

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, June 27, 2017

Call to Order

President Cory Klumb called the regular (rescheduled) meeting of the Four Corners Water and Sewer District to order at 6:30 pm on Tuesday, June 27, 2017, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: President Cory Klumb, Vice President Nancy Flikkema (arrived 6:35), Member Sarah Stahlberg and member Phillip George.

Staff/Public: GM Kevin Kundert, Marty Gagnon and Brad Hammerquist representing MMI; Susan Swimley, Attorney; Maralee Parsons, Secretary; Amy Ellingson, Amanda Knuteson, Justin Buchanan, Donnie Olsom, Matt Cotterman.

Approval of Minutes

May 16, 2017 Board Meeting:

Motion: Member Phil George moved to approve the minutes as written; member Sarah Stahlberg seconded, and the motion carried 3-0.

Public Participation on Non-Agenda Items:

None were raised.

GENERAL BUSINESS

Summit & Sky LLC – Jackrabbit Business Park Annexation/Service Agreement Review, and

District Ordinance 2017-01 – 2nd reading of Summit & Sky LLC – Jackrabbit Business Park Petition for Annexation to the District

The project will utilize 220 EDUs of water/sewer capacity (fees of approximately \$1,732,500) from future expanded wastewater treatment facilities. District council Susan Swimley advised that the service agreement which has been presented to the Board for review is substantially in place, with a few minor edits still forthcoming, and she further noted that the service agreement will be signed and in place prior to the annexation becoming effective 30 days from the 2nd reading of this ordinance. It was noted that the wording on the proposed payment schedule has been revised from “fall of 2018” to Sept. 2018.

Motion: Member Sarah Stahlberg moved to approve the annexation agreement. Member Phil George seconded. *The motion carried 3-0.*

Motion: VP Nancy Flikkema moved to approve the second reading of District Ordinance 2017-01, Accepting the Annexation Petition of Summit & Sky LLC – Jackrabbit Business Park. Member Phil George seconded the motion. *The motion carried 4-0.*

District Ordinance 2017-02 – 1st reading of Vina Del Mar, LLC Petition for Annexation to the District

The petition for annexation from Vina Del Mar (with an increase from 101 EDU to 104 EDU) was reviewed. It was noted that the project has water rights for irrigation.

Motion: Member Phil George moved to approve the 1st reading of District Ordinance 2017-02, Vina Del Mar, LLC Petition for Annexation to the District; member Sarah Stahlberg seconded. *The motion carried 4-0.*

Certificate of Completion for \$9.3M Special Assessment Bond – DNRC

This document certifies that the District is maintaining the required debt reserve in the

bank, and was signed by the District President and Secretary.

Recommendation to the Board for Award of Engineering Contract from RFQ 2017-01)

GM Kundert noted that the FCWSD Selection Committee evaluated three proposals for RFQ# 20107-01 REQUEST FOR QUALIFICATIONS FOR PROFESSIONAL ENGINEERING SERVICES, and has selected Morrison-Maierle from the 3 firms submitting proposals (materials submitted are available for public review at the District offices, and were made available at the meeting). Mr. Kundert recommends Morrison-Maierle be selected, and a contract be negotiated with the firm for a term of 3 years, with an option for a 2-year extension.

Motion: Member Phil George moved to accept the GM's recommendation to select Morrison-Maierle as provider of the District's engineering services; VP Nancy Flikkema seconded. *The motion carried 4-0.* Ms. Swimley noted she would work with Morrison-Maierle on the service contract.

Engineer's Report/Discussion on Facility Plan & Projects

Brad Hammerquist provided a brief update on the Facility Plan. He advised that Morrison-Maierle's recommended treatment alternative technology is an SBR system, to be built in the existing facility. He noted that each of the comparison parameters (cost, flexibility, effluent quality, operational ease) was assigned a weight, and the SBR system ranked the highest. The selection of the existing plant (vs. building on lot C1) was chosen primarily due to the existing infrastructure already in place. He noted that the SBR is a cost effective method to meet treatment requirements, provides flexibility for startup flows, has a compact footprint, and can provide a high degree of automation. Board discussion included whether spending more money now with an eye to longer-term needs (10-15 years), might result in a facility better positioned for further upgrades to serve the District's future needs. Mr. Gagnon stated that M-M considered this in their analysis, but noted that a higher-level technology would add additional costs for features not needed now. He stated his belief that an MBR system does not provide better treatment, noting that tertiary filtration could be added to the SBR system, should changes in regulatory requirements dictate the need. He further noted that building out at C1 site would duplicate head-works, sludge handling and disposal, and adds a second site to be maintained. There was general discussion on the need to prepare a financing package with the funding agencies, and the need to educate the public on the expansion plans and the upcoming bond election. It was noted that grant funding is not readily available based on the Four Corners community's medium household income level, but some planning grants are available, which Morrison-Maierle will be applying for (planning for capital improvements). M-M's treatment plant expansion schedule was reviewed, and it was noted that the bond election would be in the Oct-Nov 2017 timeframe. It was further noted that the schedule does not include expanding the limits of the District's discharge permit. This will be a process that will extend beyond the timeframe of expanding the plant, but would be pursued concurrently. Ms. Swimley noted there would be no legal issues for the District to invest in infrastructure upgrades, in anticipation of future capacity needs, prior to having expanded permits in place.

Mr. Gagnon noted the other timely project is the Baxter water & sewer extension, and he will be working with Ms. Swimley on the contracts.

Discussion on Distribution of Remaining In-District Sewer Capacity

GM Kundert provided a set of graphs illustrating the District's sewer capacity, using 120 gpd (average daily use). The District currently has 2000 EDU in use, with 500 EDUs available. A follow-on graph illustrated there are 556 EDU's ("best guess") which are currently committed to "build-out" projects over the next 2 years. It was noted there are more commitments, beyond the next 2 years. There was general discussion on how to handle in-District customers requesting additional EDU's before the plant expansion is complete, and it was noted that this provides a strong argument for moving forward with the wastewater plant expansion. It was noted that commercial condo developments are "low use" and generate income, provided there are no residential units within the development. Land use permits should indicate that residential units are not planned, but it was noted that residential units are known to exist in some developments, which are not paying the additional residential EDUs. Ms. Swimley noted this can be prevented on the front end by writing into the service contract a provision stating that the District has the right to inspect, and should a residence be discovered in a commercial development, water service could be turned off to the building, pending remedial actions. This would require additional manpower and possibly additional legal expenditures.

Mr. Kundert noted that the GM is authorized to approve 3 or fewer EDU requests, and The Board indicated their agreement with Mr. Kundert's proposal that all requests for additional EDU's be brought to the Board for discussion/decision, until the expansion project is complete.

Buzz Cowdrey – Northstar Commerce Park – Lot 31, Request for Additional In-District Capacity for 2 Commercial Condo Buildings

GM Kundert advised that this in-District developer has requested an additional 15 EDUs for his commercial condo building, and needs Board direction on whether the District will approve this now, or should the developer wait 2 years for the expansion to be complete. It was noted that development of a lot into 8 units expands the District's tax base. The Board indicated approval of additional EDUs for in-District, commercial properties, due to their lower usage, provided plans are reviewed, and property can be inspected. It was noted this development would require a contract provision to allow for inspection.

Discussion on Elk Grove Presentation

Ms. Swimley provided a brief recap of the District's presentation to Elk Grove homeowners the prior week. She noted that the meeting was intended as an informational session, and the District did not set any deadlines for the Elk Grove homeowners to make a decision on whether or not to request annexation into the District. She also noted that an additional meeting might be helpful. Ms. Swimley noted that the Elk Grove homeowners were subject to the PSC rates while being served by Utility Solutions, but that the District is not currently subject to the jurisdiction of the PSC. She advised current law states that 10% of registered voters in Elk Grove (roughly 63 voters) would need to sign a petition to annex to the District. The Board noted that they would like to see a majority of homeowners in favor of annexation. It was noted by a member of the public, Amanda Knuteson, that in an effort to gather information, she spoke with a legal representative from the PSC, and was told they believe they do retain jurisdiction over the District. An additional public comment noted

that the Elk Grove homeowners paid Utility Solutions higher rates, which they were led to believe would be retained as reserves for repairs and upgrades to the system, which didn't happen. He stated homeowners are frustrated with being asked to pay for those upgrades again. It was further noted by Ms. Knuteson that an email has been sent to Elk Grove residents that is apparently disseminating misinformation on rate changes and the process for annexation into the District. Ms. Swimley will intervene and clarify the process to be followed by homeowners and the District, which she reiterated would take several months of communications and decision making by both homeowners and the District.

The Board requested that Elk Grove discussion be an early agenda item going forward, in an effort to encourage homeowners to attend Board meetings. The Board also requested that Ms. Swimley contact the PR firm used for the prior bond election, Total BS, to discuss using their services to conduct a campaign for the bond election to fund the treatment plant expansion. The Board decided to not utilize their services for educating Elk Grove homeowners, indicating this should be the responsibility of their HOA.

Monthly Water Usage & Financial Report

The Board reviewed the monthly water usage and financial reports. GM Kundert noted that he is keeping a tally of major anomalies of actual expenses compared to budget, so he can investigate inconsistencies and improve accuracy in future budgets. There was a discussion on the apparent high cost of the insurance vs. the budgeted figures, and some of the specific insurance sub-categories. It was noted that an employee was added, and the coding to categories is difficult to discern from the PayneWest invoices, which are sent quarterly. Amy Ellingson will contact PayneWest to see if District invoices can be provided with more granularity. Board comment also included a request to have insurance expenses accrued for monthly.

GM Kundert noted that the audit contract with Rudd & Co. is no longer active and the District will need to issue a Request for Proposal for auditing services. Kevin Kundert will check with Ms. Swimley on how many bids are legally required. There was a brief discussion on whether or not to replace the CPA currently contracted by the District for maintaining its books, with a less costly bookkeeper. Citing the high level of standards, qualifications and supervision associated with a CPA, the Board indicated their desire to maintain the CPA.

Monthly Operations & Maintenance Report

- Influent pumps at the EGWWTP continue to have seal failures, believed to be due to the particle size of the return activated sludge. Tungsten seals (45 day lead time) will be installed in place of the standard silicon carbide seals to determine if this will solve the problem.
- JR Civil is beginning the site and concrete restoration at EG lift station.
- EGWWTP Digester mixer repair is ongoing
- PH control pilot systems are operational at the Valley Center lift station, treating the force main from Valley Center lift station to the Northstar lift station.
- Elk Grove wells were experiencing serious issues with reliability and troubleshooting revealed several problems, including the main line power distribution panel at the

well site, which had internal shorting resulting in melting. The panel was replaced, along with replacement of the motor starters and thermal overloads for wells #1&2. The pump in well #1 had defective wiring in the casing and was replaced. The valve for the blow off to flush through was also found to be stuck and broken, and was replaced.

- Elk Grove irrigation service risers that are above ground are a source of emergency callouts to shut the service off due to damage from lawn maintenance or age related joint failures. Staff recommends risers be updated with new piping and be installed in irrigation boxes below ground.
- Valley Center backup generator wasn't able to operate the lift station pumps during a recent power outage. Laurel Power Systems will be testing this and other generators in the system.
- Replacement of the District's radio system is underway, as radios have been failing, with some experiencing total loss of communication for 24 hours at a time.
- Operators/GM participated in the Engineering RFQ selection committee process.

Review Draft FY2017/18 Budget – (Discussion Deferred)

Board Member Topics

Sarah Stahlberg: 1) Would like to see a multi-approach plan for monitoring inappropriate use of commercial condos; 2) Requested information on the GM's process for monitoring employee use of District vehicles. GM Kundert advised that he is monitoring the reports from the automated system, and has not observed any abuse. 3) She may need to move out of the Bozeman area, due to a family issue, and will keep the Board posted as she learns more.

Phil George: 1) Would like the GM to task the engineering team to improve the timeline for the wastewater treatment plant. 2) Suggested the District might want to take a more proactive approach with developers to help projects move more quickly, to improve the cash flow into the District from pending developments. This could reduce the amount of financing needed for the wastewater treatment plant expansion.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of June 27, 2017 at 9:25 p.m.



Maralee Parsons
Secretary