

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, June 19, 2018

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, June 19, 2018, 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, member Phillip George, and member Peter Thatcher.

Staff/Public: Marty Gagnon and Brad Hammerquist representing MMI; Susan Swimley, Attorney; Amy Ellingson, Larry Powers, Christine Maday, Maralee Parsons, Secretary; Tom Kallenbach, Amanda Knuteson.

Approval of Minutes

There was a request from a member of the public, Amanda Knuteson, to post the draft minutes so members of the public can read them prior to approval. Approval of the draft minutes from the May 15, 2018; May 29, 2018; June 5, 2018 meetings was postponed by President Klumb until the next regular Board meeting.

Public Participation on Non-Agenda Items:

None were raised.

GENERAL BUSINESS

Ordinance 2018-04 2nd Reading – Annexation for Eric Nellis home, 95 New Ventures

District council Susan Swimley advised that the first reading was performed on May 15, 2018, and there have been no changes. There was no Board discussion.

Motion: VP Flikkema moved to approve the second reading of Ordinance 2018-04; member Peter Thatcher seconded. *The motion carried 5-0.*

Ordinance 2017-03 (corrected from 2018-05) 2nd Reading – Irrigation Wells Commercial lots 2 acres and up

District council Susan Swimley advised that the first reading was performed on September 19, 2017, with no further action taken since then and the Ordinance requires a second reading before taking effect. There was no further Board discussion.

Motion: Member Phil George moved to approve the 2nd reading of Ordinance 2017-03; member Heather West seconded. *The motion carried 4-0*, with VP Flikkema abstaining due to conflict of interest concerns.

Discussion of policy for irrigation wells for lots (commercial and residential) of less than 2 acres

Engineer Marty Gagnon noted that properties are annexing into the District whose owners are buying water rights from Utility Solutions but which does not include irrigation rights, so some of those annexing property owners may want to drill an exempt well, and it was noted that numerous requests have been made to the District thus far. He also noted that some properties in the District, preliminarily platted prior to October 2014, (e.g. Gallatin Heights, Blackbull) are grandfathered into a previous DNRC rule which allowed for an exempt well, provided the District provides permission. One option is for the District to modify Ordinance 2017-03, to also allow commercial lots < 2 acres

(size TBD) and also potentially allow residential lots to drill an exempt well. After some discussion the Board requested more information, specifically the number of ½ acre lots currently existing, to understand the potential impact. Mr. Gagnon noted that other Districts, such as the city of Bozeman, are allowing some larger lots to drill irrigation wells, noting it reduces irrigation using treated water, but also reduces revenue. Mr. Gagnon will research the number of ½ acre lots (both commercial and residential) and this will be an agenda item for next month.

Bob Murdo/Susan Swimley Discussion of sub-district rate

Ms. Swimley stated that Mr. Murdo has been unable to come to a meeting and this will be postponed until next month.

Request for water attorney – Discussion

Ms. Swimley is recommending the District retain the services of a water rights attorney with a scope of work to include: review the acknowledgement of water rights received by the District and update ownership records; research and identify if there are any objectors to water rights; follow through with the process to ensure water rights are transferred during the Utility Solutions water right amendment process. A rough estimate is about \$3,000 for the attorney, who would work with a research firm for an additional \$3,000 - \$5,000 for the research (which could be less as Morrison Maierle already has much of the information). Board discussion indicated that this is an important process and needs to be done correctly.

Motion: Member Heather West moved to approve the hiring of a water rights attorney; VP Flikkema seconded. *The motion carried 5-0.*

Rate change/discussion

Member Phil George presented to the Board various preliminary proposals on the District's rates & fees. The proposal is to raise the water base fee by 2% and sewer base fee by 4.55%. Volume charges will be discussed next month. He noted that during his research he discovered that some of the District's connection fees and set-up fees have not officially been approved by the Board. He will continue to work up a proposal for the Board's consideration of fees and charges, e.g. attorney, engineering and admin time consumed in District activities to support new development. This will be discussed more at length at next month's meeting.

Mr. George advised that there is one subdivision with users in category 2 (1.5X multiplier) with an ADU (Accessory Dwelling Unit) which are not being charged at the 1.5X rate, as prescribed by the District's December 2016 Residential ADU Policy. Ms. Swimley noted this subdivision has not been actively enforcing the policy, and the District has not been proactive in ensuring compliance with a residence with an ADU. District Admin Amy Ellingson noted a letter will be mailed to 7 properties advising them that effective August 1, 2018, the property's bill will reflect the 1.5X rate.

Ms. Swimley noted that the District can raise its base water & sewer rates by up to 5% in a 12-month period without a rate hearing. It was noted that the District has not raised its rates since 2010. Mr. George noted that the new fiscal year budget indicates an excess of water revenues, but noted the District also needs to build up its replacement reserve fund, so he proposes a 2% increase. On the sewer side, higher revenues are needed, and there is also a concerted effort underway to also reduce expenses.

Motion: Member Heather West moved to send notice out to customers for a rate increase of 2% for water and 4.55% for sewer. VP Nancy Flikkema seconded. ***The motion carried 5-0.***

Possible implementation for charges/fees for various services

Mr. George noted other water and sewer districts are adding infrastructure fees for existing infrastructure to help offset some of the future cost-drivers which should not be paid for by people already in the District. He noted he will be working on consolidating his recommendation for proposed fees and will present this to the Board at the next meeting. Ms. Swimley will prepare a resolution for the Board's consideration, which will include an Exhibit for the fees. She will also prepare an amendment to Resolution 2017-03 to remove the reference to the fees (which will be listed in the Exhibit attached to the Resolution on fee structure).

Engineer's Report

Brad Hammerquist provided the report. They have been working on plan reviews on main extensions, new connections, etc. Regular meetings for the WRF are on-going, as are regular meetings with WRF and bond council, and they have been providing information to DEQ as needed.

Monthly Operation & Maintenance Report

- The results and recommendations for odor control and septicity treatment for injection of calcium nitrate to replace the $Mg(OH)_2$ injection have been received. Evaluation of the proposal determined that their service is unreasonably expensive to implement, and the chemical costs could be as high as \$300K per year. The operations staff are exploring alternatives
- The experimental waste sludge thickening program at the EGWWTP is beginning to show very good results. Monitoring will continue and at least a 30% reduction in cost of sludge disposal is expected through the next fiscal year.
- Zoot booster station wells #2 & 3 are showing signs of pending failure, and Bridger Drilling is working on replacement cost estimates. The control panel for well #3 failed, and staff rewired the control to operate well #3 from well #1 panel to keep it in service.
- Black Bull lift station #1 has electrical problems when running on generator power; troubleshooting and best option repairs are underway.
- EGWWTP headworks mechanical screen is out of service for repair and modification to improve performance.
- The augmentation basin is not able to take the flow of water/day needed to meet quota for DNRC this year, believed to be due to sedimentation and the very wet year. Investigation is ongoing.

Monthly Water Usage & Financial Report

The Board reviewed the monthly water usage and financial reports, which have been simplified over previous reports. Member Phil George commented that the District has close to \$3M in one bank, noting that FDIC insurance only guarantees up to \$250K. He feels moving some money into various funds and/or investments could be beneficial and

he will be doing more research to develop a strategy for the District's cash management. It was noted that the County Treasurer could be a good source for advice on money management of public funds.

Attached Memo – update Board on activities (Swimley)

Ms. Swimley provided the Board with a written update on recent activities after the separation of the General Manager from the District, including annexation activities, will-serve/capacity letters/service contract activities. Board comment noted the report was well organized and helpful. Public attendee Tom Kallenbach asked what the APK "will-serve" letter entailed, and Ms. Swimley advised it was for water service. He questioned if APK, immediately north of Elk Grove, is to be provided with Elk Grove water, to which Ms. Swimley replied "yes". Mr. Kallenbach stated that the District and Ms. Swimley have been noticed repeatedly that Elk Grove water does not go offsite. He stated emphatically that this condition was contained in the covenants when the system was sold to Utility Solutions, and when this Board purchased the system from Utility Solutions, it purchased the system subject to those covenants. He stated that Marty Gagnon reviewed and commented on the documents. Amanda Knuteson stated that this is "non-negotiable, this will be sorted out in court". She stated that in 2007, they did a change of place of use on the Elk Grove water rights in contravention of the covenants. She stated that the District "stripped 18,000 + gal/day off of the water that is supposed to be allotted to phase 4 of Elk Grove and sold it" to APK. Mr. Kallenbach said he asked last month if the Board had seen the letters which had gone back and forth between his attorneys and the District's attorneys, and said he still has not seen a response to some communications. Ms. Knuteson stated that there is a contractual obligation to phase 4 of 25K gal/day of wastewater capacity, and asked the Board how much water would go along with that? President Klumb asked that they contact the District office to have Elk Grove water discussion added to the agenda for next month's Board meeting. Mr. Kallenbach repeated his assertion that the Board "does not care" about the covenants placed on the system. Ms. Knuteson said she would have them put on the agenda but "stuff is happening too fast" and stated between now and the next meeting there will probably be a complaint filed in court. Mr. Kallenbach stated he wants it on the record "that you have been told repeatedly, your engineer, your lawyer have made significant mistakes that they refuse to acknowledge and if they just acknowledge their mistakes instead of trying to dig themselves out of the mess they have made. This needs to be on the record so we can say we told you and we've been telling you. This isn't fair that I have to keep coming to these meetings to make sure Marty hasn't re-allocated my water again." He stated he wouldn't have sold the wastewater plant or the water system if the covenants were not agreed to. President Klumb again asked that they put themselves on the next agenda so the Board can have a discussion and address the issues being raised tonight. Members of the Board reiterated that this discussion needs to be put on the agenda and also stated they do not appreciate the speakers raising their voices in the meeting and would appreciate a calm, rational voice. President Klumb also noted that he will research Roberts Rules and potentially implement some rule changes regarding public comment.

Discussion of GM job description and hiring process And Operator Interviews/Staffing options/issues

Member Phil George advised that he and Peter Thatcher, along with the interview team, had conducted 4 interviews for the open operator position. An offer has been made and

accepted, subject to the contingencies listed in the offer. He noted that the candidate has good experience and he was the unanimous selection by the interview team. He has a 1-C license which has expired, and will be taking the exam again. His start date is July 9.

Mr. George stated that he has been working with the staff as part of the transition, and staff feedback was that the District may be better off with a 4th operator and part-time General Manager. Staff is concerned about the additional staff needed to support the WRF in the next few years. Ms. Swimley noted she had sent the Board a revised GM job description which states that the position requires not less than 25% of the time working in and on the facilities (“time” specifics TBD). She further noted her concern that a part-time manager would still need to be a critical thinker and qualified to deal with the growth aspects of the District. Member Peter Thatcher stated his agreement that it would be difficult to hire a part time GM with the skills needed to support growth, and he would like to see a full-time GM hired, as well as a 4th operator. It was noted that state law does require the District to have a General Manager and a Secretary. Member Phil George stated he would be willing to continue to commit up to 20 hours per week to help the District in the transition period. There was general discussion on the merits of having a GM who is able to understand and participate in the operational activities, handle the administrative responsibilities and be able to self-manage. Board comment was unanimous in their strong support of the FCWSD staff and their ability to step up and absorb much of the GM duties as well as maintain their regular duties during the transition. The Board acknowledged that there is a need for a 4th operator, and member Phil George noted that there was a second candidate who interviewed for the open position, who would be a good candidate for a 4th operator. The Board agreed that hiring a 4th operator now would alleviate some urgency in finding a new GM, and the hiring committee should move forward with making an offer for a 4th operator. Member Phil George and the staff will work together to refine the GM job description and bring it back to the Board for review.

Board Member Topics

- President Klumb: he has received a complaint from some people in Northstar that some manhole covers need to be lowered. Larry Powers noted that some asphalt may have settled, noting that you can’t lower manhole covers too much or infiltration can become an issue. He will look into it.
- Susan Swimley: provided a red-line copy of the personnel policy, noting that the audit revealed a number of policies were not being followed. This will be on the August agenda for Board comment and finalization. She further noted that the job offers made to current operators included a statement that “an advancement policy” will be created, and this has not happened. This needs to be budgeted.
- Susan Swimley: She is investigating the complaint Heather West has received from Kennedy subdivision lot 2 block 1 and lot 1 block 2. The car wash contract is also in process.
- New potential dates for the July Board meeting will be sent out via email as a quorum may not be present on the regularly scheduled date of July 17.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of June 19, 2018 at 8:40 p.m.



Maralee Parsons
Secretary