service connections outside city limits, but that the City will not allow Canterwood to expand STEP service connections beyond those for which Canterwood Development Co. has already received approval.

Hondorp asked why Jensen's original report, dated May 7, 2012, was significantly revised as pertaining to the average square feet per residence (from 700 sq. ft. to 1350 sq. ft.) and the residence yield count (from 340 to 272). Hill said that her review of the original report and discussions with Jensen disclosed that the size of the property was initially underestimated and the required "reserve factor" had not been put into Jensen's initial calculations.

In essence, Jensen's final report shows that the capacity of the land in question for the LOSS is almost maxed out as to the current STEP size of 268 members, although Hill said that engineer's estimates of residential capacity are usually highly conservative. As presented by Jensen's report, the current parcel under review (14 acres, 9 of which are useable for LOSS purposes) may ultimately allow for the additional 26 Canterwood residences that Tanner said have been approved by the City of Gig Harbor for future STEP inclusion (and prepaid for by Canterwood Devel. Co.). However, the idea of including the Div. 12 homes built (or being built) by Rush, which are now part of a separate STEP, for LOSS cost efficiencies is made moot by the report findings. Including the Rush homes would not be feasible without a much larger parcel to accommodate the nearly 70 homes Rush has built (or will build) in Div. 12 per Tanner.

With respect to Hondorp's question about the meaning of "marginally acceptable" soils for the property in question, Hill said that it meant that ideal percolation conditions (at least 4 feet deep) are not present and that additional techniques will be needed to make the property more suitable for a LOSS. She indicated that pre-treatment methods (aeration, gravel trenching) or a much more expensive micro-bio reactor (MBR in Jensen's report) may be needed (these options were later confirmed by Jensen via a phone call during the meeting).

In response to a question about the cost of the mounding analysis in Jensen's report, Hill indicated that it is required geological work that will cost \$20,000-\$25,000 if the project moves beyond the preliminary feasibility phase.

Hill then outlined the next logical step in the process which is to submit an application and pay an estimated fee of \$800 to WSDOH to evaluate the land in question for LOSS purposes. She said that the WSDOH review would be the first crucial approval factor to overcome if a LOSS was to be built on the property in question (other key factors being: costs/affordability, technical and political hurdles, and third-party design-build interest and affordable proposals, STEP membership buy-in).

Hill said that the City of Gig Harbor must approve a Canterwood LOSS. Both she and Tanner felt that the City may find it in its economic interest to do so since it would create some 300 new sewer connections that the City could then sell to new builders in the area. Obviously, the exit of the Canterwood STEP would reduce City treatment revenues by a large amount (over \$20,000 per month), so the City might try and place conditions on such a proposal. All terms and conditions would need to be negotiated. Hill said that the STEP needs to make a "best case" argument to the City as to why releasing the STEP is an overall benefit to the City. Tanner mentioned that there may be a way to build the LOSS by using the City facilities (and existing connection to the City's sewer lines) as the LOSS's "capacity reserve" for a fee consideration. In that way, the STEP may be able to maximize the residential units using the LOSS on the existing 14 acre parcel while the City's system serves as the fallback reserve if adequate percolation isn't achieved by the LOSS over time.

During a phone call to David Jensen to permit attendees to ask several questions about his report, Hill asked if Jensen's report was sufficient in its current form to submit to WSDOH for a review of the LOSS property and project feasibility. Jensen replied in the negative. He said that he would need to do additional work on the document format and contents to generate a formal "Preliminary Engineering Report" to satisfy WSDOH review application requirements. When asked for the cost of such additional effort, Jensen committed to a fixed amount of \$600 which would include the preliminary engineering report, as well as the formal application itself (The STEP would be required to pay the \$800 application fee). The group discussed this matter after the call with Jensen. It was felt, based on Hill's advice, that an additional \$1400 for a WSDOH review of the feasibility of the LOSS parcel was warranted in order to keep all of the STEP's options for reducing its costs available going forward.

It was moved, seconded and unanimously approved that an additional \$600 be authorized for Jensen to prepare the aforementioned review application to WSDOH and, further, that \$800 (or whatever amount is actually required) be authorized to pay for said application to WSDOH at the time Jensen's application work is complete.

Hill then provided copies to all Board members of documents that Hondorp had previously requested by e-mail; namely, two City of Gig Harbor memos, an excerpt of a 2009 wastewater comprehensive plan, several water reuse and reclamation regulations, and an updated LOSS project cost estimate worksheet (totaling \$1,835,000, exclusive of \$400,000-\$500,000 of est. cost, per Tanner, for the 14 acres of land required). Hill also said she would provide copies of the management agreement between the STEP and the City, dated Nov. 13, 2001, to all members later via e-mail.

Hondorp expressed concern that the STEP will likely be entering into complex and important financial negotiations with City of Gig Harbor officials about the LOSS at some point in the future. He suggested that the STEP have qualified legal representation in the area of land use and sewage systems at the ready when such discussions with the City commence. The others concurred and Hill said she knew of a couple possible attorneys who fit the bill. Hondorp asked Hill to provide the Board with the names of at least two possible attorneys that could be considered for such assistance at the appropriate time and she agreed to provide that input to the members.

The discussions then moved to the matter of a contract extension with Still Water Planning, Inc. (Hill) for additional consulting services pertaining to the proposed LOSS. Hill said she had already put in about 5 hours of unbilled time beyond the 10 hours she had been engaged to perform previously. She estimated that she would need to spend at least another 10 hours in matters pertaining to completing the WSDOH review application process. The Board members were in agreement that Hill's services are of value to the LOSS feasibility process. Accordingly, it was felt that more of her time is warranted.

It was moved, seconded and unanimously approved that consultant Hill's services be retained for an additional 20 hours (@\$75/hr.), up to \$1500. It was understood that Hill has worked and is already owed for 5 of those newly authorized hours.

There was no other agenda business before the Board. The group agreed that additional special meetings to address the LOSS project can be scheduled in the future as developments require.

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

The meeting was adjourned at 5:38 PM.