

Payette Lakes Recreational Water & Sewer District

Regular Meeting
February 18, 2026

Directors Present

Ellen Holm, Chairperson (telephone)
Bill Weida, Vice-Chair

Dallas Young
Todd Fereday
Brian Renstrom

Advisors Present

Adam Christenson, Legal Advisor (telephone)
David Watkins, J-U-B Engineers (telephone)
Maggi Lloyd, J-U-B Engineers
Kurt Folke, Quest CPAs (telephone)
Michael Keith, Zions Bank

Staff Present

Tammie Richardson
Jeff Bateman

Also Present

Candi Millar, Patron

Todd Fereday called the meeting to order at 9:00 a.m., and Directors Ellen Holm, Brian Renstrom, Bill Weida, Dallas Young, and Todd Fereday all answered roll call.

Approve Regular Meeting Minutes for January 21, 2026

Bill moved to approve the Regular Meeting Minutes for January 21, 2026, it was seconded by Dallas and the motion carried.

Approve January 2026 Treasurer's Report

Dallas moved to approve the Treasurer's report for January 2026, it was seconded by Bill and the motion carried.

Fiscal Year 2025 Audit Report from Kurt Folke with Quest CPAs

Kurt went over the fiscal year 2025 report. He explained that there are two reports in the audit. The report on pages one through three is from us, the Auditors, to you, the Board. This report tells you that we've audited the numbers and believe they're accurate, and that you can rely on them to make decisions. There's a second report towards the end, on pages seventeen and eighteen; it's the second report on internal controls and compliance. He explained that the Auditor looks at the Districts, internal controls, and compliance. There are no findings this year, which is a good thing. This means the District is continuing to support disbursement documentation, conduct bank reconciliations, record minutes, and go through the budget process. There is a laundry list of things like that that you're required to do as a government entity in the State of Idaho, and the District does an excellent job. He pointed the Board to page five of the Statement of Revenues, Expenses, and Changes in Net Position. This is like a profit-and-loss net income statement. He explained that this is a full accrual basis of accounting required for sewer districts and that this page contains a lot of information. The first important number is the Income (Loss) Before Contributions. That number is a positive \$1,471,156M. What that's telling us is that we had a net overall increase this last year.

Everything else held equal because we're able to cover all of our expenses and build up reserves. He reminded the Board that the hookup fee is a growth-based, restricted type of revenue. The hookup fee is \$647,848. Another thing worth mentioning is that interest income remains strong this year. The interest income is \$482,344, which is about \$91,000 higher than last year. The District does a good job of keeping its reserves invested and earning interest. He commented that it goes a long way toward allowing you to make a profit and show a good overall net increase. The last thing he wanted to point out is that at the bottom of the page is Net Position Ending at \$31,390,444 M, which is not just cash and investments. The vast majority of that is your investment in the sewer infrastructure system. He explained that approximately \$9 million of it is cash and investments you have set aside for your operating and capital reserves. Another \$400,000 is set aside for debt service reserve purposes. The remaining \$22 million is the investment in the sewer infrastructure system. Brian asked about the depreciation schedule. Kurt explained that the range is 5 to 30+ years. The District subcontracts with Travis Jeffries for the depreciation schedule, who maintains all asset records.

Tammie asked Kurt to explain why the District wants to raise the capitalization threshold from \$2,000 to \$10,000. Kurt explained that when the District buys equipment, vehicles, etc., those items are recorded in the capital assets line and depreciated. Small items are expensed immediately; big items are capitalized and depreciated. Historically, the District has used a \$2,000 capitalization threshold. That dollar amount bogs you down with a lot of assets that really don't matter for financial reporting purposes when it comes to depreciating over 40 years. It's not that they're not accounted for; it is simply which of these assets gets capitalized and depreciated versus expensed immediately. Brian commented that he is more familiar with private-sector accounting than with public-sector accounting. Usually, this discussion around capital versus expense is really based more on tax law than anything else. Kurt explained that tax law requires them to have a minimum threshold of \$2,500. Mostly for tax returns, which do not apply to the District.

Approve Auditor's Report for Fiscal Year 2025

Brian moved to approve the Auditors' Report for Fiscal year 2025, it was seconded by Dallas and the motion carried.

Approve Auditor's Recommendation to Raise Capitalization Threshold to \$10,000 (Resolution 2026-1)

Bill moved to approve the Auditor's recommendation to raise the capitalization threshold to \$10,000 (Resolution 2026-1), it was seconded by Brian and the motion carried.

Presentation by Michael Keith, Zions Public Finance, Regarding Bond Financing and Refinancing Options

Michael Keith introduced himself to the new board members and explained that he works for Zions Bank and has served as the District's financial advisor. He went over the presentation. He explained that he has been working with Tammie and the FCS Group on user rates and bond financing. He went over the 2017 Wastewater Revenue Bonds. The District took out a revenue bond of \$19.905 (\$15.62 Outstanding) on August 1, 2017, to build the reuse pipeline, fund system upgrades at the treatment plant, and retire the City of McCall's existing wastewater debt. He went over security, including the Net Revenue Pledge (excludes hookup fees and property taxes) and the Debt Service Reserve Fund (DSRF), which requires at least 1 year of annual debt service to be set aside in a reserve account. May or may not be required depending on credit. The Rate Covenant is a commitment to investors to maintain a minimum rate of

revenue. At the same time, any bonds remain outstanding, and the Additional Bonds Test (ABT) restricts the issuance of additional bonds unless certain criteria are met. The original bond has a callable date of February 1, 2027, which means the District could consider refinancing options in the fall of 2026. He went over bond insurance that can provide credit enhancement for municipal bonds. He reviewed the DEQ loan the District received, which is \$2,813,745 at 2.75% for 20 years, leaving \$4,186,255 for a revenue bond. The board had questions about bond rates and timing. Mr. Keith explained what determines bond rates and went over Moody's & S&P rating scales.

There is another option he wanted to go over with the Board: the Idaho Bond Bank Authority. This is a state-level program that helps Idaho municipalities access lower-cost capital through pooled bond issuances created by the Idaho Legislature and managed through the Idaho State Treasurer's Office. This is a pooled issuance with reduced costs and credit enhancement. There is a potential partner with the City of Twin Falls. The other piece is the Refunding & Refinancing of the 2017 bond. If we could get a lower interest rate and add the \$4,186,255, it may be better for the District to go that route. The Board discussed the pros and cons of taking out the bond now vs. waiting. It is hard to predict what the market will do. The Board decided to hold off and revisit this at the May board meeting.

Review Draft Amended Density Policy of the District

Adam reminded the Board that this is the same density policy we went over in December. In January, David went over the maps. This should make it easier for staff and development to go smoothly. Nobody had any comments. It is now ready to go to the City of McCall for their 30-day comment period before the Board can approve the policy. The Board agreed to send it to the City of McCall for the 30-day comment period. There was a discussion that the next board meeting is less than 30 days away, so that it will come back before the board at the April board meeting.

Approve Sewer Improvements Agreement with Rywest Homes, Inc. (Black Bear Condos)

Jeff stated that this agreement was written in 2022 and has since been updated. This project is by the fire station. They want to put in 26 units, but ran into the same bottlenecks everyone else is facing (Pine Creek Ranch, Airport). This agreement addresses the bottleneck that needs to be fixed. Rywest and some other developers have got together to pay to fix the bottleneck. This agreement is between the District and Rywest Homes only. Adam commented that he has revised the agreement. The Board has already approved the density map modification application for this project in 2022. In March 2025, the Board approved the line extension application. This has been in the process for several years. Brian asked about the other developers involved. Jeff stated that it is between Rywest and the other developers. This agreement is only with Rywest Homes. Adam added that this agreement, presented to the Board, is our form agreement. There have been no material revisions to our form, and they have agreed to all of our standard provisions. It is the same effective agreement, but for the project that the Board has already approved in other contexts.

Bill moved to approve the Sewer Improvements Agreement with Rywest Home, Inc. (Black Bear Condos), it was seconded by Brian and the motion carried.

Consider Approval of CM/GC Pre-Construction Phase Services by IMCO, Contingent on IDEO Approval
Tabled

Consider Contract Amendment with JUB Engineers for the Lagoon Liner Replacement Project
Maggi explained that this is an amendment for the liner replacement project. This extends JUB's project management services through the CM/GC negotiations. This also brings the Geotechnical Support Services (Strata) on board and additional design services.

Brian moved to approve the contract amendment with JUB Engineers for the Lagoon Liner Replacement Project , it was seconded by Bill and the motion carried.

Engineer's Report

Maggi reported that we have been making significant progress on many of the designs funded by the DEQ. For the blower replacement project, we had to kick off a meeting to coordinate with Ross and Wyatt on a few related items. We have progressed with the PER to DEQ. We will submit the Lake Street Project design to Jeff to review. (30% design) We are progressing on the Spruce St. design and should have that to Jeff for review at the end of this week. Woolly Ave is the other one we have scoped, but we are holding off on it to get Spruce and Lake Street done this summer. The E2 and E4 projects, related to the development agreement (Black Bear), submitted initial plans, and we ran model runs and provided information back to them. We have been working on the public outreach and have a draft website that we will set up a meeting with Tammie to go through. We had a meeting with DEQ to ensure we are all on the same page before we start submitting for reimbursement.

Pond Liner Update

David reported that we received comments from DEQ on the pond liner PER. It seemed like a lot of comments, but half of them, after we asked for clarification, aren't things we can answer right now. We won't be able to until after DEQ issues a judgment or waives the discharge. Then we will follow up with another tech memo that answers some of these questions. We will provide the comments we can now and resubmit; the best-case scenario is that we receive approval on that. Tood asked what the timeline is to get that back to DEQ.

David replied that he's hoping for this week, but still needs to meet with his team to see where they're at on addressing those comments. Jeff added that some of the major comments from DEQ, we need their comments or information before we can address them. David agreed that some of the big ones are related to the mobile treatment plant, and we can't really answer them until we know the discharge limits.

Legal Report

Adam reported that things have remained busy. Aside from things we've already discussed, we did wrap up that sewer extension transfer for Kokanee Cove. We've also wrapped up the sewer extension transfer that we've been discussing for the St. Luke's Workforce Housing project. We continue to provide some assistance on the CM/GC contracting effort; otherwise, it's just been some odds-and-ends stuff we don't need to discuss today.

Review the 2023 and 2024 Monitoring Report from the Department of Environmental Quality
Update of February 5, 2026 JWAG Meeting

Brian stated he wanted to have on record that the District reviewed this report. He understands that a 2025 report is due shortly. He went over this with a couple of water quality experts in his network to make sure he wasn't missing anything. His take on the monitoring report is that it's quite modest in scope and really only covers a small portion of the lake. They really only picked three sample locations, which are not indicative of the lake's overall water quality. A couple of things to note: the very southern end is kind of a stagnant pool where many of the algae blooms occur, and they didn't sample that location, which would be a really important addition to the knowledge and the report. There was not much on the west side either, and there are many homes along it, as well as Tamarack. There's an opportunity for significant bank seepage and runoff into the west side. We really don't know much about phosphorus levels, especially on the west side of the lake. He thinks that would be a really valuable addition to get at least one in, probably two or three, sample locations on the west side of the lake. And then lumping all of the north arms together with the single sample location is a bit problematic, so it doesn't really give us any insight into what's coming from the North Fork, which would be our contribution, amongst others, as well as Lake Fork & Gold Fork. It gives us a very high-level picture of what's going on in the lake, but not enough information to be useful for diagnostics. We really don't have any information to diagnose where the phosphorus is coming from. We know that it's there. So adding additional sample locations would be great.

Further along in the diagnostic, the reviewers noted that the report does not address the sediment. And that, through the literature and other peer-reviewed publications, has received significant recognition and understanding that the sediment layer is a major contributor to phosphorus in reservoirs. He feels they need to be sampling the sediment bed and understanding what's happening, because there's a complex cycle: as he has learned over the last few weeks, plant life takes up phosphorus, dies off, sinks to the bottom, and settles into the sediment. But then there's also a cycle in which that is decomposed and returned to the water column during the fall, and the July-August spike in phosphorus implies that there's a lot of recycling from the sediment layer rather than runoff from the North Fork. There's a lot of opportunity for additional research on what's happening in the sediment layer, then add wave action from wind or boats that will stir up that sediment and potentially aggravate the problem. There are many opportunities to expand the scope of this report to understand better the biology and dynamics of phosphorus within the reservoir and what's happening there. He also pointed out a big gap around methods, which is pretty normal in any scientific report: an entire section on the methods and means you used, such as where the samples were collected, EPA or DEQ procedures, chain of custody, timeliness, etc. Just a lot of questions around the methods, so that an independent party could then reproduce these results, was another gap they identified.

Brian commented that he would like to write a formal response to the DEQ and ask some of these questions. He would also ask them to beef up the monitoring and study to cover many of these topics, giving us a more thorough understanding of what's happening in the reservoir, and to dive into the diagnostics rather than just the description of 'hey, we've got a problem.' Todd commented about the arrival at Tamarack Marina and what that will do to the water quality. Brian thinks sampling in the marina and where wake boats are active would be extremely helpful. He thinks there is a lot of fear about wake boats, but not much data to back it up. He would like additional data so we can make the right choices.

Bill commented that he noticed that the Boise office actually prepared this, and he is not sure who did the work. Lance Holloway has the background knowledge of the data and stuff, and they didn't even use the same kind of data analysis he's familiar with. He thinks it's all quite unusual.

Brian agreed. The references at the back of page 48 list their references, but they don't include any long-term trend data that would be helpful. There's been a lot of change in the management of the reservoir, the affluent, and everything else, but no long-term trend data. Brian pointed out that there is not much information about the fire season and fire suppression. It's kind of briefly mentioned, but no deep dive. Bill commented that DEQ had data showing the effect of firefighting on some of the previous stuff, and you could see the spike in phosphorus coming down from the hills up there, and that's not here either. Jeff stated he would like to see data before 1996, since that's when the City began the reuse system. (J-Ditch) During the winter, it was getting discharged, but throughout the summer, it was getting sprinkled out there on the fields. It would be interesting to see data before the reuse system was in place, because, in his opinion, it most likely has not made any difference to the reservoir. From what he can tell, looking at some of the older reports, tributary phosphorus levels have been coming in, but it hasn't made any difference in that reservoir. Brian stated he wanted to discuss the report, but he has not yet received all the reviewers' comments, so maybe it makes sense to look at it next month to decide whether the Board would like to send a formal letter to DEQ.

Update on February 5, 2026 JWAG Meeting

Bill stated there was a fairly good early period when Jeff and Nathan were discussing the Wooley Street project. He was frustrated when he brought up an emergency plan in case of a fire and the possibility that the sewer system could overflow into the lake. He had brought this up the previous couple of years, and he felt nothing had been done. If we have a fire and the power is shut off, the lift station pumps will malfunction, causing a sewer spill into the lake. We have a potential incident that would not only ruin the economy, because it's all based on the quality of the lake's water, but also ruin our drinking water supply, and nobody's talked about it. He feels there needs to be a list of people to call before the power gets shut off.

Tammie commented that Forest said he would get a hold of Juan, the Valley County Emergency Manager, to see if he has anything in case of an emergency. He may already have a response plan. Bill felt the group, aside from Forest, did not seem receptive to having this conversation.

Jeff thought the meeting went well. There was a good discussion about Wooley Ave. Nathan agreed that we wouldn't have to put it back to city standards. We discussed that the District would replace that sewer line and pave it as a temporary fix until the City completes its water project. As far as the JWAG, we will never see eye to eye on some things. We each have our own system to manage. We will work through the JWAG meetings as best as possible on the issues that arise.

Staff Report

1. Tammie reported that we sold eleven permits so far in February. We had Ponderosa and St. Luke's purchase their permits.
2. Tammie reported that she has been busy working on the upcoming FY25 audit.
3. Brian asked Jeff about the Hormaechea project because it appeared to be stalled. Jeff reported that they sent JUB some of the system upgrades Hormaechea needs to implement. We are waiting for the QLPE, but everything is moving forward.

4. Jeff reported that he is attending the McCall Redevelopment Agency meeting. He will go over some projects that are underway and those that need to be done.
5. Jeff went over an idea he had already discussed with some board members. We already know we cannot afford to purchase any land around here within the next 20 years, so since we need to replace the liner, what about expanding the pond at the same time. He had Adam review the agreement we inherited from the City regarding Suebert's use of District property to the west of the pond. There is approximately 200 feet to the District-owned property line. In the agreement, it says Seuberts have the right to stockpile and hold mineral rights for that piece of property, and there's no date for when they have to give it up or anything. He knows they use that for staging, stockpiling, and miscellaneous. His thought as of yesterday was that there are some wetlands to the west that they cannot use right now because they're wetlands. The idea is that we get the wetlands as usable land and swap them at the District's expense. This way, we could expand the pond to the west, which would give us roughly 50M gallons of extra capacity. Jeff thinks this would be the easiest way to get some capacity. The Board agreed this could be a viable option. Adam went over the agreement with the Board. It is the District's property, but the agreement that was not the District's agreement was the City's agreement that the District inherited. The agreement grants the Seuberts certain interests in that property, which conflict with our ability to expand the pond in that direction. Expanding the pond would conflict with their rights under the agreement, so they would need to agree to waive those rights. Brian asked about eminent domain. Adam does not know off hand that he will need to take a look into. Jeff is looking for direction from the Board. Would you like him to continue down this path and speak with Seubert? The Board liked the idea of proposing a land swap, which seems reasonable at our expense and would be negligent of us not to consider expanding given the constraints we're under.
6. Jeff reported that we have a collapsed line by the Lardo Bridge. He showed the Board some pictures. There is a siphon on the south side and on the north side of the bridge. In 2015, when they were redoing the bridge, they hit the south side hyphen, so they repaired it and also CIPPed the whole section underneath the bridge. The south side takes everything on the south side of the road and goes to that siphon. The north side takes the Shore Lodge. Right now, we've got all diverted going to the South side because, when they redid the bridge, they had a line to take it on the west side. So there's a line that crosses the road, and it can divert it to the south siphon. Thankfully, that's there because on the north side, where the siphon crosses the highway on the east side of the river, it crosses the highway again and follows the line down the river to the lift station. The line on the east side of the bridge that crosses the highway collapsed Thursday, and that's what this picture shows. The only thing tied to it right now is the restrooms for Rotary Park. There are many feet of concrete within the system that have cracks just like this one. There are thousands of places within this system right now where this same thing could happen. The unfortunate part is that the City CIPP put that stuff on the south side, and they went 4 feet out from that manhole. He showed them the picture, 4 feet out, and stopped. His guess is they never camered it. They never did any investigation into the condition of this line. You can see in this picture all the aggregate showing from hydrogen sulfide gas in these lines; it eats up the concrete and deteriorates it, so that's what you're seeing right here. This line is about 12 ½ feet deep. He doesn't know if we can pipe burst; even if we can, we've got to dig down on both sides of the road. And so at that point, we're more or less 2/3 across the whole road.

During this repair, we will most likely need to shut down the highway. He did receive some plans from Nathan yesterday. Jeff had reached out to see if they had any as-builts from when this bridge was installed. He has briefly looked at the plans and will send them to JUB. But this is an issue we definitely need to address, and, in his opinion, it would be considered an emergency. If that line on the west side wasn't installed to divert that flow, that southern siphoned Shorelodge would be out of business right now, and we'd have a huge problem. This concerns him because throughout this whole collection system, there are many concrete 8-inch or 10-inch lines we have out there that have multiple cracks, and this could happen at any time. We have 30 or 40 trouble lines. Staff did not have an issue last month when they cleaned it, but when they put the cleaner down on Thursday, it stopped dead in its tracks. Once again, he wanted it noted that the system we received from the City is old and dilapidated, and that no money has been spent on infrastructure maintenance. This is what we're up against.

David wanted to point out that it appears there might be a void above the pipe, which makes sense. The pipe collapsed. When you look through the crack of what used to be a joint on the pipe, it's hard to tell how big that void is, but there is a serious risk that it could settle or sink, and we don't want to wait so long that the road starts to get damaged. The City has already been notified if we have any evidence that the road is starting to change, I think we should either divert traffic, slow it down, or something like that. But he thinks an emergency is probably an appropriate response to this.

Adam went over how the Board should proceed. The procurement statutes, assuming we are over the threshold where we would need to go up to bid ordinarily, the procurement steps do allow an exception for an emergency, which is essentially a public interest, safeguard life, health or property and just listening to you talk which we need some help from David to to work through what the repercussions are if it doesn't get fixed right now. The short version of this is: it's the Board that has to make that emergency declaration. The Board would indicate which contractor they intend to retain and how much they will pay that contractor. We need to establish that there's an emergency. Then the Board has to make essentially a declaration to that effect, which we will do by resolution and adopt. Depending on our timing, we'll probably have a special meeting at some point.

Jeff asked about a T&M agreement (time-and-materials). Are we allowed to do that? That could save us money. Adam clarified that the Board could set a not-to-exceed amount and do a T&M agreement.

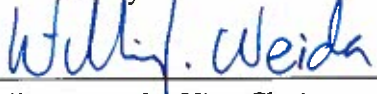
7. Jeff had one other thing to go over with the Board. He presented an addendum to the City's due diligence report for some of these larger developments. Just more questions were asked to get more information on some of these.

General Public Comment (Limited to 3 minutes per individual)

None

Bill moved to adjourn the meeting, which was seconded by Brian and the motion carried.

Submitted by: Tammie Richardson



William Weida, Vice-Chair