

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES SPECIAL MEETING, May 2, 2017

Call to Order

President Cory Klumb called the special meeting of the Four Corners Water and Sewer District to order at 6:35 pm on Tuesday, May 2, 2017, in the library of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: President Cory Klumb, Member Heather West, Member Sarah Stahlberg.

Staff/Public: GM Kevin Kundert, Marty Gagnon representing MMI; Susan Swimley, Attorney; Maralee Parsons, Secretary; Phillip George, Ron Edwards, Brian Viall, Scott Buecker.

Public Participation on Non-Agenda Items:

None were raised.

GENERAL BUSINESS

Consider Appointment to Vacant Board Member Position: Phil George, from Black Bull Subdivision

The Board reviewed the resume presented for candidate Phillip George. GM Kundert noted that Mr. George has previously attended several Board meetings and is well versed in water rights. There was no Board discussion.

Motion: Member Sarah Stahlberg moved to appoint Phillip George to the Board seat vacated by Terence Malloy. Member Heather West seconded. ***The motion carried 3-0.*** Mr. George was sworn in by Susan Swimley, and was welcomed to the Board table.

Discuss Elk Grove Water & Sewer Systems Cost of Operations/Repairs to Prepare for Possible Annexation to District

GM Kevin Kundert reviewed the handout prepared by Morrison Maierle, which assists in determining the total annual cost of owning, operating, maintaining, and replacing the Elk Grove (EG) water and sewer systems. The annual costs, consisting of 1) Operation and Maintenance; 2) Capital Maintenance Projects; 3) Asset Replacement; and 4) Capital Projects, are described in detail in the document and were reviewed. Documents summarizing annual costs with a varying Asset Replacement Factor of 0%, 25%, 50% (recommended) and 100% were also reviewed. It was noted that EG has its own water system, so their costs are unique, while the costs of the sewer system are shared, which has been determined, using a per capita basis, as 20% of the District's overall sewer costs. The Board reviewed and discussed the itemized detail of the 3 EG Capital Projects: water supply well improvements; booster station improvements; and EG IP Cell Rehabilitation. Marty Gagnon stated that he feels EG should be looked at as a separate entity, not part of the District, and a presentation to EG should show EG replacement costs and capital project costs, and the Board agreed. Mr. Gagnon further noted that his document assumes that the District will loan EG the money at 2.5% interest for the capital projects, so EG total annual costs include loan repayment costs. He noted that capital replacement costs are to replace everything ultimately, and costs associated with capital maintenance pushes those replacement costs into the future. GM Kundert noted that EG has the oldest system, built in 2000, and is more than half way through its useful life, and he noted that when the District purchased the assets from Utility Solutions, an asset replacement reserve fund was not provided to the District. The Board requested that this fact be highlighted to EG in the presentation. as

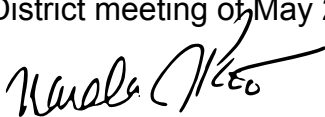
well as the need for EG to start setting aside funds for asset replacements. Ms. Swimley noted that because the EG assess were PSC regulated, the District committed to the PSC at the time of purchase to provide EG HOA with detailed data on costs, rates, and methodology of determining that, but she also recommended that the data be summarized in the presentation at a high level. The Board agreed that an easily absorbable presentation in PowerPoint would be appropriate. GM Kundert also reviewed a comparison of 2016 monthly water usage and costs, between EG and the District, with and without the tax added. Ms. Swimley noted that EG is its own category of out-of-district customer, and advised that it may not be financially feasible to allow EG to annex, because the EG equipment costs would need to be spread across everyone in the District. GM Kundert noted that an EG annexation would result in fewer operational activities, as EG operates on separate meters and billing software. It was noted that the presentation should separate out EG costs from District costs first, but District costs can be included later when showing EG what the cost to annex would be. There was general discussion on the percentage to be put away for asset replacement. The District is currently at 25% and Ms. Swimley noted that the District can keep the District at 25% with EG at 50%, because the District's assets are younger, and the District has been keeping reserves through tax assessment revenues (required by RD), whereas EG has not been paying for reserves through their rates. It was further noted that the Board would like to understand how much of the actual flow is attributable to EG, and how that lines up with the 20% share (per capita) assumption used in the cost analysis, and directed GM Kundert to investigate this, and use 20% as the EG share if flow rates are 20% or lower. If the actual flow rates are higher, then use that actual number. The Board agreed to use a 50% asset replacement figure for EG. Mr. Gagnon stated that he and Kevin will run the numbers, and prepare a summary for EG highlighting costs, revenue, reserves, for both scenarios of annexing into the District or remaining out of the District. Prior to presenting to EG, the presentation will be reviewed by a 2-member Board committee.

Discuss Format and Content of Proposed RFQ (Request for Qualifications) for Professional Engineering Services

The Board reviewed the draft presented by GM Kundert. Ms. Swimley advised the insurance section is fine as drafted. Board discussion included questioning if the criteria section should include Homeland Security requirements and data security measures. Ms. Swimley will research and advise. The Board approved the draft as presented, with a modification to remove the requirement to attend four meetings a year, and a possible modification resulting from Ms. Swimley's advice on the level of security needed.

Adjourn

There being no further business before the Board, the Four Corners Water & Sewer District meeting of May 2, 2017 at 8:08 p.m.



Maralee Parsons
Secretary