

**STEP Board Meeting**  
**May 16, 2013**  
**Minutes**

The meeting was called to order at 4:15 PM.

The first item of business was to install a new board member Ms. Anne Hankins, A motion to add Ms. Hankins to the Board was moved by Mr. Caudill seconded by Mr. Weiss the motion was approved. Ms. Anne Hankins becomes the fifth Board member replacing Mr. Hondorp.

We proceeded to a discussion of the LOSS report by Eva Hill and David Jensen.

Mr. Jensen presented his findings on the preliminary engineering report. He indicated that the Department of Health (DOH) felt we had shallow soil, but it could with further study be satisfactory. The DOH said we needed to have a winter water check during the full winter period. The designated holes would be monitored by a transducer and stored in a machine that records the data on a daily basis over a month. In order to do this we would have to engage a hydro-engineer to do the study. Mr. Jensen stated for a normal system you have to have 3 feet of an absorption layer of drainage soil. If we have a pre-treatment system (a sand filter), you are only required to have 24 inches of absorption soil. In addition to the winter water study we will also have to conduct a contour analysis to determine how the existing property drains from a topographical perspective.

Mr. Jensen went on to describe the construction of the LOSS system. In this case we are looking at a drip system for irrigation. We would need a pump station that would pump the effluent into the system. He indicated that he usually uses a well type pump that pumps 20-30 gal. Per hour, but with high head pressure. He indicated that they would use a valve system to break down the drain field into smaller sections, perhaps six – eight). At any one time the pump only push effluent into smaller sections regulated by a switch and valve. He stated that we would be pumping into each section as many as 20-30 times per day.

Mr. Jensen stated that they would dig trenches and lay in the drip lines. The required 36" is the distance below the depth of the drip lines that will be 6-9 inches below the surface of the ground. The tract is 14.5 acres and we need approximately 9.3 acres to make it work. This is not like a regular drain which must be pitched. It is under high pressure so the trenches and the drip lines can follow the contours of the land.

Eva Hill stated that we would need 9.3 acres based on 81,000 gal per day. So if we find out that we are not producing this amount we need less area. The upper limit is 100 thousand gallons per day and then you have to go to the State Department of Ecology for authorization to build.

Eva continued to say if we use the winter water meter readings compared with the Mag Meter readings we will have an accurate determination of how much effluent we would be sending to the LOSS. That is why it is critical that we get the Mag Meter working effectively. Mr. Weiss added that

we would also have to eliminate the winter ground water intrusion so that the volumes we are presenting to the DOH are as low as possible.

Mr. Caudill brought up the issue of Division 12's STEP system. He indicated that they are beginning to become active and we will have to decide how we want to deal with them. Should we incorporate their +/- 70 homes into our system or allow them to find their own direction. He indicated that we will have to come to a decision regarding Division 12 as soon as possible.

Mr. Jensen stated that we could build both systems next to each other under the same plan for authorization.

Mr. Weiss asked if we could build playfields over the drip system. Mr. Jensen stated that this was possible, but you had to have an existing flat area so that we do not disturb the contours of the land.

Mr. Jensen then described the costs for the winter water study and the contour study. The winter water study would cost about \$12,000. The contour or Mounding Analysis which would follow could cost about \$10,000 to \$15,000 depending on how many transducers Nancy at the DOH would require. If you pass both studies you are ready to go. If we proceed, Mr. Jensen stated that he could do an engineering plan for about \$12,000 plus \$3,000 - \$4,000 for the abstracts.

Mr. Caudill said that at that point we would be looking for a company who would be looking for a financial reward for building the LOSS and operating it, hopefully for less than we are currently paying the City. He went on to say that the City is looking at another increase of 18-25% for the 2014 year, because they have to complete phase III of the sewage treatment plant construction. He continued to say that if the data is favorable we will have to go forward because the City charges are going to keep rising.

Ms. Hill and Mr. Jensen stated that we would be about one year out before we had to make the go-no go decision. Both studies would be completed about April or May 2014. Ms. Hill asked Mr. Jensen if Nancy Darling at the DOH could make a prediction based on the data we now have, if the site will be acceptable. Mr. Jensen said that he would bring the data to her and ask for an opinion.

Ms. Hankins asked if as a Board, if we need to go back to the membership in order to spend another \$27,000 for the two studies. Mr. Caudill responded that we have the authority to do the feasibility study, but we will have to do an excellent job of communicating the issues to the membership.

Mr. Allen indicated that we could take legal action against the City in an effort to seek lower rates and that this action might force the City to think harder about annexation of Canterwood. Mr. Caudill stated that he felt that the City did not like Canterwood and that previous discussions regarding annexation were met with a "Hell No". Ms. Hill stated that if there was any discussion about annexation, the Country club would have to go along. Mr. Caudill indicated that when the previous conversation was held with the city by the HOA, the country club was aboard. He indicated that even after the purchase by Club Corp, the country club would be in favor of annexation. He went on to say that he did not see any of this happening since Canterwood would bring about 4000 votes to City elections and this would make it difficult for the existing political leaders to get elected.

Ms. Hankins stated that she was at a recent Lion's Club meeting where a City administrator stated that they were considering annexing Canterwood. Mr. Caudill stated that this was very doubtful. Ms. Hill stated that Canterwood is surrounded on three sides by the City and that fighting annexation would be going against the Growth Management Act. Which says that a city has to grow towards the areas of urban growth. Mr. Caudill stated that because we have such large lots in Canterwood, we would actually hurt the City in terms of Growth Management Act. Regarding the housing density requirements.

Mr. Tanner stated that he had to leave, but he indicated that he would ask Andy from Drain Pro would be asked to check the dimensions of the pipe going into the Mag Meter and he would contact Stu Fedders about calibration.

Mr. Weiss asked if a vote could be made on the March 25 Minutes. Mr. Caudill called the question and the minutes were accepted.

The meeting shifted to an introduction of Mr. Michael Quinn, one of the owners at Kales. Mr. Quinn indicated that he has recently taken over the operations side of the company, with special attention to developing processes for quality control. He indicated that he has been a partner in the company for five years.

Mr. Caudill asked Mr. Quinn if his company had someone who could manage and upgrade the STEP website. Mr. Quinn stated that they did not provide that service. Mr. Caudill then discussed the software that was being used to produce the financial statements, while he felt that this month was probably the best month so far, there was still some concerns about retained earnings and depreciation. Mr. Caudill felt that Debbie Rench was working hard, he felt that she needed more oversight to ensure that the financials are correct. Mr. Quinn said that he was putting controls in place to correct these issues where products would be double checked by another person. He also said that they were establishing an exceptions sheet that Debbie would be required to use in an effort to prevent errors and omissions.

Mr. Quinn stated that they are in the process of building systems that track specific issues that are specific to each association. As a result, things like tax information for filing would be prepared specific to each association. He indicated that he was planning to send Debbie for additional training this summer which should make Debbie much more effective.

The discussion shifted to the question of going to the City to discuss using water meter readings as a source of data to compute sewage parts. Mr. Weiss brought up the proposal of requiring the members to have their septic systems certified. Ms. Hill said that we could run this by the City without a time line.

Mr. Caudill added that everyone in the Canterwood community is presently required to have their backflow valves inspected by Peninsula Light on an annual basis and they are charged for the inspection. Having a septic system inspection for ground water intrusion or mechanical failure falls into the same category of prudent management. He went on to say that the members need to understand that the costs to us from the City for sewage treatment are going to continually rise and that we need to do everything in our power to reduce these costs.

Mr. Caudill went on to say that presently “this is so screwed up”, we don’t have an accurate figure of what we are sending to the City and neither do they.

Ms. Hill added that we would have to set up a process to collect the certifications and that she could be the person who worked with the members to answer questions and provide guidance.

Mr. Allen stated that he wanted to go on record that he did not feel we were ready to take this action. He went on to say that not only will this require bookkeeping issues but there are going to be enforcement and legal issues that we would have to cope with. He stated that we are too involved in the issues of the LOSS and going to the City to take on such a large undertaking.

Mr. Caudill stated that he did not see the City being willing to agree to a change in the billing process. Mr. Allen stated that we could hire a meter reader to make monthly readings from the individual members’ pump meter to determine our output. Mr. Caudill stated that he felt it would be much simpler to just get the Mag Meter working properly. Mr. Weiss stated that he had a conversation with Russ Tanner long before he joined the STEP Board about getting a technician out here to get the Mag Meter working. He stated that Russ said he did not know who to contact, but he found a manual and was going to try to program the meter himself. He stated that the most pressing issue was to contact the company and get someone out here to get it working.

Mr. Weiss went on to say that he did not agree with Mr. Allen. He said that the LOSS decisions were at least a year out. He added that he agreed with Mr. Caudill about the City. They are not going to do anything to reduce our costs. Speaking to Ms. Hill he said, I asked you how the City calculated the Sewage charges for the Reserve development, just inside the Baker Way gate. You replied that they bill for unmetered sewage which is about \$63.00 a month, but because they are outside the City limits they charge 1.5 times the rate which brings the rate up to approximately \$94.00 per month.

Mr. Weiss stated that he had absolutely no faith in the City that they would consider a rate adjustment. For this reason, he stated that presently, the only thing that the Board could do to lower costs was to decrease the amount of effluent being sent to the sewage treatment plant. And the only way to accomplish this was to have the members’ septic systems inspected and certified that they have no water intrusion.

Mr. Caudill stated that he agreed. He said that in the three years that he had been speaking with Russell and with the plant manager, the manager has made it very clear that he would like to have Canterwood gone.

Mr. Allen asked Mr. Caudill if he was recommending that we not go to the City at all. Mr. Caudill stated “No”, but we need to get our ducks in a row before we make any overtures to the City. He stated that he agreed with Mr. Weiss. The first thing to do was to get the Mag Meter working. He added that we don’t know if we are sending them more than they are billing or less. If it is actually more, we could be in real trouble. With regard to speaking with the City about the LOSS, he said that we don’t know if this will be a go or no go. We will have to invest another \$27,000 before we are in a position to make that decision. Mr. Caudill went on to say that he did not see any reason for discussing the LOSS with the City until we know if it is possible to implement.

Mr. Caudill stated that we should prepare a letter to the members that outlines all of the issues and what our choices are in reining in the present costs. Mr. Weiss stated that he had a conversation with Mr. Tanner who indicated that for those members who refused to comply, we could use one of our vendors to make the repairs and then charge the member for the work.

Mr. Weiss went on to say that he is not naive. There will be members perhaps 10% who will not comply and it could result in the Board having to get the work done, billing for services, and if they do not pay send them to collections with our attorney and perhaps even lien their property. He said that as a Board, we have to get a handle on the problem and demonstrate to the members that we are making every effort to lower costs.

Mr. Weiss stated that he met with Dennis Lowe and Janice at the HOA and they agreed to help us communicate with our members by allowing us to use their email "Blasts" to get the work out about what we are doing. Mr. Weiss added that he would like to develop a document that would be sent out via the HOA email and through the billing at Kalles that would spell out all of the issues facing us. He stated that he would bring a draft document back to the Board for discussion, so that everything was on the table before we voted on going ahead.

Mr. Allen stated that under financial/legal we have new legal actions going out and we are going back to court on our most flagrant non-payer.

Ms. Hill added that she would be happy to work on the document with Mr. Weiss.

The meeting was adjourned at 6:35pm.

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