

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, August 21, 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, August 21, 2018, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: President Cory Klumb, Vice President Nancy Flikkema, Member Heather West (arrived 6:36), member Phillip George, and member Peter Thatcher.

Staff/Public: Larry Powers, Amy Ellingson, Marty Gagnon and Brad Hammerquist representing MMI; Susan Swimley, Attorney; Maralee Parsons, Secretary; Jeff Drubb Denise Albrecht, Taylor Hartshine.

Approval of Minutes

July 24, 2018 Board Meeting:

Motion: Member Peter Thatcher moved to approve the minutes as submitted; VP Nancy Flikkema seconded. The minutes were approved 4-0

Public Comment on Non-Agenda Items:

None were raised.

GENERAL BUSINESS

Resolution 2018-11 for Adoption of Permit and Connection Process

Phil George briefly reviewed the documents (previously reviewed by the Board) describing the new connection process and how to interface with the District, noting that work still needs to be done on the process to be used by developers. Resolution 2018-11 for the adoption of a Permit and Connection process to aid the interface between the District and its customers was read aloud. Board comment noted that the documents were very impressive, and the new process will make things easier for the District and its customers.

Motion: VP Nancy Flikkema moved to approve Resolution 2018-11 and adopt the Permit and Connection Process effective August 22, 2018; member Peter Thatcher seconded. There was no public comment and no further Board discussion. *The motion carried 4-0.*

Resolution 2018-12 for Adoption of Employee Handbook

Phil George briefly reviewed the changes to the employee handbook which the Board has reviewed, noting a section on employee training and licenses was recently added. He also clarified that the manual now states that cell phones may not be used while the District vehicle is in motion. Resolution 2018-12 for adoption of the Employee Handbook was read aloud.

Motion: Member Peter Thatcher moved to approve Resolution 2018-12 and adopt the employee handbook effective August 21, 2018; VP Nancy Flikkema seconded. There was no public comment and no further Board discussion. *The motion carried 5-0.*

Resolution 2018-13 for Adoption of changes to FCCWSD Rules & Regulations

Phil George introduced Resolution 2018-13 adopting changes to the existing FCCWSD Rules & Regulations, noting that the regulations have been around a long time, and have been edited to assist in managing all District activities. Resolution 2018-13 was read aloud.

Motion: Member Peter Thatcher moved to approve Resolution 2018-13 and adopt the updated District Rules & Regulations effective August 22, 2018; member Heather West seconded. There was no public comment and no further Board discussion. *The motion carried 5-0.*

Discussion on Rate Hearing 9/25/2018 and Total BS

Phil George led the discussion on the topics to be discussed at the upcoming rate hearing, proposed for 9/25/18, noting that a public hearing is required to adjust rates. The District is considering modifying its rate structure to include establishing incremental rates charged for use of water volume above EDU allotment to a property, to encourage conservation and enforce the District's finite water rights. Also in consideration is a new sewer volume charge for sewer discharge above the EDU allotment, based upon the water delivered to a property, building or unit. A wintertime average (Nov-Mar) will be utilized to determine the sewer volumes for the months of Apr-Oct. for User Category 1 & 2 (residential). User Category 3 & 4 (commercial) will not have a wintertime average. Some examples of impacts of these changes to residential and commercial users were reviewed. For the commercial user examined, the user is consuming 70,000 gal/month, on average, in excess of its contracted 14,000 gal/month, equivalent to 17.5 EDU. Mr. George noted that many of the businesses have grown substantially since their FCWSD contract was signed. He noted that the issues to the District are 1) water rights; 2) the District is legally contracted to provide only the contracted number of EDU's; and 3) the District incurs extra costs as customers consume beyond their contracted amount. He stated the remedy is for the customer to purchase additional EDU's and additional water rights. He noted there are about 80 accounts which would be impacted. District council Susan Swimley clarified that many "contracts" for water and sewer service were will-serve letters, many issued by Utility Solutions, and so trying to enforce usage under contract terms is not simple.

Jeff Drubb, from Dry Hills Distillery and Taylor Hartshine from Carriage House Car Wash provided public comment. Mr. Drubb commented that the contracts were not clearly described to him at the time of starting his business 2 years ago and finds the new volume rate change as "baffling" and doesn't work for his business. He said they are working with the District to reduce their volume, but also noted that the volume reduction project is expensive and will take some time. He said that he didn't initially fully understand what the water demand for the business would be, noting that they are now co-producing product for other people, which has increased their usage. It was clarified that EDU's which are purchased from the District are attached to the property, and if the property is sold, the value of the EDU's is attached to the value of the property and sold with the property, but EDU's cannot legally be segregated and sold separately from the property, as federal law prohibits water & sewer utilities being sold as a commodity. Mr. Drubb recommended that the District educate new users on the meaning of EDU's. Mr. Hartshine said that the car wash is also working toward a

solution to reduce usage, and also stated his opinion that the District's 5 categories of users is not adequate. It was noted that new users must first buy water rights from Utility Solutions, then buy EDU(s) from the District to pay for the distribution, storage and pumping of that water, and the collection and treatment of wastewater. There was some discussion on whether the car wash might have lower sewer charges if they were to reclaim a portion of the water used, and it was noted that potentially the car wash could have a meter on their sewer. It was also noted that FCWSD is unique in that its water rights are finite, unlike Bozeman, and has to mitigate and account for it to the state.

A draft of the materials which are to be mailed to all property owners and customers noticing the hearing was reviewed, and Phil George reiterated that this is a small step toward conservation on the water side, and also a step toward the District being compensated on the additional processing incurred on the sewer side. The Board agreed to the proposed date of the hearing is 9/25/18, and it was noted that written notice must be mailed no earlier than 30 days prior to the hearing and no later than 10 days prior to the hearing.

Susan Swimley advised that the District's bond council does not support the District's previous plan to assess those properties which annexed into the District after the purchase from Utility Solutions (12/23/15). As such she is proposing that the District consider establishing a rate for special assessment equalization, which will be equal to the amount assessed to District customers and would be applied to all properties annexed into the District since 12/23/15. She noted this could be collected monthly, quarterly, or bi-monthly, and will appear on their District bill, rather than on their tax assessment, and will go to pay down the bond. This also needs to be included in the notice mailed to property owners and customers.

Motion: VP Nancy Flikkema moved to proceed with the bond hearing on 9/25/18; member Peter Thatcher seconded. There was no public comment and no further Board discussion. *The motion carried 5-0.*

Resolution 2018-14 Setting Rate Hearing 9/25/2018

Phil George read aloud Resolution 2018-14, to hold a special rate hearing for water and sewer, on September 25, 2018.

Motion: Peter Thatcher moved to approve Resolution 2018-14 and hold a rate hearing on 9/25/18. Member Heather West seconded. *The motion carried 5-0.* There was public comment and some brief discussion around the need for conservation and for the District to potentially incentivize customers to conserve water.

Engineer's Report

Brad Hammerquist and Marty Gagnon provided the report. They have continued to provide general support to the District staff. The irrigation wells have been determined to be 139 lots > ¾ acre; 100 lots > 1 acre (some in Gallatin Heights). The majority are in commercial phase 2, so irrigation is probably not too imperative. 26 lots are in Black Bull. Mr. Gagnon stated that if the District were to allow irrigation wells on lots ¾ acre or greater, there would not be a huge impact, noting that it makes good sense to irrigate larger lots with wells. The Thursday morning working group will review and come up

with a proposal for the Board to review. In addition, some artist's renderings for the WRF have been received, and Mr. Hammerquist stated that building material options are being explored other than steel, such as pre-cast concrete panels. He noted that costs are similar, but the panels could provide advantages such as ease of construction and flexibility for incremental expansion.

Monthly Financial Report

Amy Ellingson provided the General Administrative, Usage and financial reports:

- The Labor & Industries safety inspection list was completed and closed.
- ADU compliance letters were sent out.
- The District's new investment accounts have been sent to the state. Approval is expected.
- The District's 4th operator will start on 9/4/18, initially working on the water side.
- The District's audit will be starting soon, and documents are being prepared.

The District has been asked to provide public comment to the County Planning Dept. on the proposed Creekside Meadows Subdivision. Phil George noted the District has the capability to provide water and fire suppression services now and will have the capability to provide sewer in 2020. There is a public water and wastewater treatment plant in the development plans. Marty Gagnon noted that the District would not be able to provide the development with water only, per terms of the District's water rights. It was agreed that the District's response would be that capacity will be available in 2020.

Phil George reviewed the Balance Sheet and noted that item 105.02 RD Water SLA Reserve Loan B (\$173,910) can be used to repair water facilities. He will be sending 3 funds to the state for investment (\$227,331, \$69,390, \$103,287), and will be simplifying the remaining funds on the District's balance sheet. The newly formatted Shared Expenses, Sewer, and Water YTD Budget to Actual reports were reviewed.

Monthly Operations & Maintenance Report

Larry Powers provided the report:

- There was a plant optimization visit from MDEQ. He had some good ideas and may be back in September to help with the optimization.
- The Northstar lift pumps were rebuilt.
- Incoming fat and oil grease was observed in wastewater, potentially from unauthorized dumping.
- The preventative maintenance program is being initiated. Phil George noted that they will be building into the SCADA system some measuring trigger points, so the District can possibly detect leaks earlier by looking at data.
- Issues with the Elk Grove irrigation meters were discussed, and corrective action for next year will be determined and presented to the Elk Grove HOA Board and management group.

Board Member Topics

President Cory Klumb raised the topic of potentially paying Phil George for his work as interim GM. The Board convened to Executive Session at that point to discuss this, as well as the next agenda topic. The meeting was adjourned at 8:20 PM.

General Manager – Privacy Requested

Executive session – minutes were recorded and maintained by President Cory Klumb.

Maralee Parsons
Secretary