

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, May 15, 2018

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, May 15, 2018, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana. Minutes were recorded by Christine Maday and formatted by secretary Maralee Parsons.

Board Members present: President Cory Klumb, Vice President Nancy Flikkema, member Phil George and member Peter Thatcher.

Staff/Public: GM Kevin Kundert, Marty Gagnon representing MMI; Matt Elwell, Kyle Nertenstein, Justin Buchanan, Kyle Griffith, Julia Heron Braccini, Thomas Braccini, Caleb Campbell, Charles Ketterman, Tyson Olson, Amy Ellingson, Andrew Rowse, Noah Archer.

Approval of Minutes

April 17, 2018 Board Meeting:

VP Nancy Flikkema requested to have page 4, line 2, changed from Harry Puckett to Harper Puckett.

Motion: Member Peter Thatcher moved to approve the minutes as corrected; VP Flikkema seconded. *The motion carried 4-0.*

Public Participation on Non-Agenda Items:

Comments arose about the use of the open space by the RI Basin. Mr. Noah Archer from the Rainbow Subdivision thanked the District for the use of the space, noting he has kept motorized vehicles off the property. GM Kundert noted that the area is in plan to be fenced in. Mr. Archer explained the tires in the RI Basin area were put there to be able to plant a pumpkin patch in the fall.

General Business

Ordinance 2018-01 2nd Reading – Annexation Petition for lot 2 Block 1 of Kennedy Subdivision (Jackrabbit Junction, LLC- 18 EDU with interim limits)

Proof of purchased water rights was provided.

Motion: Member Phil George moved to approve the second reading of Ordinance 2018-01, VP Nancy Flikkema seconded the motion. *The motion carried 4-0.*

Ordinance 2018-03 2nd Reading -Annexation Petition for Elk Grove Residential Subdivision

Mr. Matt Elwell acknowledged communication between Elk Grove (EG) and the District, noting that he appreciated it but felt it could have been timelier. Justin Buchanan provided a one-page commentary that he read aloud. He also stated he was recording the meeting. He claims the District has given false/incorrect information when it stated the PSC did not have jurisdiction over EG. He also claims EG residents were uninformed about the new water reclamation facility (WRF), and that the District has

misled the EG residents about costs. He ended by saying he was not completely opposed to annexation, but it would involve adhering to the complete set of covenants. VP Nancy Flikkema responded by saying that she had reviewed the information originally provided to the EG residents, and at the time the research was performed, the percentages and numbers were correct. She acknowledged that some items may have changed since the original research was done. She also stated that Mr. Buchanan seems to be implying the District is lying, a claim that is totally false. President Cory Klumb added that there were no reserves built up to fix or upgrade the aging infrastructure, further noting that discussions regarding building or expanding the waste water treatment facility have been on-going at public meetings for several months.

Mr. Kyle Griffith (EG resident) asked if EG is annexed, would EG residents be responsible for paying for the plant expansion. District engineer Marty Gagnon stated that if EG is not annexed, EG residents most likely will not be responsible for paying for the WRF but would still be responsible for the aging EG infrastructure. VP Nancy Flikkema noted that as out of district customers, EG residents pay 1.5 times the district rate, and with the cost of the aging infrastructure it becomes about an equal cost.

Mr. Buchanan talked about the leaking sewer system and said that it is not the responsibility of the EG residents and should be fixed by the District. He further stated that the District is using up capacity at the WWTP by not addressing the leak. GM Kundert replied that EG is not being charged for the leak. Mr. Buchanan asked why they are saddled with repaying revenue bonds when EG residents did not get to vote for the bonds. GM Kundert stated that the District does not use the EG drain field. He clarified that the manhole leak is in the open space NE of the WWTP within the EG subdivision. President Klumb clarified that it was, indeed, within the EG subdivision and that the plan is to build up reserves so repairs such as this can be performed. He further stated that financials for two scenarios were provided to EG, annexation or no annexation, which included correct figures at the time of the presentation of the information to the homeowners. Mr. Buchanan again claimed that the numbers were “jacked up” to mislead the EG residents. He stated that EG was fine until the District bought it and they are now going to be responsible for things “8 miles” away. Mr. Griffith and Mr. Buchanan asked about the covenants, and if EG is annexed into the District, can the District do away with the original covenants. Mr. Buchanan threatened immediate litigation if EG water were to be allocated to somewhere offsite. President Klumb stated that the District is not trying to take an underhanded posture. GM Kundert asked for clarification on the advantage of EG residents not annexing into the District. Mr. Griffith said he did not agree with GM Kundert on the cost of metering the EG wells, stating that the EG well meter costs seems to be “blown up”. GM Kundert stated he is trying to operate the system in the correct way. When the district bought the system, the meters were in vaults. Mr. Griffith stated that one could replace the direct bury meters 6 times over in the cost of the vault. President Klumb stated the engineer report was given to the District as the compliance standard for public works, and that DNRC requires the wells to be metered. Mr. Griffith asked what recourse they would have if they can determine the District was deliberately erroneous. A resident from Rainbow subdivision, Mr. Noah Archer, stated his opinion that the District is not attempting to “pull the wool over their

eyes.” Another member of the public (unidentified) disagreed, stating the District does have it in their favor to skew numbers. Mr. Matt Elwell, EG HOA, thanked the Board for having the most productive meeting on this issue thus far. Mr. Elwell also noted that if EG were to be annexed, a representative from EG should be on the Board of Directors to have their voices heard. He brought up questions about Gallatin Gateway’s sewer flowing into the EG WWTP. He asked if there are issues arising from the GG waste. GM Kundert replied by saying that the issues arise from the force main beginning at Valley Center and that the District is treating it with a chemical. He mentioned the pilot study for the bioxide. He also stated he tried to do some landscaping at the WWTP but got no response from the people who own the open space. It was also mentioned that the area behind the WWTP is still a muddy mess and it was confirmed that it is GG’s responsibility. President Klumb stated that it is unfortunate that the odor complaints continue, noting that the odor issue would have been addressed if the new WRF had been allowed to be constructed at EG. Mr. Archer replied that he was unaware of the political conflicts and thought the new site for the WRF was chosen due to its proximity to the ponds. VP Flikkema reiterated that numbers were not purposefully inflated, although Mr. Buchanan has implied they were several times. EG HOA, represented by Matt Elwell and Kyle Nertenstein, stated that they are speaking for the majority of the EG residents, and they are ready to move forward with annexation. Clarification was requested about the order of operations after the second reading. It was stated by Mr. Gagnon and President Klumb that if Ordinance 2018-03 is approved tonight and signed, the annexation will be in effect 30 days after signing. Another EG resident stated that there are a lot of people who voted for annexation, and their lack of presence today indicates that their opinion has not changed. Mr. Kyle Griffith asked for clarification on the electors and the percentage of votes returned.

Motion: VP Nancy moved to approve the second reading of Ordinance 2018-03, Member Peter Thatcher seconded the motion. ***The motion carried 4-0.***

Member Peter Thatcher acknowledged that the District does want to have an EG representative on the District’s Board of Directors.

Ordinance 2018-04 1st Reading -Annexation petition for Eric Nellis home 95 New Ventures

Mr. Nellis was not present at the meeting. Member Phil George asked about the irrigation well on the property. Mr. Gagnon stated that the District does not have the water rights for irrigation, so the well will stay. GM Kundert stated that Mr. Nellis will have to purchase water rights from Utility Solutions and clarified that it will connect to the mains running under New Ventures. GM Kundert stated that Mr. Nellis is doing this for his daughter and he may want to expand in the future when capacity is available. It was noted that the septic will be abandoned.

Motion: Member Phil George moved to approve the 1st reading of Ordinance 2018-04; VP Nancy Flikkema seconded. ***The motion carried 4-0.***

Kyle Griffith interjected to reiterate his earlier argument that his percentage of electors was correct, and the Board was stating the wrong percentage of electors for the petition. There was no further discussion with the Board stating that they had moved beyond the issue.

New irrigation well proposed for NorthStar Residential Subdivision (Block 5)

Andrew Rouse and Amy Ellingson were present to represent the NorthStar HOA. The HOA has asked for an irrigation well because they do not have enough flow from the existing well, and trees are dying in their open space. Mr. Gagnon asked for clarification that there was a well currently being used for open space irrigation in Northstar. He further stated his belief that this will be an ongoing issue with other developments such as Gallatin Heights, so the Board will likely see more of these requests. There was a question as to how flow from these wells are monitored, and Mr. Gagnon responded that there is no mechanism for monitoring the flow from exempt wells at this time.

Motion: Member Peter Thatcher moved to approve the request for a new irrigation well for NorthStar Residential Subdivision (Block 5); Member Phil George seconded. ***The motion carried 3-0, with President Klumb abstaining as he is a resident of NorthStar.***

Discuss allowing irrigation wells for Gallatin Heights and Elk Grove Subdivisions

GM Kundert stated that the District has 5 shares of the Mammoth Ditch surface water rights. Mr. Gagnon clarified that the 5 shares represents a lot of water, and GM Kundert stated that the water is only to be used for irrigation. It was noted that discussion with Mike Stewart is ongoing, and that this topic will be further discussed in future meetings. President Klumb asked if it is better to use ditch water or wells. Mr. Caleb Campbell asked to have the topic added to next month's agenda, as he has been talking with Mike Stewart about the issue.

It was noted that Elk Grove irrigation is only half metered. GM Kundert suggested the EG residents might want to come up with a plan to fix the irrigation issues, possibly putting in irrigation wells. EG HOA representatives present stated they are happy with the way it is being metered right now and need some time to investigate cost comparisons. GM Kundert stated he would look into the rules and regulations about metering the park. There was general discussion about metering 2 of the curb-stops. There will be further discussion on the topic in future meetings.

Discuss Memorandum of Understanding (MOU) for New Developments proposed in NE District Area and Water rights

Mr. Caleb Campbell of Utility Solutions (US) has asked for a memorandum of understanding with the District, so that US can begin financing discussions with their bank. GM Kundert stated that the volume of development proposed in this project would immediately put the WRF expansion into phase two. Mr. Campbell stated that some of the development is already in design.

There was general discussion on the design, specifically the size of the pipes and the lots. GM Kundert discussed going directly into phase two at the WRF. VP Nancy Flikkema asked if it is feasible to actually complete the project as it is 4 miles away. Marty Gagnon said yes, it is a doable project but may need a booster station. The question was raised would the District benefit by constructing phase 2 in conjunction with phase 1 and how much of a savings would the District realize. Mr. Gagnon replied that it would be a cost savings to construct phase 2 at the same time and that the savings would be significant, likely in the hundred thousands range (rather than in the

million dollar range). Mr. Campbell asked about the sleeves going under Jackrabbit at Valley Center. Town Pump wants to be able to connect but there are debates about where the sleeves will go. It was noted that the WRF committee would like Mr. Campbell to continue to attend the WRF meetings.

WRF committee report

Marty Gagnon presented the results of the selection of the SBR for the new WRF, noting that Sanitaire ICEAS was selected. GM Kundert asked if the capacity funds will have to be used to pay for equipment, and Mr. Gagnon explained that sewer capacity funds collected from developers as they connect will be used for the design.

Engineers report

Marty Gagnon provided the report. He stated MMI continues to receive plans that have been submitted to the District for review from developers connecting to the system. He has been having discussions with Mike Stewart about crossing Jackrabbit at Baxter. In response to a question on the progress of the Korner Klub construction, Mr. Gagnon noted that the Korner Klub's owner, Jerry Ritter, parted ways with Morrison-Maierle yesterday, and that Stahly Engineering will assume work on the project. Mr. Ritter was apparently upset about the time frame it took MMI to collect the flow data for DEQ. He noted that DEQ is currently reviewing the data and the project should go out to bid soon. There was discussion about the sewer system being a low-pressure system with each connection having its own pump station to be maintained by the lot owner. The bore under Jackrabbit will be small since it is not planned as a gravity main. Instead the sewer from the east side of Jackrabbit will be pumped through a pressure main to the existing manhole north of Town Pump.

Monthly O&M Report

1. Bioxide study was completed and awaiting proposal from Evoqua.
2. Galactic Park VFD's are installed and telemetry updated
3. Diaphragm pump in use to thicken sludge and lower hauling costs
4. Irrigation ditches were cleaned and augmentation basin online
5. NS booster had a PLC control issue that did not signal the chlorinator to turn on when the well was running.

Monthly Water usage and Financial Report

The Board reviewed the monthly water usage and financial reports. GM Kundert noted that operating revenues are at 98% for the monthly budget, and about 107% YTD. Shared administration is at 103% for the month, and 95% for YTD. Water O&M is 125% for the month, and 101% YTD. The sewer O&M is at 245% for the month, and 118% YTD. Member Phil George asked if the inspections were billed. GM Kundert said yes, but the new documentation is not quite in place, and the engineering fee is also tacked onto the connection bill. Mr. Gagnon clarified that it is a "pass through" bill, as Morrison-Maierle bills the district and the District passes the bill onto the customer. Member Phil George asked if outside engineering firms can design. GM Kundert responded by saying even if outside firms are used, it is passed on to MM to review. Mr. Gagnon explained that DEQ does not require a service line to be engineered so problems can

slip through the cracks.

Discuss draft budget for FY2018-19

GM Kundert advised that the draft budget is not ready for review, and suggested the draft be reviewed at the special meeting on May 29th, scheduled for 6:30, then close the meeting to the public for an executive session to perform the GM's annual review. This was agreed to.

Board Member topics

Members Phil George and Peter Thatcher discussed their work on developing a rational for the District's rate structures. It was noted that Consumer Price Index has some spikes, so they suggest using a 3-year average. This would represent the increase in water and sewer rates with a consistent, logical and defensible number to cover costs, and using the 3-year average would provide a smoothing effect. It must be 5% or below and is planned about 2-3% per year. It was agreed that this number should be compared with the annual cost of living increases.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of May 15, 2018 at 8:54 p.m.

A handwritten signature in black ink, appearing to read "Nanda K. Koo". The signature is fluid and cursive, with a long horizontal stroke extending to the right.