

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, April 18, 2017

Call to Order

President Cory Klumb called the regular meeting of the Four Corners Water and Sewer District to order at 6:32 pm on Tuesday, April 18, 2017, 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 and Member Sarah Stahlberg.

Staff/Public: GM Kevin Kundert, Marty Gagnon & Brad Hammerquist representing MMI; Susan Swimley, Attorney; Maralee Parsons, Secretary; Lara Cada, Tedd Kinny, Karl Cook, Jon Carpenter, Doug Graves, Paul McNiel.

Approval of Minutes

March 21, 2017 Board Meeting:

Member Sarah Stahlberg requested that the minutes be revised to capture Council Susan Swimley's opinion offered in the meeting, that it is not a detriment to the Board's fiscal responsibility to add users while undergoing the expansion process, as it allows the District to utilize existing capacity while providing revenue.

Motion: VP Nancy Flikkema moved to approve the minutes as amended; Member Sarah Stahlberg seconded. *The motion carried 4-0.*

Public Participation on Non-Agenda Items:

A representative from APK-Buckland Siding asked if it might be appropriate for the discussion of their project to be moved up in the agenda, as their project may affect others present at the meeting. GM Kundert noted that the projects are listed on the agenda in the order of sequence of their application. President Klumb stated that the agenda would remain in the order as presented.

GENERAL BUSINESS

Engineer's Report/Facility Plan & Capacity Discussion

Brad Hammerquist of MMI provided an update on the facility plan. Since the draft was presented last month, they have gathered feedback provided at the meeting, talked with GM Kundert, and toured some local plants to provide the operational staff an opportunity to view the various treatment options. They are now incorporating feedback into the plan, and working on the O&M costs of each treatment option. There was general discussion on the number of EDU's that can be approved at this time, based on capacity of the current facility. Mary Gagnon noted that there are more EDUs committed, than capacity, but stated that the timing of some of those commitments coming on line would occur post-expansion. He provided a conservative number of 440 EDU remaining, which could connect to the system before the expansion comes on-line. He stated that the plant is over-committed, but is currently under-utilized, and the new plant needs to be on-line within 2 years. There was discussion on the need to go out for a new bond, with the goal being that the new bond will not raise the individual property taxes above what they were at the 2015 tax assessment, and rates would not increase,

due to the increased number of properties in the District to pay the taxes. The Board expressed their desire to fund the expansion with new annexations into the District, provided the applicants are aware that they cannot connect to the system for 2 years. GM Kevin Kundert will create a spreadsheet to tally all commitments of EDU's, with an approximation of how the tax burden would change as more users are added. There was general discussion on pre-paying the first bond so the second bond would be more affordable.

Summit & Sky LLC – Jackrabbit Business Park Annexation Request (220 EDU)

Marty Gagnon presented a revised pre-payment proposal from the developer. They would like to split the payment schedule for sewer and water EDU's. Sewer EDU's would be paid with 25% upfront (\$288,750) to secure the EDU purchase and receive a "will serve" commitment, to be followed by a final payment of 75% (\$866,250) in the fall of 2018 so that the District has the funds to begin construction of the WWTP expansion. Water EDU's would be paid with 25% upfront (\$144,375), followed by 25% in the fall of 2018, and 50% (\$288,750) when the development is allowed to connect, once the water is available. He noted that Mike Stewart is responsible for paying for the District's implementation of supplying water to the east side of Jackrabbit. The developer plans to put in a lift station as part of the development. Public comment included a question on how far east the District's sewer service could expand. In general, the Board indicated interest in supporting the community's expansion, but the District's growth has historically occurred through annexations, paid for by the developers. The Jackrabbit Business Park plan is for multi-family residences and 8 commercial lots, which is preliminarily platted, with permitted use in zoning. An updated traffic study has been done, and Marty Gagnon stated he feels the project is likely to be approved by the County. Board comment indicated that the payment plan is fair, and the payment of the remaining 75% of sewer fees in the fall of 2018 (a finite date to be determined and included in the agreement) will be helpful in paying for the WWTP expansion. Finding the petition for annexation adequate, the Board directed staff to prepare an ordinance for annexation of Summit & Sky LLC into the District, with the first reading at the May 2017 Board meeting.

Lehrkind Project Annexation Request (110 EDU)

The Lehrkind project, consisting of a 50 acre parcel of property south of Blackwood Road, between Tract A-1 and Tract E-1 of Certificate of Survey No. 2557B, located in Section 25, Township 2 South, Range 4 East, PM, Gallatin County, has requested annexation into the District. They would also like to discuss the possibility of removing Elk Grove's irrigation needs off of the public water system, in order to free up water capacity to support their project, per the analysis conducted by Morrison Mairle "Elk Grove Water Supply Evaluation", dated October, 2016. Marty Gagnon stated that the Elk Grove water system, based on maximum day demand, would not be adequate to supply water for an additional 110 homes slated for the project. He further stated, however, that based on actual historical demand, it appears that the water supply wells are adequate to supply an additional 150-160 homes, if irrigation is removed from the public water system. He noted that the District has finite water right without mitigation. There was discussion on the impacts of the APK project, which has proposed to drill exempt wells on their 37 existing lots, and offer this water as an irrigation supply for Elk Grove's open spaces. This would free up more water to supply homes in the Lehrkind

project. There would need to be a discussion with the Elk Grove homeowners association to see if they are on board with this proposal. GM Kundert noted that there are a number of infrastructure problems in the Elk Grove system which need to be addressed, and those costs will need to be isolated and captured so they are adequately covered in the Elk Grove rates. It was noted that the Lehrkind project could annex in, without Elk Grove annexing into the District. It was noted that the project could not connect to the sewer until the expansion is complete. The next steps will be for the developer to work with Morrison Mairle in doing a feasibility study of removing Elk Grove irrigation of the public water system, determine costs, etc. The Board indicated general support of the project.

APK-Buckland Siding Water Supply Discussion – Developer request for Capacity

Paul McNeil presented a brief overview of the project, consisting of 37 acres in the Rainbow Subdivision located within the District, which has been in some level of development for over a decade. They would now like to complete that development over the next 2 years by constructing an affordable community of up to 250 manufactured homes. Over the course of the planning, Utility Solutions (US) had discussed providing up to 208 EDUs, however, only 73 were committed. The District sewer plant currently has capacity to provide service to the 73 EDUs committed under the contract, which the District assumed at the time of purchase from US. The project would like an additional 65 sewer EDUs, in addition to the 73 already committed. It was noted that the project has the ability to serve all its potable water needs through the drilling of exempt wells, if the District provides the necessary regulatory allowance. This would provide the District with some additional buffer water capacity. The project is requesting to convert the 73 previously committed water EDUs into 36.5 additional sewer EDUs, (as part of the 65 additional sewer EDUs), and would purchase an additional 28.5 sewer EDUs. The developer would defer the construction of the remaining homes until the WWTP expansion is complete, and will work closely with the District to be ready to add those EDUs as soon as they are available, to help pay for the expansion. Board discussion indicated a general willingness to modify the existing contract to release the commitment to water in exchange for sewer, although there was some concern noted about selling the remaining sewer EDUs in a sewer-only situation. The project also will need a fire suppression system, and has proposed constructing and maintaining a network of fire hydrants on an independent water line, that is metered at its junction with the Elk Grove water main, fitted with back-flow prevention (pay-for-use). Board discussion included concerns with mitigating cross-contamination from the fire hydrants, and ability to “turn off” sewer only, if the sewer rates are not paid. The sewer rates will be billed to the development, not individual homeowners, which, if unpaid, can be recovered from the county tax rolls. There was discussion around charging \$2800 per lot to pay for capacity in the water system to provide the development with water for fire protection, vs. asking the development to pay the \$22,496 in taxes that were missed in 2016, according to Ms. Swimley. The Board and developer indicated their agreement on paying the back taxes in lieu of the \$2800 charge per lot. In summary, the Board indicated agreement to move forward with developing a contract to: 1) allow APK to provide all their own water on exempt wells, which will require a change or exception to the District ordinance (to be determined by legal council), and 2) agree that they can trade their 73 EDUs of water for 36 EDUs of

sewer under the existing contract, and would then purchase the additional 141 EDUs. The payment plan of the additional 141 EDUs will be negotiated and stated in the contract. The Board also noted in their support of the project, that there is a need for affordable housing in the area.

Snow Field LLC – Northstar Commercial Sub Phase 2, Lot 1 Request for 4 EDU

This development is requesting 4 EDUs. Lot 1 is currently in the District and has 1 EDU. The proposed buildings would be warehouse/storage buildings, with each building needing 1 EDU, to be built between now and 2019. There was some discussion on the use of the buildings, and the number of EDUs which would be needed. The developer may request 5 additional EDU's. 50% payment would be required for the Will-Serve letter. The Board directed staff to write up a contract for up to 5 additional EDU's.

Elk Grove Water & Sewer System Cost of Operations/Repairs – Update

There was general discussion on the costs of the repairs that will be required on the Elk Grove systems, and the best way to allocate the repair costs to Elk Grove. GM Kevin Kundert stated he still needs engineer's help in completing the cost of repairs.

It was decided to call a special meeting on May 2, to allow the Board to review the numbers, before presenting the information to Elk Grove. One or more Board member will attend the meeting with Elk Grove.

Monthly Water Usage & Financial Reports

The Board reviewed the monthly reports. GM Kevin Kundert noted that he will add the budget numbers to the financial reports next month, or will have the District's accountant do so, if he is unable to do so himself.

Monthly Operation & Maintenance Report

1. Commerce Park lift station pump #2 was plugged up with rocks, which were removed. The lifting chain on the pump failed and had to be replaced.
2. The influent pump that was repaired (under warranty) by Hydromatic is working correctly, with no issues seen on pump #2 so far.
3. North Star booster pump #2 was repaired with new gaskets installed.
4. JR Civil continues to work on the tie-in of the Gallatin Gateway force main to the Elk Grove lift station.
5. A power outage at the Elk Grove booster station resulted in a fault on the booster pump drive in use at the time; generator and backup pump worked properly so water service was not interrupted.
6. Electrical upgrade at the EGWWTP has been completed, eliminating the extension cord hazard.
7. C1 lift station had a fault on the Programmable Logic Controller (PLC) that controls the automation of the pumps. The fault was reset and the PLC is functioning again. There are concerns about the age of the PLC and potential for it to fail permanently. This PLC model will no longer be available after June, and an upgrade to a new model would be required. Options are being explored, and an electrical upgrade is in the works.
8. There was a sewer backup call came from a residence at 287 Stephanie Lane. Repairs were made that day. The pipe was not broken but a joint was pulled apart, and

it is suspected that the utility contractor that installed the power damaged the service line and gas after the piping had been installed and tested. Costs for the incident are being accumulated and GM is checking to see if District insurance will cover all or part of the expenses.

9. Tests were performed with a new radio system and antennas for the 19 stations with telemetry. These are narrow-band radios, needed to replace existing wide-band units that are no longer allowed by the FCC. This is a \$25K capital expense, budgeted for this fiscal year. MET Controls is working up the estimate for the replacement using this equipment, since all tests were positive.

10. Irrigation ditch was cleared of debris and put into service the first week of April.

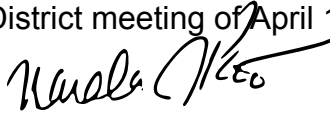
GM Kundert also noted he is in the review cycle with MDEQ for the wastewater permit. He also noted that the District's mailbox is no up, and they are phasing out the District's PO Box.

Board Member Position Open – Discuss Process for Recruiting

Board and GM discussion indicated that it would be helpful to contact the homeowners associations in the District to communicate the Board opening.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of April 18, 2017 at 9:40 p.m.



Maralee Parsons
Secretary