

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, SEPTEMBER 20, 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, September 20, 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 (left at 9:20) and Member Sarah Stahlberg (arrived at 7:40).

Staff/Public: GM Kevin Kundert, Marty Gagnon representing MMI; Susan Swimley, Attorney; Maralee Parsons, Secretary; Larry Powers, Amy Ellingson, Ryan Rittal, Tyson Olson, Andy Ruhland, Richard Smith, Tara DePuy, Cass Malloy, Buz Cowdrey, Megan Nowlin

Approval of Minutes

Motion: Member Heather West moved to approve the August 16, 2016 minutes as written; Treasurer Terry Malloy seconded. ***The motion carried 4-0 (Stahlberg absent).***

Public Participation on Non-Agenda Items:

None were raised.

GENERAL BUSINESS

District Ordinance 2016-06 – 2nd Reading of the Annexation Petition for Journey Church (YMCA - 11.38 EDU)

Motion: VP Flikkema moved to approve the second reading of Ordinance 2016-06; member West seconded. There was no public comment and no Board discussion. ***Motion carried 4-0 (Stahlberg absent).***

District Ordinance 2016-07 – 1st Reading of Annexation Petition for Lot 2 Block 1 of Kennedy Subdivision (Jackrabbit Junction, LLC – 12 EDU)

GM Kundert noted that water rights from Utility Solutions (US) will apparently no longer include irrigation water. Due to this change, customers will want to drill their own irrigation well, and he proposes that the District allow irrigation wells on larger lots such as this one, provided the wells are in no way connected to the District's potable water system. This customer will pay for water rights from US and pay the District's capacity fee at the same time. It was noted that the Board had recently denied a petition for irrigation water only, but it appears that Barb Campbell has changed the game so the District may need to look at this differently. Marty Gagnon noted that this subdivision is already approved for wells and wastewater, so the fact that they want to drill an irrigation well is different from previous decisions made, since all District properties have irrigation water available either through surface rights or through the District system. District council Swimley agreed with this statement. It was noted that a reimbursement agreement may be created to help customers with costs incurred in construction of water and sewer lines, and Kennedy Subdivision would bear the cost of creating and managing the agreement, or would reimburse the District for costs incurred. Treasurer Malloy stated he felt the Board does not have enough information to go forward. Ms. Swimley summarized this concern and noted this could be mitigated by a reimbursement agreement, which would contain an administrative fee going to the District, could be included as an attachment to the service contract. The developer stated he needs an assurance that he would receive his needed

EDU's before spending the money on developing such agreement.

Motion: Member West moved to approve the first reading of Ordinance 2016-08; VP Flikkema seconded. There was no further Board discussion and no further public comment. ***The motion carried 3-1*** with Treasurer Malloy opposed and member Stahlberg absent.

District Ordinance 2016-08 – 1st Reading of Annexation Petition for Lot 2 Block 2 of Kennedy Subdivision (Andrew & Anita Ruhland – 1 EDU)

Motion: Member West moved to approve the first reading of Ordinance 2016-08; VP Flikkema seconded the motion. There was no further board discussion or public comment. ***The motion carried 3-1*** with Treasurer Malloy opposed and member Stahlberg absent.

District Ordinance 2016-09 – 1st Reading of Annexation Petition for 704 Cherry Ave., Rainbow Subdivision (Happy Dog LLC – 1 EDU)

Discussion was deferred.

Gallatin Gateway County Water & Sewer District – Multiple Party Agreement & Indemnification Agreement

District council Susan Swimley stated that Tara DePuy is representing FCWSD in this matter, as Ms. Swimley is representing GGWSD in this matter. On behalf of GGWSD, Ms. Swimley provided the history of the Multiple Party Agreement (MPA) being presented: GGWSD has an inter-local agreement with FCWSD to run a force main from Gallatin Gateway up Montana state public right-of-way and connect at Elk Grove. In that process, MT Dept. of Transportation (MDT) has decided that water & sewer districts are not governmental entities, and have requested that FCWSD and Gallatin County back GGWSD by being a co-applicant on the encroachment permit, and the MPA proposes that FCWSD and Gallatin County are both responsible if GGWSD does not pay for the installation and infrastructure of the system. Ms. Swimley stated that GGWSD has its financing package in place to completely pay for the project so there is no question that GGWSD will be able to pay for installation, and have also planned rates accordingly so that O&M costs will be covered. Ms. Swimley offered her legal opinion, as the attorney for GGWSD, that FCWSD does not even have the authority to pay for the infrastructure. She stated that the risk lies in the terms of the encroachment permit, which states that if MDT needs to move the highway, GGWSD would be responsible for moving the force main. Having to move the force main is highly unlikely given that the design is based on all known MDT activities in the next 5-10 years. Ms. Swimley stated that she and Ms. DePuy wrote an indemnification agreement stating that should MDT try to enforce the MPA, FCWSD would not be obligated to pay GGWSD's bill. The commissioners will be discussing this on their agenda next Tuesday. In previous discussions with Ms. Swimley, the commissioners indicated they were in agreement that the risk is very low that there would ever be enforcement against FCWSD or Gallatin County. Ms. DePuy reviewed the Indemnification Agreement, which calls out all provisions in the MPA in which there could be any liability for FCWSD and/or the County, and which states that GGWSD will indemnify FCWSD and the County, and cover anything that could happen. She noted the MPA also requires GGWSD to have the appropriate insurance in place, naming FCWSD and Gallatin County as additional insured on their policy (this has been completed). Ms. DePuy stated she feels this is the best way to honor the District's inter-local agreement and keep the project moving forward. Ms. Swimley noted the long-term goal is to get the state of MT to recognize water & sewer districts as government entities entitled to use the

right-of-way, which would then convert the encroachment permit to an occupancy permit, at which point MDT would be responsible for moving any infrastructure.

Motion: Treasurer Malloy moved to approve, and authorize the District President to sign, the Memorandum of Agreement between GGWSD and FCWSD, the Indemnification Agreement, and the Encroachment permit agreement. VP Flikkema seconded the motion. ***The motion carried 4-0*** (member Stahlberg absent).

Garden Center Subdivision Connection Discussion – Part II

On behalf of the applicant, engineer Ryan Rittal of Stahly Engineering reviewed the details of the proposed annexation and sewer connection (and potentially water in the future) of the Garden Center Subdivision to FCWSD. He reviewed the existing flows and infrastructure of Garden Center's septic system, as well as financial impacts of the proposal. Benefits include a potential for FCWSD to obtain land in "trade" for connection fees and additional infrastructure for the District, and allows Garden Center to get out of the sewer business, and eliminate the discharge of effluent directly up gradient of District wells. Board discussion indicated that they are willing to continue the discussion with the owner's group; they like the idea of eliminating discharge of effluent up gradient of their wells, and the timing of the proposal (hook-up likely summer of 2018) might match nicely with the District's sewer expansion plans, and also help pay for it. The Board would also like to see a proposed timeline agreement outlining when the subdivision would also hook up to water. Next steps are for Mr. Rittal to meet with the owner's group.

Cowdrey Building (NS Commerce Park – Lot 31 on Shepherd Trail) Discussion

GM Kundert explained that a commercial condo building was constructed on Lot 31 of NS Commerce Park that has only a single connection/curb stop and has internal plumbing to shut off water to each unit (no external curb stops), which does not meet District rules. A potential solution (very expensive to the owner) is to re-plumb the building with an external curb stop and meter for each condo. Mr. Kundert proposes an alternative solution: allow a single connection to the building and provide a single bill (for all units) to the owner who is responsible for payment. In the case of unpaid bills, water would be shut off to the entire building. The building will be taxed as 1 lot, and normal commercial condo rates (1.5X) and capacity charges would still apply. The 8-unit commercial condo building already has 1 EDU assigned to it, so an additional 7 EDU's are required (with a \$52,500 capacity fee). The building can be treated as a category 4 (commercial) user. The owner was present and acknowledged he would be responsible for payment of the entire building, and ensured this would not happen again for his other lot. There should be a District approved back flow.

Motion: Treasurer Malloy moved to agree to exception to District rules, allow 1 meter for 8 units. Member West seconded. There was no further Board discussion or public comment. ***The motion carried 5-0.***

Wastewater Treatment Expansion Project – Proposed Schedule/Capacity Update

GM Kundert and Marty Gagnon reviewed the Morrison Maierle timeline for a proposed wastewater treatment expansion project utilizing a bond election to fund the project, which predicts a construction phase October 2018-19. Discussion included using capacity fees from future construction developments as a manner to support the expansion, without running out of capacity before the expansion could be completed. Marty Gagnon clarified that the District needs to look at its average-day flow, not peak flows when discussing capacity, and also noted that the operations team can do some more things to allow the

plant to improve more efficiently. The Board also discussed the need to ensure the District sells capacity at the appropriate fees, understanding what the market will bear. Kevin will pull some data together on capacity fees from surrounding areas. The Board indicated agreement to go ahead with the Facility Plan Update, to include alternative expansion analysis and project fund cost, which would be available in March 2017. Morrison Maierle will provide the study/plan at a cost of \$20K or below.

Brookshire Multi-Family Development Project – Introduction

Marty Gagnon provided a summary of a proposed multi-family development on 5 lots in the Brookshire Subdivision. The developer wishes to construct up to 65 single family units on the 5 lots over a 3 year period, and wants to discuss the possibility of purchasing an additional 60 EDU's to support the development (which currently has 5 EDU's). Board discussion included concerns on the timing of the actual build-out of this development and the other developments the District has committed to, and Treasurer Malloy said he preferred to wait for the data on surrounding area capacity fees and potentially raising the fees, vs. the downside of turning away capacity fees. The developer expressed her need to know if the EDU's will be available now and gauge costs, before moving forward with the project.

Motion: VP Flikkema moved to approve the sale of 60 EDUs for the BMF development project. Member West seconded. The developer asked if she could pay for her EDU's prior to capacity fees being raised at the current rate, which she could, or could she pay for some EDU's at different times (at a potentially different capacity fee). ***The motion carried 3-0***, with Treasurer Malloy and member Stahlberg abstaining.

Monthly Financial Report

The Board reviewed the financial report: District & Elk Grove Water Usage/Billing; Balance Sheet; P&L. Member Stahlberg requested that an additional column for % be added to P&L YTD Comparison.

Monthly Operation & Maintenance Report

Larry Powers provided the report:

1. Wastewater influent entering the plant is showing signs that the BioLynceus feed has cleaned most of the accumulated septic biofilm deposits from the interior walls of the force main pipes.
2. The ferric chloride feed that was installed at Galactic Park Lift Station has been moved to the Valley Center lift station to maximize the odor reduction and septic conditions.
3. The air scrubber at the headworks building is operational and reducing odors.
4. An air/vacuum release valve was installed on the headworks influent pump line to mitigate inefficiency in the pumps due to trapped air in the line (a small energy cost).
5. An operational study is underway at treatment plant to determine needed improvements to the aerobic sludge digester aeration requirements.
6. The Elk Grove lift station original level control was showing signs of failure and has been replaced with a more reliable ultrasonic level control.
7. Plans to change the chlorine injection system at Zoot Booster station are on hold pending trial of some minor improvements to the existing unit. Improved design sieve plates are on order.
8. Northstar well #3 developed a leak in the valve vault piping that flooded the vault and shorted a transformer shutting down the well. The transformer has been replaced and all wells are operational.

9. The chlorine analyzer at Middle Creek booster station malfunctioned and was reporting a very high chlorine residual, onsite testing of the chlorine residual verified they chlorine level was normal. After cleaning the corrosion off the conductors the residual readings returned to normal.

10. Remote water meter reading (MXU boxes) were installed at Elk Grove subdivision alleviating the time consuming task of manually reading meters.

11. Hydrant flushing and maintenance continues.

FY 2016 Rudd & Company Audit – Finalize Engagement Letter

Amy Ellingson stated that the agreement needs to be signed before the end of the month. Member Stahlberg stated that the fees look reasonable, and it appears the engagement letter still has the old wording but indicated it was ok to sign the engagement letter since they will still need to follow the same underlying process for the audit, and this is not a problem for FCWSD.

Draft Budget Update for FY2016/17

GM Kundert reviewed the draft budget for FY2016/17, which shows a comparison with previous estimates for the District FY2015/16 budget. The budget committee met and reviewed line items in the budget and he will transfer them into QuickBooks to allow easy analysis of expenses to budget. The GGWSD hook-up fee of \$540K are included in non-operating include and placed in restricted reserves. Kevin indicated his non-operating income projections indicate a slow down in growth rate due to concerns about capacity.

Employee Retirement Plan Discussion

Discussion deferred to next month’s meeting.

New Developments/Subdivision Discussion

Marty Gagnon reported that the Lehrkind development, across Blackwood from Elk Grove, has hired Morrison Maierle to determine if there are adequate resources available to support a 160-200 home development. The development is outside of place of use for the Elk Grove water system, but that place of use can be used fairly easily (before the Smith River decision). The analysis will be presented to the developers, who can then choose to present to the FCWSD Board.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of September 20, 2016 adjourned at 10:02 p.m.



Maralee Parsons
Secretary