

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, February 19, 2019

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, February 19, 2019, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: President Cory Klumb, Vice President Nancy Flikkema, member Phillip George.

Staff/Public: Brad Hammerquist representing MMI; Maralee Parsons, Secretary; Amy Ellingson, David Everett, James Nickelson, Terry Threlkeld, Ryan Springer, Cam Holt, Adam Beauprelb, Clint Lidell, Amanda Knutson, Tom Kallenbach.

Approval of Minutes

December 18, 2018 Board Meeting:

Motion: Member Phil George moved to approve the minutes as written; V.P. Nancy Flikkema seconded. The minutes were approved unanimously.

Public Comment on Non-Agenda Items:

James Nickelson with Morrison-Maierle, representing the owner of Taco Del Sol, located just east of the Thrift Store, introduced himself and stated that the property owners are interested in obtaining sewer-only service from the District, and wanted the Board to be aware of the project. The owners would like to submit an application for annexation, noting that sewer service is currently being installed across the property. He noted that the owners are fully aware that sewer capacity will not be available mid-2020. It was noted that Mr. Nickelson is solely representing the owners of the property, and is not representing the District in this capacity.

GENERAL BUSINESS

North of Kennedy Discussion

Clint Lidell briefly described the proposed project. The owner of the 6.5-acre parcel would like to annex into the District and receive water and wastewater service. There is an existing single-family home and the owners would like to build a shop and renovate an existing barn to display landscaping products. They would like one connection (1 EDU) for water/sewer for the shop/barn and one future connection for water/sewer for the existing 3-bedroom home (should the drainfield fail). The next step is to prepare an annexation petition, and he will work with the District's GM.

1st reading of APK additional 2 lots

It was explained that Ordinance 2019-01, "Ordinance Correcting the Accepting of the Petition of APK, LLC for Annexation into the Four Corners Water and Sewer District, Modifying Ordinance 2015-07", serves to add 2 lots which were omitted from Ordinance 2015-07.

Motion: Member Phil George moved to accept the first reading of Ordinance 2019-01; V.P. Nancy Flikkema seconded the motion. There was comment from the public (Ms. Knutson and Mr. Kallenbach) that if it is the District's intent to supply these 2 lots with water from Elk Grove, they object to the extension of water from the Elk Grove plant to these 2 lots, citing the fact a law suit is pending in District court, and as such they would request the Board deny annexation of the 2 lots. President Klumb stated that the objection is noted, and the Board will take action on Ordinance 2019-01 tonight and will consult with legal counsel on any action necessary. *The motion carried 3-0.*

Petition and Ordinance of Thrift Store – Sewer Only – 1st Reading

Ordinance 2019-02, “Ordinance Accepting the Annexation petition of Segmiller Enterprises LLP, 7715 Shedhorn Drive, Bozeman, MT 59718 (Thrift Store) for Annexation into the Four Corners Water and Sewer District – For annexation sewer only”.

Motion: Member Phil George moved to accept the 1st Reading of Ordinance 2019-02; V.P. Nancy Flikkema seconded. There was no Board discussion and no public comment. *The motion carried 3-0.*

Rosa/Johnson Baxter Project Petition and Ordinance

Removed from discussion at this meeting as paperwork is not yet prepared.

Rosa/Johnson Jackrabbit Project Petition and Ordinance – 1st Reading

Ordinance 2019-03, “Ordinance Accepting the Annexation Petition of Cayman Holdings LLC, Tract 2 COS 1745 Alson Known as Your Space Storage Bozeman, MT 59718 Annexation into the Four Corners Water & Sewer District.”

Motion: Member Phil George moved to accept the 1st reading of Ordinance 2019-03; V.P. Flikkema seconded. There was no Board discussion and no public comment. *The motion carried 3-0.*

Creekside Meadows Petition and Ordinance

It was noted that the paperwork is not yet ready. The engineer on the project, Terry Threlkeld, noted that lot lines are currently being relocated and once that is complete the paperwork should be ready for Board review.

5% Capacity Fee increase – Discussion and Vote

Phil George briefly presented a proposal to increase the capacity fees as follows:

	<u>Current</u>	<u>Effective 4/1/2019</u>
Water	\$2,775	\$2,890
Sewer	<u>\$5,510</u>	<u>\$5,785</u>
Total	\$8,265	\$8,675

Mr. George noted that the last increase occurred in December 2017, and that this serves as an annual increase (4.9%).

Motion: V.P. Nancy Flikkema moved to accept the annual capacity fee increase as presented, effective 4/1/19. Member Phil George seconded. There was no Board discussion and no public comment. *The motion carried 3-0.*

Engineer’s Report

Brad Hammerquist presented the report. He stated that the engineers have submitted the WWTP plans/specs to DEQ, and received comments back which will be addressed and resubmitted in the next 4 weeks. He noted that an informational meeting was held ahead of the pre-bid meeting to bring awareness of the WWTP project, which was well attended by contractors. Ms. Amanda Knuteson asked if the engineers had looked at the Elk Grove water tank lately, saying there was leaking from the seams and fungus growing. President Klumb expressed his thanks for bringing the issue to the District’s

attention and stated that District staff will investigate.

Monthly Operations & Maintenance Report

Phil George provided the report.

1. Elk Grove Lift Station County issue – all the test results have been reviewed by DEQ and no further action is required.
2. Elk Grove lift station is waiting on quote for new pump system.
3. Staff is looking into sewer vac and jetting machine for the WWTP maintenance.
4. Zoot well #1 has been reconditioned and the sand issue is solved. This is the first phase of the complete upgrade to the Zoot wells, pumping and chlorination system.
5. Zoot/Northstar chlorine upgrade has been submitted to DEQ and comments are expected back in about 2 months.
6. Staff is researching sludge de-watering equipment for the Elk Grove WWTP to help reduce costs.

Monthly Financial Report

Amy Ellingson provided the Admin report:

1. Both of the District's newest operators have passed the probationary period and one has passed both water exams.
2. The District will be hiring a 5th operator in March
3. The District's review system is being re-worked.
4. Construction on the new garage has started.
5. A new bank account for reserves and a new bank account for Special Tax Equalization Rate have been opened.
6. STIP investment earned \$5,344.94 between Nov 2018 and Jan 2019, and \$150K was added to the water side in February.

Phil George provided the financial review:

Shared Expenses:

Expenses are \$26K under budget. The major variances are 520: GM salary removed and 550: significant legal expenses.

Water:

Revenues are \$69K over budget and expenses are under budget by about \$4K. He noted that some capital improvement projects are getting underway (chlorine upgrade and garage).

Sewer:

Revenues are \$95K over budget. Expenses are overall under budget, although 710 is taking a hit due to increased haulage fees. No capital improvement plans are currently in the works.

Reserve Discussion

Phil George stated that in his bond discussions with the state, he learned that they will not allow the District to factor in any capacity fees, stating their opinion that capacity fees are not able to be scheduled so cannot be included in projected income. He presented a proposed strategy for funding capital projects:

Bond Reserves (fixed): Required: \$598,179 Current: 604,000

Short term Asset Replacement Reserves (should be used for capital projects or replacements due to failure):

Water (Min: 100K Max: 300K)
 RDA Bond (5.7K per month) Current 209K
 Capacity funds Current 20K

Sewer (Min: 100K Max: 500K)
 Capacity funds Current 50K
 Need to establish monthly draw
 (soon to be 9K per month)

System Capacity Reserves
 Water Current 645K Max 2M
 Sewer Current 1.412K Max 5M

Long Term Asset Reserves (from revenues)
 Water \$1.00 per month per customer Current: TBD Max 6M
 Sewer \$3.00 per month per customer Current: TBD Max12M

New Facility

Brad Hammerquist presented some architectural renderings of the new WWTP. He noted that he is working with the District’s bond council on options for funding the facility. Options include using \$1.5M of on-hand capacity fees plus a variable mixture of revenue and assessment bonds. He presented a chart illustrating the District’s annual special assessment per property year-over-year, including projections to 2022, noting that the special assessment has historically gone down each year. Future projections include funding with varying amounts of special assessment (\$5M, \$6M or \$7M). He presented a second chart illustrating the District’s sewer net operational revenue year-over-year, and potential impacts of debt service of varying amounts of revenue bonds (0, \$1M or \$2M). Phil George noted he would like the Board to think about which approach they would like to pursue. There was some general discussion on impacts of revenue bonds on the District’s reserves. Mr. George noted that there is no rate increase in the revenue projections shown.

Board Member Topics

Phil George informed the Board that the District is pursuing water rights for Mammoth Ditch (Gallatin Heights). He is also pursuing other water rights and water rights issues in the District.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of February 19, 2019 adjourned at 7:25 p.m.


 Maralee Parsons
 Secretary