

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, August 16, 2016

Call to Order

President Cory Klumb called the regular meeting of the Four Corners Water and Sewer District to order at 6:30 pm on Tuesday, August 16, 2016, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: President Cory Klumb, Vice President Nancy Flikkema, Treasurer Terry Malloy, Member Heather West and Member Sarah Stahlberg.

Staff/Public: GM Kevin Kundert, Marty Gagnon representing MMI; Susan Swimley, Attorney; Maralee Parsons, Secretary; Larry Powers, Ryan Rittal, Joe Brandt, Ed Brandt, Randy Schram, Tyson Olson, Andrew Ruhland, Ronald Young, Tony Kolnik, Ron Edwards, Andrea Stevenson.

Approval of Minutes

Motion: VP Flikkema moved to approve the July 19, 2016 minutes as written; member Sarah Stahlberg seconded. *The motion carried 5-0.*

Public Participation on Non-Agenda Items:

None were raised.

GENERAL BUSINESS

Financial Reports

The Board reviewed the July/August 2016 financial reports (Balance sheet, P&L July & YTD, District & Elk Grove Water usage/billing reports). Member Stahlberg asked if the P&L could be formatted to show the current month and YTD on the same page. VP Flikkema commented that it would be helpful for the Board to have the District budget completed, to see how the District's finances are performing to budget. GM Kundert commented he would like to set up a committee to work through the budget, with assistance from some board members. Member Stahlberg asked status of customers who were in arrears and were sent letters. GM Kundert noted he believes that 5 of 8 had paid, and would investigate status of providing the County with accounts that are to be collected via the tax rolls.

O&M Reports

GM Kundert provided the report:

- BioLynceus feed systems have been operating for 2 months in 3 lift stations. There are significant changes now to the influent of the wastewater plant and treatment is more productive resulting in increased digestion of solids, resulting in a reduced hauling cost.
- WWTP rotor system (VFDs-Variable Frequency Drives) and process control equipment modifications were completed and automation functions are currently being dialed in this week. Installation of these modifications should help reduce sludge hauling expenses and allow more efficient operation of the WWTP (save on electrical expenses).
- The ferric chloride feed system installed in the Galactic Park lift station has improved treatment of the influent to the WWTP and has helped in the reduction of odor. We have had no odor complaints this month and the odor has definitely decreased. Odor reduction is also addressed with the new aeration systems installed at C1 and Galactic Park lift stations (two air injection pumps and

diffusers were installed to oxygenate the influent to the wastewater plant and to reduce septicity of the influent).

- Sensors for the UV disinfection system at the WWTP were replaced and have improved operations.
- Morrison Maierle has produced an initial estimate for design/replacement of the currently unreliable calcium hypochlorite system at the Zoot pumping station - to be replaced with a sodium hypochlorite (liquid) feed system. The team is considering what we can be done in-house vs. contracting out.
- The carbon filter air scrubber for the headworks building at the WWTP has been installed and will be online this week after electrical connections are made, and it is expected to help mitigate hydrogen sulfide odors coming from the headworks building.
- The Elk Grove drain field main lines have been repaired in zone 2 and can now function as an emergency overflow system for the WWTP.
- Hydrant flushing and maintenance:
 - Has continued throughout the Northstar Subdivision and is progressing on to Gallatin Heights.
 - A new dechlorinating diffuser and vehicle mount for the unit is currently installed on Kevin's van
 - 2 additional hydrants were found to have broken breakaway flanges and other damage and are being repaired.
 - Some hydrant locations will require installation of safety pillars (bollards) to keep hydrants from being damaged when they are located too close to parking areas.
 - The team is collaborating with the Central Valley Fire Department by entering all hydrant flow data, maintenance records, and coordinates/pictures into a central program accessible to the District and the fire department.
- The gravel driveway at the Northstar Booster Station office has been leveled out. Some road mix gravel will be added to fill areas in need. This is to prep for a new payment drop box and mailbox installation outside the office.
- Signs for the Northstar Booster Station, Elk Grove Wastewater Treatment Plant, and vehicles were ordered and will be installed soon.
- Shelves were installed in the manager's office and all remaining FCWSD historical records from Susan Swimley's office have been moved to the Northstar Office.

Special Assessment Tax – 1387 parcels, \$606.95/parcel

GM Kundert presented the FCCWSD Special Assessment Tax summary for Board approval. Total Payment is \$841,840.16 with 1,387 parcels, or a per parcel tax levy of \$606.95. It was noted the per parcel tax levy is down about \$50 from last year.

Motion: Treasurer Malloy moved to approve the special assessment of \$606.95 per each of the 1387 parcels, and the assessment be sent to the Gallatin County Treasurer's office; Member Heather West seconded. There was no public comment.

The motion carried 5-0.

Capacity Summary & Discussion on Our Mission Statement Relative to Growth

GM Kundert noted that the Board had directed him to perform a capacity study for both water and wastewater, and as a result, Morrison Maierle has submitted an estimate of \$8-10K to perform the study. He presented some preliminary capacity figures for the purpose of discussion. Board discussion ensued regarding the need for a capacity study and whether other firms should be asked for proposals. GM Kundert noted that the existing facility plan, written in 2006 by Morrison Maierle, contains much of the information needed, such as trigger points for expansion. He noted that existing commitments for capacity (Gallatin Heights, APK, Galactic Condos) could put the District in range of using remaining capacity, depending on the timeline of the build-outs. Gallatin Gateway has contracted for 27K gpd wastewater, and expects to discharge about 16K gpd. Ms. Swimley noted that historically the Board recognized the need to start the planning process for the next expansion within the first year of ownership. VP Flikkema stated that it is time to start planning, but meanwhile continue to accept annexations that are ready to go and are within existing capacity, and noted that future developments would help fund the expansion. Marty Gagnon commented that the facility plan already outlines what the District should be doing based on benchmarks, and the planning process should start now, rather than spending \$8-10K to fund a study to tell you that you need to expand. Member Stahlberg stated she feels the District should not allow annexing anyone for sewer only, since this reduces the amount of money for sewer expansion (reduced hook-up fees), and also there is no way to turn off a sewer only service. She also suggested developers might be charged upfront for the maximum number of ADU's the development is zoned for. VP Flikkema stated she feels it is an ethical issue to allow people to get off old septic systems that have failed, or could fail in the future. VP Malloy commented that the city of Bozeman charges significantly more to hook up for water and sewer than FCWSD, and the Board may want to consider that at some point, as well as looking at a way to simplify the annexation process to reduce the time burden on the District's GM. The general consensus of the Board was to not go forward with the capacity study.

There was general discussion on the District's mission statement relative to growth. Ms. Swimley stated that the on-going philosophy has been that the District understands that by adding more people decreases available capacity, and the District intends to continue to expand its plant until the maximum capacity has been reached. Member Stahlberg stated the District has a fiscal responsibility to those currently in the District to keep the District successful and continue to supply services to its customers. A member of the public, Andrea Stevenson, commented that community growth could be an excellent opportunity to the District to fund expansion, by utilizing the fees that would be paid for by new customers. She said everyone is aware that growth is coming to the area, and the District should use its facility plan to highlight expansion trigger points, and identify sources of funding to support its growth. Marty Gagnon stated that the District should be planning for its next expansion now, and noted that some large developments will be coming which can help finance the expansion. He suggested the District use its facility plan to determine where the expansion will be (Elk Grove, C1, or combo), what technology will be used, and come up with estimates and plans to finance the expansion with development money and bonds.

Motion: VP Flikkema moved to start the planning process for the next phase of growth; seconded by member Heather West. Susan will investigate if it needs to go out for selection and will have that information on next month's agenda. **Motion carried 5-0.**

Garden Center Annexation & Connection Discussion

Documents were presented and reviewed to consider the annexation and connection of the Garden Center Subdivision to the District's sewer system, and possibly to District water at a later time. Ryan Rittal of Stahly Engineering presented a letter to the Board which outlines estimated sewer flows utilizing metered water use, which amounts to an estimated 4K gpd (average daily flow). The subdivision is contiguous to the District and the District's infrastructure is located within reasonable distance for connection. Garden Center would like to remain on its existing water system, having just invested in and completed an upgrade to that system. Ed Brandt, from Cardinal Distributing and President of the Garden Center Assoc., noted that their water and sewer systems are currently compliant and working as designed, but that the Association would like to "not be in the sewer business" down the road. He also noted that the subdivision's septic tanks are upstream from the District's facilities, and potential issues could impact the District's water supply. He said they have land that could potentially be traded to the District in lieu of capacity fees (amount tbd), which the District could potentially use for office or other use. VP Flikkema stated she appreciates the Association's proactive approach to protect the District's water supply, would support a hook up of sewer only, but cannot comment on the feasibility of a land trade until she sees the District's budget and expansion plans. Treasurer Malloy agreed he needed to see a budget prior to commenting on a potential trade, and said he would be looking for both water and wastewater hook-up. Member Stahlberg commented she is not a fan of trades, the District needs to maximize its cash flow and she would be open to a wastewater only hook-up, provided a specific timeline is provided as to when water service would also be added. President Klumb commented that he supports the idea of a trade and would support wastewater service only, as a precaution to avoiding problems in the future. Ms. Swimley commented that the District might want to consider a land trade as an investment for the District. Member West commented that the District might indeed need some additional land. Garden Center will prepare a more detailed plan and will come back with a proposal. VP Flikkema offered to act as the Board rep to work with them.

District Ordinance 2016-05 – 2nd Reading of Stredwick Sewer-only Petition for Annexation to District

Motion: VP Flikkema moved to approve the second reading of Ordinance 2016-05; member West seconded. There was no further discussion. ***Motion carried 4-1***, with member Stahlberg opposed.

District Ordinance 2016-06 – 1st Reading of The Commons/Journey Church Petition for Annexation to the District without Connection (allowing the YMCA to connect to both water & sewer on that property); YMCA Request for 11.38 EDU Water & Sewer Capacity

Ms. Swimley clarified that the church has 1 tract of land and the YMCA has an 8-acre use within that 40-acre tract. The church can develop their land any way they choose, but the District is not obligating itself to provide services to any of the Journey church property, other than the YMCA.

Motion: VP Flikkema moved to approve first reading of Ordinance 2016-06; member West seconded. Discussion clarified that having the YMCA (a large water user) helps

the system to operate more efficiently to keep stagnant water from sitting in the line. The 11.38 EDU's only applies to facilities built in Phase 1. Phase 2 of the YMCA build-out will connect a gym, phase 3 will connect a daycare center, and phase 4 would be a pool. **Motion carried 5-0.**

Kennedy Subdivision (3 lots) Petition for Annexation to the District; Request for 14 EDU Water & Sewer Capacity

Tyson Olson and 2 other lot owners presented the background and request for annexation and 14 EDU's on behalf of the Kennedy subdivision. There was some technical discussion as to the logistics of connecting both water and wastewater services. The lot owners propose running sewer pumps from each lot into the sewer located at the NE corner of block 2. In addition to providing infrastructure for development of the lots, the proposal would provide additional public safety by providing adequate fire suppression in the area. It was discussed that the group will need to talk to Utility Solutions for water rights before the annexation can be approved. The Board indicated general agreement in favor of annexing the subdivision once water and irrigation water issues are resolved.

Tony Kolnik – Rainbow Subdivision (3 lots): Rainbow subdivision History & Need for Capacity; Petition for Annexation to the District; Request for 3 EDU Water & Sewer Capacity

Tony Kolnik discussed the history of the Rainbow subdivision, and provided some written history to the Board. He had petitioned for annexation of 12 lots in 2003, (which did not go forward) and is now petitioning for annexation of 3 lots for water and wastewater services. He wants to sell the lots and wants to be able to tell a potential buyer that water and sewer services would be available. He has 2 septic systems on 3 lots and a lot adjacent to that with a well. The 3 lots asking to be annexed do not have a well. Ms. Swimley advised the Board at that point that she is recommending that the Board not approve the application. She presented the Board with a letter stating her professional obligation is to protect the legal interests of the District, and it is her advice that the Board determine that denial of the application for annexation is in the best interest of the District. She noted that if someone is in the District, they have standing to sue the District, and her letter lists four lawsuits in which the co-applicant, Teresa Kolnik, has been involved over the formation of the District, and stated that it is ill advised to give standing to sue the District to any party who has been litigiously opposed to the establishment of the District and its predecessor in interest. Mr. Kolnik expressed his dissatisfaction with Ms. Swimley's legal opinion. In response to Treasurer Malloy's question, Ms. Swimley advised that the Board does not need a reason to reject an annexation petition.

Motion: Treasurer Malloy stated that based on District's legal advice that the Board does not need a reason to not approve a petition, he moved to reject the Rainbow Subdivision annexation petition and not annex this property to the District. VP Flikkema seconded. **The motion carried 5-0.**

Ms. Swimley noted that the Board would entertain entering into an out-of-district contract for services. Mr. Kolnik again stated his disappointment.

FY 2016 Rudd & Company Audit – Engagement Letter

A new engagement letter is necessary since the RD funding rendered the previous 3-

year engagement letter null & void, as the audit scope has increased significantly. The estimate of cost is \$20,000. Member Stahlberg expressed concern that the engagement letter references "A-133" instead of "super circular".

Motion: Member Stahlberg moved to table the discussion until the correct wording is confirmed; Treasurer Malloy seconded. **Motion carried 5-0.**

Draft Budget Update for FY2016/17

Discussion deferred pending completion of the budget.

Employee Retirement Plan (AXA/Primerica 401A/457 plan proposed in place of MPERS)

GM Kundert stated that MPERS requires that the employees be all in or all out, and the majority of the employees did not feel they could afford the payroll deduction. AXA/Primerica 401A/457 is an alternative which provides employees with options. All employees support this plan, and it will cost the same as the MPERS, or an 8.37% employer contribution, which Kevin stated was in all employment offers. The Board agreed they would like more information, such as vesting schedule, and verify 8.37% was offered to all employees, before making a decision.

Motion: Member Stahlberg moved to table the discussion and direct GM Kundert to research the plan, and provide the board with more information as described above. VP Flikkema seconded. **Motion carried 5-0.**

Purchase Approval for 2 Vehicles (service crane truck and pickup or SUV).

Discussion deferred pending completion of the budget.

Billing software & Website Update

GM Kundert advised that website will be done soon but the billing software is up; they are using on-line Black Mountain software so Kevin now has access. The Board indicated agreement that Kevin should make the budget a priority and should use some outsourced help with the website.

New Developments & Subdivisions

GM Kundert stated he is trying to spend less time with developers and would like them to fill out an application, and the developer should be paying for engineer's time (not the District). The Board indicated general agreement on a \$250 application fee.

October 2016 Board Meeting Date

Due to vacation schedules, GM Kundert asked that the October 2016 meeting be moved up 1 week, to October 11. The Board provided agreement.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of August 16, 2016 at 9:55 p.m.



Maralee Parsons
Secretary