

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES  
February 24, 2010

1. Call to Order

There being a quorum present, President McHenry called the meeting to order at 6:30 pm, in the gym of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Present: President Don McHenry, Vice President Nancy Flikkema, Treasurer Ed Schmidt, and Cory Klumb.

Public: Susan Swimley, Erin McHenry, Marty Gagnon, Ron Edwards and members of the public.

2. Business

a. Update un financial issues

Mrs. Swimley reported the district has received the tax payment for service and has paid US what is owed for service pursuant to the December 2009 agreement of the district. The district is even with the county for the overpayment which we were repaying. The result is the district has approximately \$112,000.00 and approximately \$111,000.00 in booked bills.

**MOTION:** Treasurer Ed Schmidt made a motion, Vice President Flikkema seconded, to pay all booked bills. The motion passed 4-0.

b. Review and discussion of possible methods of spreading costs of acquisition.

Mrs. Swimley reminded the board that the directive given was to find the most equitable method which could pass an election and not place too much burden on the undeveloped lots. Mr. Edwards put together a power point presentation of the loan payment schedule with possible methods of funding (see attached). The general obligation bond would change over time while the EDUs are a set cost. His EDU method did differ from the one used by US as he was not sure how many EDUs were allocated to some areas such as the golf course.

Treasurer Schmidt expressed concern that we would be bound to the method we choose for funding for the duration of the loan. Mrs. Swimley and Mr. Gagnon agreed this would be a concern. Mr. Edwards reminded the board that the value of the district would increase over time so there would be cause to refinance. Mr. Gagnon reiterated the problem is the district is large with many undeveloped lots. If you put more emphasis on the general obligation bond the costs would decrease as the district is developed.

The board agreed the EDU method poses a problem with regards to commercial lots in that is hard to know how to establish an equitable method of assessing as in the example of a car wash verses an office.

The board inquired what would happen if one of the large developments could not pay the

district. The district would have to deplete the reserve budget and then default on the loan.

Mr. Klumb wanted to know if Mr. Edwards' method included the monthly charges to operating and maintenance. Mr. Edwards reminded the board the amounts in the presentation do not reflect the operations and maintenance. It represented the spreading of the acquisition costs. He used as low of terms in his loan calculations as was reasonable. Mrs. Swimley reiterated the SRF/RD concerns. SRF was no longer willing to consider funding due to the higher priority funding projects on their list

RD wants a new appraisal and wants the district create subdistricts to place more of the acquisition costs on the subdivisions. They want the vacant land taxed at a higher rate. Mr. Gagnon reported he had not heard back from BAAB on whether or not we would qualify. This would only be for a small amount.

c. Discussion on election

President McHenry expressed concern as to how the board could present it to the public as it would never pass. Mr. Klumb was concerned with the amount of vacant lots. Vice President Flikkema reflected on how the district was on track to purchase prior to the recession but with the slow down it puts too much burden on the developments. Mrs. Swimley summarized the boards concerns as the burden was too large on the undeveloped lots and would create too much potential to default on the loan.

**MOTION:** Mr. Klumb made a motion, Vice President Flikkema seconded, to not call for an election to complete acquisition of US. The motion passed 4-0.

d. Set dates for public meetings and outline public information

The board agreed there was no reason to set dates for public meetings. They were curious as to what would happen now they had decided not to have the election. They were concerned where the funds would come from to operate the system and if there was a service contract. They inquired as to the effect Elk Grove would have in annexation. Mrs. Swimley responded Elk Grove is still an unknown but the board would still have to establish rate for service. Treasurer Schmidt inquired why the board would want to set rates when the PCS exists for this reason. Mrs. Swimley reminded the board of the simple advantage of flexibility. Plus the familiarity from residing in the district is an advantage in knowing how to set rates. Mr. Klumb expressed interest in keeping rates away from the PCS with the hope of possible future negotiation with US. The board agreed it would be a good idea to consult US at this time.

**MOTION:** Mr. Klumb made a motion, Treasurer Schmidt seconded, to invite US to the next board meeting to discuss the future. The motion passed 4-0.

3. Consideration of financial reports

None.

4. Public Participation

John Kauffman suggested the board send 2 board members to meet with US prior to the next meeting.

Lisa Gregory asked if the board had requested a presentation from the PCS on how they establish rates.

Tony Kolnik would like to be put on the next agenda to request annexation to the district.

John Kauffman suggested the board authorize Mrs. Swimley to draft a letter to US stating the termination of the acquisition.

The board agreed Mrs. Swimley should send a letter to US terminating the acquisition.

5. Board member issues

The board set up a subcommittee to discuss future options with US. Vice President Flikkema and Mr. Klumb volunteered.

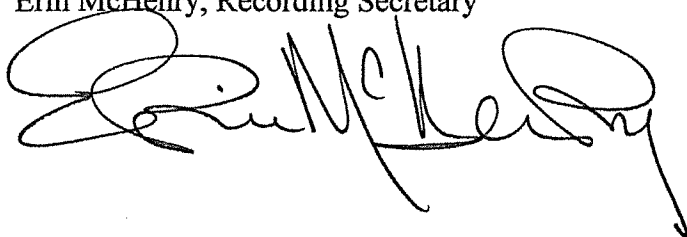
Mrs. Swimley asked the board if they would like her to contact John Vincent form the PSC who has offered to give the board a presentation on how they establish rate. Vice President Flikkema volunteered to contact Commissioner Vincent. The board agreed this should be done as soon as possible.

6. Adjourn Meeting

There being no further business before the Board, the Four Corners Water/Sewer District meeting of February 24, 2010 was adjourned at 8:28 p.m.

Respectfully Submitted,

Erin McHenry, Recording Secretary

A handwritten signature in black ink, appearing to read "Erin McHenry". The signature is written in a cursive, flowing style with a long, sweeping tail that extends downwards and to the right.