

**FOUR CORNERS WATER AND SEWER DISTRICT MINUTES
REGULAR MEETING, January 21, 2020**

Call to Order

President Cory Klumb called the regular meeting of the Four Corners Water and Sewer District (FCWSD) to order at 6:30 pm on Tuesday, January 21, 2020, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: President Cory Klumb, member Phillip George, member Peter Thatcher, and member Nancy Flikkema (arrived 6:33).

Staff/Public: Amy Ellingson and Larry Powers from FCWSD, Brad Hammerquist of Morrison-Maierle (MMI), Joy Davis, Secretary

Approval of Minutes

November 19, 2019 Board Meeting:

Motion: Member Phil George moved to approve the minutes as written; member Peter Thatcher seconded. The minutes were approved 4-0.

Public Comment on Non-Agenda Items:

None were raised.

GENERAL BUSINESS

Resolution 2020-01: Establishing an Infrastructure Equalization Fee for the District

Phil George explained that Resolution 2020-01 establishes an Infrastructure Equalization Fee of \$2,000 per EDU for annexed properties that will connect into the established water and sewer system. Following last meeting's payback discussion and the evaluation of three different payback scenarios, a \$2,000 fee per EDU was determined to be the simplest and fairest solution for new developments that have not paid into the established infrastructure either in taxes or investments. It will also allow for the district to pay the material cost (not labor) of a pipeline upgrade if it can foresee that future developments will be capable of using that infrastructure and it is to the benefit of the district to upsize a pipe.

Peter Thatcher asked if other expanding towns dealt with similar issues. Brad Hammerquist stated that Belgrade has also has fees to hook up to existing infrastructure.

Motion: Peter Thatcher moved that we approve this resolution. Nancy Flikkema seconded the motion. There was no public comment. Resolution passed 4-0.

Resolution 2020-02: Establishing and Updating Various Fees and Charges

Phil George explained that Resolution 2020-02 establishes or modifies three fees:

- 1) Bulk Hydrant use fees: In-district use is to remain at \$10/1000 gal. Contractor fees will increase to \$20/1000 gal. Out-of-district use for fire suppression will now be \$50/1000 gal. Out-of-district residents also have the option to purchase the right to use district's fire system for \$2,800, which allows them to pay the in-district fee and to forego installing a fire suppression system in their house, with approval of appropriate fire district.

- 2) Posting fee: When a disconnect notice is posted prior to disconnect, the owner of that property will be charged \$25 for that posting. This fee is established to be more in line with the current \$100 fees for disconnection and reconnection, which also require an employee to make a physical trip to the property.

Nancy Flikkema asked if there is enough time for those notified of a disconnect to pay their bill. Amy Ellingson explained that after three bills have been sent with no payment, residents are notified through the mail of a pending disconnect and given two weeks to respond. Following that, disconnect notices are posted by noon, with a disconnect scheduled for 1pm the following day.

- 3) Vacant Lot fee: This fee would affect privately-owned residential lots, because the district maintains water rights and tracks sewer system capacity for those lots. Proposed fees are \$10/month for sewer and \$10/month for water.

Peter asked how fees would be enforced. Phil suggested sitting down with developer bi-annually to determine when properties had been sold and establishing a grace period of six months to a year. Peter suggested that there should be a mechanism by which the developer is made to advise purchasers of the fee so that it doesn't come as a surprise. Phil suggests taking the Vacant Lot fee out of Resolution 2020-02 for further development.

Motion: Nancy Flikkema moved to approve Resolution 2020-02 with the Vacant Lot fee removed. Peter Thatcher seconded the motion. Larry Powers added that it is often challenging to find curbstops on lots that have been sitting vacant for a long time. Cory suggested that the fee be re-named to indicate that it is for "upkeep" instead of for "vacant lots". Resolution passed 4-0.

Resolution 2020-03: Authorizing the District to Invest in Municipal Bonds/Funds

Phil explained that as the board has discussed in November, he has been looking into the possibility of making additional investments in low-risk bonds with a higher yield than the 1.9% district is currently getting through STIP. (Note: Cory recused himself from discussion and vote.)

For water reserves, he recommends investing \$600,000 in the Invesco High Yield Municipal bond with a 5% yield, leaving about \$500,000 in the STIP fund.

For sewer reserves, he recommends investing \$1MM in Invesco High Yield Municipal A with a 5% yield and \$1MM in Invesco Intermediate Term Municipal Inc A with a 3% yield, leaving about \$1.5MM in STIP. STIP funds remaining will be for Baxter Crossing, engineering for WRF Phase 1, and WRF Phase 2.

Funds in STIP have 24 to 48-hour turnaround if needed; Invesco funds have a one-week turnaround. Invesco bonds have historically performed well.

Nancy asked to clarify if funds in the sewer and water reserves are to pay for WRF plan or not? Phil said they are not, but he is reserving some to pay for some of the WRF engineering not included in the bid. WRF cost is down ~\$.25MM due to scope and technical changes to plan, but Phil may decide to withhold an additional \$500,000 for Baxter Crossing. He added that those reserves should be replenished with capacity fees.

Two board members must sign to agree to investments and on the investment documents.

Motion: Phil George moved to allow execution of these alternate investments. Peter Thatcher seconded. Nancy acknowledged Phil's work and frustration with the process. Resolution passed 3-0.

Payback Agreement Discussion/Resolution

Refer to Resolution 2020-01: Establishing an Infrastructure Equalization Fee for the District

Pending BOD Election

Two positions are opening as of May 2020. Phil is moving off the board and Heather may be as well. There have been a few interviews, but the search for new board members is ongoing. A notice has been posted to the district website and to various HOA sites. Amy will add a note to outgoing bills as well to ask interested parties to contact the board.

Engineer's Report

Brad Hammerquist gave the Engineer's Report.

- Water Reclamation Facility: Concrete work for the subsurface tanks has been high quality.
- Elk Grove Lift Station: Construction is basically complete and they are working to get it certified with DEQ. The liner inside of concrete structure will extend life of facility for a long time (150 years).
- Elk Grove Dewatering Facility: Submitted plan and specifications to DEQ a month ago, awaiting approval.

Monthly Operations & Maintenance Report

Larry Powers provided the report:

- Headworks Screen parts arrived after four months.
- WRF is progressing. All of the deep, cast-in-place concrete that requires dewatering is in place. The Influent Pump Station passed the leakage test and is partially backfilled. Underfloor piping needs to be installed before the cover and building slab concrete can be finished. SBR tanks are being tested for leaks to ensure the new treatment plant won't contaminate groundwater. Full report is posted on FCWSD website.
- VFD failure at the NS Booster was repaired and everything is working fine.
- Elk Grove Lift Station repairs completed first week of January. Workers monitored bypass pumping on-site 24 hours a day. Fiberglass liner was installed to extend the life of the concrete structure; it has a 50- to 100-year useful life. Phil added that this is one of the district's capital projects and it is currently about 96% complete and right at budget. Still need touch-ups and as-builts but it is as state-of-the-art as can be.
- At Phil's request, Larry brought examples of the cost of illegal dumping and unscheduled maintenance. An RV dump hose connection and a rock destroyed an impeller and caused ~\$3,000 in unexpected maintenance costs. Inspections were implemented in spring 2018 to identify potential problems early and to save district those unexpected costs.

General Administration Report and Monthly Financial Report

Amy Ellingson provided the General Administration Report:

- Fencing at RI is done, it looks good and will last a long time.
- Marilee has retired as board secretary. Joy Davis is the new secretary.
- Office remodel should be done by the end of the month.
- District switched to new gas cards with Story Distributing so that as to not pay federal tax for gas in vehicles. Each vehicle has their own card. District is exempt and will save .18/gal.

Amy Ellingson provided the Monthly Financial Report:

- In shared expenses, we are over in vehicle expenses due to the two vehicles purchased in August. We are over in professional services due to lawsuit with Susan and water right issues, as well as extra engineering time from MMI. Phil added that we are still adjudicating water rights with Utility Solutions, but that is hopefully coming to a close in February. We are slightly over in personnel as well.
- Water – Income is over budget. Everything else is at or below budget. Water's half of shared expenses has raised the total expenses over budget.
- Sewer – Income is over budget. Hauling is down. We are awaiting a bill for WRF. Repairs are up due to unexpected maintenance (impeller).
- For the most part, budgets are right on track with forecasts. Phil added that January will have elevated labor expenses due to the 24-hour monitoring at the Elk Grove Lift Station.

Manager Topics

WRF Phase 2: Phase 2 consists of putting a building over the concrete structure that has just been poured and installing SBR (Sequential Batch Reactor) equipment. Phil will ask for a bid from contractor for the building. (The second SBR has already been negotiated and agreed upon.) He may then put out a request for design and build of the building to see if we can save money. Phil will bring proposals back to the board to discuss. Brad added that the plant's existing capacity is 300,000 gallons/day. The first SBR extended that by 200,000 gallons; the second phase would extend it 200,000 gallons more. More information on Phase 2 to come.

Employee Growth: With new facility, a new operator will be hired. We are also looking for a part-time administrator for about 20 hours/week, no benefits, to do mostly data-entry and phones.

Water and Sewer Rates: How can we hold monthly rates? Phil proposed considering the possibility of maintaining current water and sewer rates by paying down revenue bonds. For sewer, if district contributes \$250,000/year, the bond will be paid off in 2028. For each \$250,000 contributed, the costs of maintaining that bond are reduced by \$10,000 - \$20,000. Paying down can be suspended at any time if necessary. Nancy asked where would the funds come from? Phil answered that they would come from capacity funds that we were not allowed to use for WRF. Peter will meet with Phil and Phil will bring the matter back to the board for more discussion next month.

Disposal Study: We should have preliminary results in the near future. The next step is to go to DEQ and present the model. Once we have disposal permit, district will decide whether to go beyond Phase 2 and how. Brad added that after Phase 2 is complete, we will be at the limit of the current discharge permit and unable to sell further capacity or build further infrastructure. Peter asked if it's not water availability that limits our growth? Phil said no. Disposal is the limiting factor.

Board Member Topics

There were no further comments.

Next Meeting Date: Tuesday, February 18, 2020 in the remodeled offices.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of January 21, 2020 adjourned at 7:41 p.m.

Joy Davis, Secretary