

**FOUR CORNERS WATER AND SEWER DISTRICT MINUTES
REGULAR MEETING, October 16, 2018**

Call to Order

At 6:32PM President Cory Klumb recognized all were present for the Four Corners Water and Sewer District meeting but stated he would provide a little more time to let people sign in. The meeting was held on Tuesday, October 16, 2018, in the cafeteria of Monforton School at 6001 Monforton School Road, Bozeman, Montana. Minutes were recorded by Amy Ellingson and formatted by substitute secretary Crystal Turner.

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

Staff present: Amy Ellingson and Attorney Susan Swimley, Engineers Marty Gagnon and Brad Hammerquist of Morrison-Maierle (MMI).

There was a number of public present (see attached list).

President Klumb called the regular meeting to order at 6:38PM. He introduced himself as the President of the board and a property owner in Star Subdivision. He informed the public present that all members are homeowners within the District. He asked those present who were here tonight because they were upset or angry about something. Some people raised their hands. He continued, "That's exactly how I ended up at these meetings and decided to join the board to learn more and try to help out. We are not a foreign body – we are all members of this District as well." He said the Board is not very formal but stated there is someone taking minutes, so asked the public to stand when speaking, state their name for the record, and then provide their comments. He acknowledged the Board heard everyone's comments at the last meeting and did not make a decision at that time. The Board heard a common theme and tried to take those comments into consideration and revise the plan. That revised plan will be heard tonight.

Approval of Minutes

Approval of Draft Meeting Minutes September 18, 2018

Thomas Kallenbach spoke regarding work being done on the lift station. He stated the last paragraph on page 3 regarding Elk Grove lift's station is wholly inaccurate. He did not object to their presence or their work on the lift station. He was working from home that day and heard the racket, but did not object to their work. He explained his experience that day which included him calling the County Sanitarian. Mrs. Swimley recommended to the Board to move to approve the minutes, noting the changes Mr. Kallenbach has made tonight.

Motion: VP Nancy Flikkema moved we approve the minutes of the meeting. Heather West seconded the motion. *The motion carried 5:0.*

Approval of Special Meeting Minutes September 25, 2018

Motion: VP Nancy Flikkema moved to accept the minutes of the special meeting held September 18, 2018. Peter Thatcher seconded the motion. *The motion carried 5:0.*

Public Participation on Non-Agenda Items: There was no public comment on non-agenda items.

GENERAL BUSINESS

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Korner Klub Ordinance 2018-06 – 2nd reading

President Klumb stated they would not be reading the resolution entirely at this hearing. He asked if there were any comments or questions. None were voiced. President Klumb asked for a motion to approve Ordinance #2018-06 on its second reading. **Motion:** Heather West, "So moved." Peter Thatcher seconded the motion. **Motion carried 5:0.**

Water – Change of Rate for Volume Use

Brad Hammerquist thanked everyone for coming tonight. He recapped the last hearing and stated the Board has attempted to take that feedback, make changes and dive deeper into the rate structure. He showed a powerpoint presentation to the public. One of the big changes is about volume charges. Once you use the base volume, you start getting charged in larger brackets. Single-family residences are considered Category 1. The rate structure would be for water used, but also to help build a reserve fund to have a sustainable entity.

Mr. Hammerquist said the District does want to encourage people to conserve water. It is critical to conserve water, as the District has a finite amount of water rights. As a whole, the District is within legal limits, but some users are using significantly more than their share while others are using significantly less. Currently potable water is used for irrigation: that was water treated to be drinking which requires energy and equipment to treat that water. "If you see a really mushy yard or water running down the street, that is water that could have been used for drinking purposes. It does wear and tear on the system," Mr. Hammerquist said.

It would take roughly 16,000 gallons a month to irrigate a ¼ acre lot, per an educated estimate. In the powerpoint presentation Mr. Hammerquist provided an example of an excessive user. The example showed an excessive user who, in the last month's plan demonstrated they would pay around \$140/month. With that same usage under the plan presented tonight the cost would be \$129/month. He showed another example of a very high water user which reflected a bill around \$300/month. The rate structure proposed is still an increase, but less of an increase compared to the proposal shown at the last meeting. Next he discussed commercial users. Many small businesses may only have a bathroom and would not use much water. Commercial users are determined based on their equivalency to a residential user. (Unknown speaker) questioned Category 1 and Category 2 definitions. Brad explained the rate structure, which is available on the District's website as well.

Mr. Hammerquist asked if there were any questions before moving on to the Sewer rate structure.

Public Comment: Robbie Woods, Gallatin Heights, stated he believed there was a 250-gallon/day per Equivalent Dwelling Unit (EDU) cap for Gallatin Heights. Marty Gagnon confirmed Gallatin Heights has a contract stating that. However, that does not have anything to do with the rate structure. That contract allows for up to 4,000 gallons per month. The contract allows for the 250 gallons/days but that does not state what the District can charge for those gallons. Mr. Woods asked why irrigation wells would not be allowed. Mr. Gagnon replied, "We are trying to curb overwatering because if the ground is wet yes it goes back into the ground, but if you don't over water the plants use that. You don't regain the water." President Klumb said the board decided that only 1-acre lots and larger could have irrigation wells. Mr. Woods believed he is a conservative user, so he did not think the proposed rates would affect him much but is curious to see the plan for reserves, how many water rights does the District actually have? Member Phillip George, also acting manager, state the issue with reserves is that they have roughly a \$45,000,000 system (split between water and sewer). If you look at asset replacement, depending on how much risk you want to take, but we should be prepared to have 40-60% of the value of the asset set aside for

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catastrophic event. Joanne interrupted stating, "As someone who is a mathematician, she wants to see the additional charge for each tier of water usage. We also want to know the actual costs of equipment. In order for you to win back our trust we want to see what everything costs." President Klumb said the Board established a reserve rate and 100% of those dollars will go towards reserves. We are starting with \$0 in our savings account and taking a huge risk to set aside \$70,000 and start saving toward replacing a \$45,000,000 system. Darren Counts, 78 Cedarwood – stated he has been watching the slides and would fall into Category 3 based on his usage. The board questioned how he could be a Category 3. After discussion and more understanding, Mr. Counts is a residential user which means he is a Category 1. Gwen Wright, 167 Annie Glad Drive – said the Board has used the term "fair share" several times and asked them to please define it. Brad Hammerquist explained it comes down to EDUs. Randy Chamberlain, 49 Sage Bloom – Questioned what DEQ suggests for a home. Marty Gagnon explained we use EDUs when you do not have any historical data. Brad added, "When you don't have data, DEQ says 100 gallons/per person. When you do have data you can use the actual usage, and for this District it is more like 150 gallons/per EDU."

Mr. Chamberlain asked if that the same for irrigation. Brad said no, because it varies widely. Volume for irrigation is 1000-gallons per acre. A one-third acre lot is expected to use about 16-17,000/gallons a month. So "fair share" is a one-third acre lot at 16,000 gallons a month. Marty Gagnon added that during the summer it would be a total of 20,000: 4,000 for indoor, 16,000 for outdoor. The larger lots are adjusted for that within this rate structure. The District would love to have those larger lots off the system and using irrigation-only water. Amy Ellingson explained one could apply for an irrigation-only well. There are fees associated with this request – application for an exempt well is \$150 fee, and inspection fee upon installation is \$150. There is an annual inspection required for \$150. Mr. Chamberlain asked why irrigation wells would need to be annually inspected. Board members, Amy and MMI staff explained that it is to protect the water system and ensure people do not hook up and start using non-potable water within the home as regular drinking water. Mr. Chamberlain would like the numbers as well to see what we are trying to save for reserves. He believes this is just political and penalizing water usage. President Klumb said it is a finite amount of water we can legally use.

VP Nancy Flikkema, said she was part developer of Middle Creek Parklands. The County made them have a community water/sewer system (because of the number of lots within the subdivision). They are trying to be reasonable as they are also homeowners within the District. We had no usage data because Utility Solutions, which is a private company, did not have to provide user rate information. There were something like 800 users in the whole District when we took it over from Utility Solutions, and now there are 1,700 or so users in the District. We would love to have money in reserves, but when we purchased the water plant we could not afford reserves as well. At that time, we felt we were at the limit of what people would be willing to buy. Utility Solutions rented water treatment to us and that is why we purchased some of it our own. We believed we could run it cheaper, and in a better way than we saw Utility Solutions running the business. Mrs. Flikkema continued, "As a governmental entity, we are all allowed to be paid \$50/meeting but all of us on the Board have refused it. We believe fees should be spent on actual water and sewer treatment."

Joanne asked if the District ever considered imposing an abuse policy/fine for over waterers. She also asked where they can we find more about well process? President Klumb said they are learning this as they go as well.

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(Unknown speaker) Question for Nancy who also lives in Middle Creek Parkland and they're on a set [irrigation] schedule. Are others watering whenever they want to? VP Nancy Flikkema replied, "Yes, some do, some are on a schedule."

(Unknown speaker) Question of Elk Grove asking why can't you implement dry-scaping in each Home Owner's Association (HOA)? The District said you have to change those through your own, individual, HOA. Justin Buchanan, Elk Grove, who were served by a separate water system. I know the volume for the water acquired by annexing Elk Grove is sufficient for all lots and irrigation for the lots there. While [water rights are] finite, has the Board considered a flat rate on the increase if you aren't trying to use that water? Has the Board considered a flat per volume rate for Elk Grove only? President Klumb stated Elk Grove is now part of our District and all the same rates would apply. Gallatin Park has a different rate only because their EDU is set at 1.5/day. Justin Buchanan continued, with "In Elk Grove there is plenty without the need to ration."

Mike Stewart, Developer of Gallatin Heights stated exempt wells are a big issue. 60% of lots in this subdivision are over one-half acre. Larger lots get penalized by this rate structure. He believes there is a possibility to come up with specific rate structures. In the proposed rate structure, what percent is operation and maintenance (O&M) and what percent is for reserves? If you are only setting \$70,000 aside, when you say you should be setting aside something more like \$700,000 you are going to be asking the users of this District for a special assessment within five years. Tell the public what everything is costing, before you get to reading the resolution.

Amy Marchwick, Gallatin Heights – The Board has said resolution was mailed to everyone by mail again, however they did not receive this notice either. (Several people in the room agreed to not receiving notice). No one is unwilling to help build reserves, but we want to see the math behind it. The numbers may be reasonable, but we can't see where they are coming from.

President Klumb agreed the Board probably could have done a better job of spelling out the costs.

Kyle Griffith, Elk Grove – What has been done on expected usage and income of the District? How was it projected? Were the projects done to determine what the rates needed to be in order to meet the budget? Brad Hammerquist stated it is a challenge in predicting that. The approach last time was to use a big hammer and see how it goes and then adjust to see where we need to go. President Klumb acknowledged to being in the learning stage too. "I'm at 28,000 gallons a month. I need to adjust too. We are documenting the number of loads of laundry, and timing our showers and seeing what it actually requires to run our home."

Chad Seldomridge, Elk Grove – Is that \$1.00 equal to \$70,000/year? In your example where you are paying \$120/month – where does the \$25.00 go? Will it go towards reserves? President Klumb answered, "Yes, anything extra we generate over O&M costs will go towards reserves."

Mike Kover, Gallatin Heights – Appreciated the Board listening to the users at the last meeting. He finally received his bill after putting in a lawn recently. The new bill was almost \$250.00. "I am out there almost daily to adjust sprinkler heads so they aren't watering the streets. There are 213 lots that are one-half acre and above in Gallatin Heights. We all want to conserve water. Are we going forward with a system that will benefit us all in the future?"

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Cocoa Douma, 35 Marie Court – Questioned the reserve rates. Susan Swimley said reserve rates are items #7, 8 and 9 on the agenda and we are only on #2 at this time.

Matt Elwell is concerned about the method as he still does not understand what the numbers are behind.

President Klumb attempted to explain the Board's intentions. Their thought was to have engineers tell us what it takes to irrigate a one-third acre lot. That number was 16,000 gallons. So we broke it up in 16,000 gallon chunks basically. Robbie Woods interrupted asking this is not about money, it's about water rights. You told us before it was about water rates. That is why everyone is so confused. You bought a plant without buying the water rights to it? (He interrupted any attempt at explanation, raised his voice, threw his paperwork on the Board's table and walked out.)

President Klumb closed public comment.

Dana Bergen, Gallatin Heights asked if she could comment. President Klumb allowed it. She said, "Not all of us got notified, but you expect us to vote on this?" President Klumb replied no, the Board will vote. (Ms. Bergen did not understand the purpose of the Board and that they represent the users within the District. She also walked out shortly after this time.)

Someone asked about the sewer rates and Susan Swimley explained the Board has only considered public comment on the water rate at this time. President Klumb added the Board will review sewer rates next, but we are stuck on water at this point. Susan recommended the Board could hear all the public comment for both water and sewer rates first, and then make the decisions on the resolutions. The Board wished to finish the water discussion at this time before moving on to more public comment on the sewer proposal.

Resolution 2018-06

Motion: VP Nancy Flikkema moved to approve Resolution 2018-06, a resolution of the Four Corner County Water and Sewer District to implement Water Rate for Volume Use. Peter Thatcher seconded the motion. Public Comment: If an EDU is paid for water, is it for using the water rights and sewer as well? The District charges the users to treat the water and sewer, and has to pay to a water fee to Utility Solutions? Amy Ellingston explained if it is an existing lot within the District that does not happen. That is only for new development.

Motion passed 4:0 (Member Heather West had left the meeting).

Sewer – Establish rate for Volume Use

Brad Hammerquist started the sewer rate presentation. Similar to water side, however there is no meter on sewer pipes. Sewer rates will be based on your water usage. Water used on lawn does not make it into the sewer so the District does not want to use that number since it is not treated. So that us when a winter average will come in. The District has chosen to use the months of November, December, January, February and March for the winter average. Amy Ellingson added if you do not go over the 4,000 gallons, your base rate will not change. The new winter rate will be effective in April.

Bob Thelen said the District spoke of expansion a few months ago, so are there any other items being built into the budget or fee structure to do the expansion? President Klumb answered, no we will have to borrow for that.

Resolution 2018-17

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Motion: Phil George moved to accept Resolution #2018-17, a resolution of the Four Corner County Water and Sewer District to Establish Rate for Volume Sewer use. VP Nancy Flikkema seconded the motion. There was no public comment. *Motion passed 4:0.*

Special Assessment Equalization Rate

Susan Swimley explained this would be spread across every lot in the District. She has consulted with bond counsel asking about adding in all new lots created after 2015. Bond counsel said the District cannot add them into taxes that will go out in the tax bill, but they could apply a rate that would be the same as that tax and would be applied on the lots that were annexed into the District after 12/23/2015. Lots created after 12/23/2015 would pay this rate on their water/sewer bill, but would not have the special assessment on their tax bill. If you were in the District prior to that date, you would get a special assessment on your taxes but you would not get a special rate on your water/sewer bill.

(Unknown speaker) said people who get it on their tax bill could deduct it, but the others could not. Susan replied they are proposing legislation and working with bond counsel, but are waiting until after legislative race is over to find out who the District representative will be. Then we will need to find someone to propose to carry it successfully into the Legislature. If approved, the Governor signs it, and we can remove this rate from the bills and everyone will pay the assessment on taxes.

Amy Ellingston clarified to Joanne that it is not properties purchased after 2015, but lots created after that date. Someone asked when the assessment would be paid off completely. President Klumb said it was a 30-40 year loan and we are two years into that (he could not remember if the loan term was 30 or 40 at the time of this meeting), so 28 or 38 years from now the cost of purchasing the system from Utility Solutions will be paid off.

Thomas Kallenbach – What is the special assessment for? Marty Gagnon reiterated that was the discussion just had and it is to repay the original bond. Mr. Kallenbach asked, “So we’re going to see another one soon for the expansion?” The Board answered yes.

Elk Grove folks argued when they were annexed they were told their rates would go down, and now they are going to have to pay again.

Motion: VP Nancy Flikkema moved we accept Resolution #2018-18 a resolution of the Four Corner County Water and Sewer District to Apply a Special Assessment Equalization Rate. Peter Thatcher seconded the motion. *Motion passed 4:0.*

Water Reserve Rate Resolution 2018-19

Brad Hammerquist explained this will be related to the water reserve fund. The District needs to start building the reserve fund to start planning for infrastructure replacement. American Waterworks Association says to take the useful life of the assets divided by the cost of the project and then put reserves at 40% of that cost. The District is proposing a \$1.00 flat monthly fee for water and \$3.00 flat monthly fee for sewer. The District is required to keep water and sewer separate financially per State law. If you were to have roughly 1,500 connections you could generate \$15,000 on the water side and \$45,000 for sewer. With a flat rate this is an easier way for the District to start the funds. Funds are not used for payroll or O&M. They are strictly set aside for infrastructure and can only be used with Board approval. The Board meets monthly to conduct all this regular business, and all public are invited and welcome to attend these meetings.

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Public Comment – (Unknown speaker) asked was there some sort of future infrastructure plan? Phil George replied any amount of funds would be good for us to set aside. (This same unknown speaker asked) Can the money gain interest? Mr. Hammerquist replied yes, but there are restrictions on what you can invest the money in per law.

Motion: Phil George moved we accept resolution 2018-19. Peter Thatcher seconded it. There were no other comments. *Motion passed 4:0.*

Sewer Reserve Rate Resolution 2018-20

Motion: Phil George move to accept the Resolution #2018-20. Peter Thatcher seconded the motion. There were no other comments. *Motion passed 4:0.*

President Klumb announced the next meeting is December 18, 2019. That is his birthday so he will not be in attendance. The public questioned why there was no November meeting. Amy Ellingson answered that November's meeting is around Thanksgiving and we could not get a quorum.

President Klumb asked who wished to be on the Board. Amy Marchwick raised her hand. President Klumb thanked her for her willingness, and asked if there were any Board Member Issues. There were none.

Meeting adjourned at 8:23PM.

