

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES SPECIAL MEETING, August 1, 2017

Call to Order

VP Nancy Flikkema called the special meeting of the Four Corners Water and Sewer District to order at 6:36 pm on Tuesday, August 1, 2017, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: Vice President Nancy Flikkema, Member Heather West, and member Phillip George.

Staff/Public: GM Kevin Kundert, Marty Gagnon & Brad Hammerquist representing MMI; Maralee Parsons, Secretary; Amanda Knuteson, Tom Kallenbach, Justin Buchanan.

Public Participation on Non-Agenda Items:

VP Flikkema asked that any public comment on non-agenda items be kept to 5 minutes each.

Tom Kallenbach asked if the District was aware that when the wastewater plant property was transferred, he and Justin Buchanan (developers of the Elk Grove system) attached to the system a set of real covenants. The Board indicated they were not aware of such covenants. Marty Gagnon stated that he has read the covenants for the water system, but has not read (or was aware of) covenants on the wastewater treatment plant. Mr. Kallenbach stated that the covenants speak about water rights, and prohibit the use of the water for any purpose other than that of Elk Grove. Mr. Gagnon stated that no water has been sold by the District to anyone outside of Elk Grove, noting that the District purchased the water system from Utility Solutions (US) and US made a commitment to APK, prior to the District's purchase, and the District intends to honor that commitment, subject to the covenances. Mr. Gagnon noted that the District's council, Susan Swimley, will be providing her legal opinion on the matter. Mr. Kallenbach further stated that if the District tries to use the Elk Grove water anywhere else but Elk Grove, they will fight it. He also claimed that expansion of the Elk Grove wastewater treatment plant was prohibited by the covenances, and expressed his commitment to fight the District's efforts to expand the Elk Grove treatment plant. The Board stated that they will review all documents related to covenances as they are provided to them, and reiterated that the District's council's legal opinion will be forthcoming.

GENERAL BUSINESS

Options for Upgrading the FCWSD Wastewater Treatment Plant Facility – Presentation by Morrison-Maierle Engineers

Brad Hammerquist reviewed the presentation on the FCWSD Wastewater Treatment facility upgrade options. It was noted that the information in the presentation is subject to a review of the covenants, which could change the location of the expansion plant. Mr. Hammerquist noted the 2017 Facility Plan recommended that a 0.4 mgd SBR be constructed at the existing treatment site, and that the Board had asked the engineers to consider creative long-term solutions, with less emphasis on the initial capital costs. The outcome of the ensuing discussions was that SBR remains the preferred technology, with 3 refined sub-options identified for a closer look:

Alternative A: 0.7 mgd Ultimate Capacity of Facility

- New 0.4 mgd SBR
- Keep existing 0.3 mgd Oxidation Ditch

Alternative B: 0.8 mgd Ultimate Capacity of Facility

- New 0.8 mgd SBR
- Convert existing Oxidation Ditch to EQ basin and sludge thickening

Alternative C: 0.8 mgd Ultimate Capacity of Facility, Phased Approach

Phase 1: New 0.4 mgd SBR. Also construct “brick & mortar” for additional 0.4 mgd SBR

Keep existing 0.3 mgd Oxidation Ditch

Phase 2: Add equipment for remaining 0.4 mgd SBR

Convert existing Oxidation Ditch to EQ basin and sludge thickening

The treatment goals were discussed:

- Continue to meet and exceed current and anticipated permit requirements;
- Honor current service commitments;
- Provide additional odor control measures and improved sludge handling, and
- Allow for future ultrafiltration.

The benefits of Alternatives B & C were discussed:

- Provide an additional 100K gpd capacity (625 EDU);
- Provide a clear path toward utilizing a single treatment technology (better for operations team);
- Provide EQ and sludge thickening; and
- Potential for enhanced treatment and increased efficiency of existing disposal system.

The funding goals include

- Maximize use of capacity revenue generated by new users of the system;
- To not raise taxes above the original amount of \$650 per lot per year (prior to purchase from Utility Solutions);
- To not raise rates.

Project costs by Alternative (which include construction, engineering, permitting & admin costs):

A: \$10.69M

B: \$15.26M

C: \$13.45M (Phase 1) + \$2.09M (Phase 2)

Funding sources and options were discussed:

It was noted that Alternative 1 & 2, and phase 1 of Alternative 3, would be funded through a combination of

- Existing capacity funds (money in the bank now);
- New capacity funds (pending annexations);
- Tax bonds (paid through special assessment on tax rolls) and
- Revenue bonds (paid through monthly rates).

Phase 2 of Alternative C could be funded through future capacity funds. In each of the alternatives, the amount of the tax bond is the same across each (amounting to \$107.26 per year per lot), while the debt service under the revenue bonds vary A: \$207K per year (total), B: \$447K per year (total); C: \$352K per year (total). It was noted that the estimated surplus revenue for 2019 is \$465K. The required 10% asset

replacement funds have been built in to these numbers as well. It is estimated the total annual tax per lot will decrease over the next 10 years, as more lots annex into the District, utilizing full capacity of the plant.

It was noted that the design detail as to number of basins per phase will be determined, deploying the most economical and operationally effective solution. Discussion noted that the current oxidation ditch is 17 years old, and the clarifier has equipment that is also aging, so taking the opportunity to repurpose that equipment makes sense. The motors and drives of the oxidation ditch are the most expensive items to replace. Board discussion noted that alternatives B & C are preferable for the District's operational efficiency and long-term growth, and the cost-conscious option of alternative C over B is a prudent choice. Board discussion noted that a review of any existing covenants needs to occur, and Mr. Gagnon will contact Ms. Swimley ASAP for her legal opinion. Should the covenances exist and deemed to preclude expansion of the Elk Grove wastewater plant, other options would be explored and discussed.

Motion: Member Phil George moved to adopt Alternative C; member Heather West seconded. ***The motion carried 3-0.***

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of August 1, 2017 at 7:55 p.m.



Maralee Parsons
Secretary