

## **FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, April 17, 2018**

### **Call to Order**

President Cory Klumb called the regular meeting of the Four Corners Water and Sewer District to order at 6:30 pm on Tuesday, April 17, 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 (arrived 6:37), member Peter Thatcher.

Staff/Public: GM Kevin Kundert, Marty Gagnon & Matt Gagnon representing MMI; Susan Swimley, Attorney; Maralee Parsons, Secretary; Brent Shober, Matt Elwell, Fred Maxted, Denise Albrecht, Ray Runkle, Geoff Wendt, Kyle Griffith, Justin Buchanan, Tom Kallenbach, Amanda Knuteson, Kevin Cook, Caleb Campbell, Barbara Campbell, Trevor Campbell.

### **Approval of Minutes**

March 20, 2018 Board Meeting:

Motion: VP Nancy Flikkema moved to approve the minutes as written; member Peter Thatcher seconded the motion. The minutes were approved 3-0.

### **Public Participation on Non-Agenda Items:**

Tom Kallenbach raised a concern regarding the minutes on a discussion from the last Board meeting, regarding 3 water meters in Elk Grove which needed to be replaced. He said he stated during that discussion that at the District's June 2017 presentation to Elk Grove homeowners, the number provided to the homeowners to fix the 3 meters was in the range of \$175K, and he was told at the March board meeting that this number was not correct. He later reviewed the document, which provided a repair cost of \$173,800. He questioned why a repair cost of \$173,800 was provided to the Elk Grove homeowners when they were considering whether or not to annex into the District, if the repair cost is actually \$2-10K. He stated his belief that this was a number thrown out to prod the homeowners into annexing by presenting high maintenance numbers and may have influenced homeowner's vote in the annexation process. Matt Elwell, from the Elk Grove homeowners' association, stated he would be interested in seeing what the actual repair costs would be for a vaulted or buried meter installation. GM Kevin Kundert will work with Morrison-Maierle to gather those costs.

Justin Buchanan, an Elk Grove resident, provided a memo he authored to the Board regarding the Elk Grove annexation into the District. He stated that at the June 2017 homeowner's meeting, the District presented information to the Elk Grove residents on their current rates, which stated that the District's annual cost to serve Elk Grove is \$776,886, while the Elk Grove accounts provide an annual revenue of \$548,952, resulting in a deficit of \$227,914. Mr. Buchanan said the residents were told that this deficit would be paid for by raising Elk Grove rates, and that the PSC has no review authority, or alternatively, the Elk Grove subdivision could annex into the District, and their rates will stay the same or may go down. He stated his belief that the operating cost of \$776,886 provided by the District, included some gross errors. He further stated that Elk Grove represents 20% of the accounts serviced by the District, using about

20% of the water, but, according to the District, uses about 28% of the wastewater. He stated this would mean that either the District's metering is off, or there could be a serious inflow and infiltration problem. He said when he brought this to GM Kundert's attention via email, he was told by Mr. Kundert that there had been a leaking manhole, which has since been fixed, so perhaps the 28% figure should be changed in the future. He further stated the difference between 28% and 20% could amount to about \$150K in additional cost being assigned to Elk Grove, and this has not been changed, despite his having brought this to the District's attention. He also stated that Elk Grove is being held responsible for another \$110K, for servicing some of the District's indebtedness resulting from the purchase of the Utility Solutions assets, after the District had stated before the PSC that the Elk Grove residents would not pay any of the funding those costs. He stated his belief that Elk Grove residents voted to annex based on faulty information provided by the District. He further stated that the District has never made it known to Elk Grove residents that the District will be building another wastewater plant, and this would presumably be paid for by higher rates or higher property taxes. President Cory Klumb stated that all District Board meetings are public meetings, and the new wastewater plant has been discussed at all of those meetings for several months now. There was a public comment made noting Elk Grove homeowners were provided with information at just one meeting in order to make a decision on annexation, and he is now questioning whether the information provided is accurate. The Board commented that none of the information presented in Mr. Buchanan's memo to the Board dated April 17, 2017[sic] has been presented to the Board until now. VP Nancy Flikkema stated that the District will research and address this memo, as well as the public comments made at this evening's meeting.

## **GENERAL BUSINESS**

### **Ordinance 2018-02 2<sup>nd</sup> Reading – Annexation Petition for Lot 22 of Shedhorn Subdivision**

There was no Board comment and no public comment. **Motion:** VP Nancy Flikkema moved to approve the second reading of Ordinance 2018-02; member Heather West seconded the motion. ***The motion carried 4-0.***

### **1<sup>st</sup> Reading of Elk Grove Residential Annexation Ordinance**

There was some discussion on whether to delay the 1<sup>st</sup> reading of the ordinance to allow time to review the materials presented and discussed tonight. District council Susan Swimley advised the Board that they could approve the first reading tonight and ask for clarification on the numbers presented in the memo prior to the second reading. Additionally, staff can be directed to get updated information out to the homeowners of Elk Grove. Tom Kallenbach stated that information provided to the Elk Grove residents should include in-District rates and out-of-District rates, as well as property taxes which will apply if annexed into the District.

Amanda Knuteson asked Ms. Swimley if there was documentation pertaining to a comment in Susan Swimley's 4/16/18 memo provided to the Board which states "each early purchaser of a lot in the Elk Grove paid a capital fee for sewer/water infrastructure." Ms. Swimley replied that she did have documentation on a \$5,000 sewer/water infrastructure fee, and this is what she was told. Mr. Kallenbach stated his belief this is a false statement. After some discussion President Cory Klumb

acknowledged that work has been done by both the District as well as the Elk Grove homeowners association to complete the annexation process, and he stated that the Board would go forward with the first reading of the Ordinance. Ms. Swimley then clarified the data on the lots, petitions, and electors. There are 299 residential lots, 1 day care lot and 12 commercial lots (a total of 312 lots) in Elk Grove subdivision. The District received 262 petitions for annexation, signed by 262 individuals, but not all of those 262 individuals were qualified electors. She noted, however, that this figure might represent a “temperature gauge” for annexation, namely, of the 312 lots, 262 submitted petitions for annexation, or 84% of the lots sought annexation.

She further noted that of those 262 petitions, 213 were found to be qualified electors. There is a total of 599 qualified electors in Elk Grove. The law states that 10% of the qualified electors must petition to annex, which equals (rounded) 60 petitioners. At the time of the submission, 213 of the 262 petitions were signed by qualified electors. Because the annexation petitions were confusing, Magpie Consulting was hired to ensure that each petition signed by a qualified elector was reviewed and determine if there were any questions about the information provided. During the clarification process, of the 213 qualified electors, 12 withdrew their petitions. Of the 201 remaining qualified electors, 59%, or 118 electors, verified that they desired the Elk Grove subdivision to be annexed. The balance of 83 electors could not be reached. She further noted that the Ordinance before the Board does not include annexation of the undeveloped commercial lots owned by Elk Grove Development Co. The District would still be contractually obligated to provide water & sewer services at such time as the lots are developed. She advised that she contacted the attorney for Elk Grove Development Co. twice to determine if they wanted to be annexed, and did not get a response, taking the silence as a “no”.

**Motion:** VP Nancy Flikkema moved to accept the first reading of Ordinance 2018-03, Annexing Residential, Utility Lots and Public Park of Elk Grove Subdivision Upon Petition for Annexation into the Four Corners Water and Sewer District. Member Heather West seconded. *The motion carried 4-0.*

### **Brent Shober (178 2<sup>nd</sup> Street, Rainbow Subd.) – Concerns about possible odor/light/noise pollution & Property Devaluation due to Planned Water Reclamation Facility**

Brent Shober spoke regarding his concerns with the proposed new wastewater reclamation facility which will be near his house. He stated that even though the facility will be enclosed, nothing is perfect, and he has concerns about odor or noise. He stated he cannot sell his property without disclosing this information and is concerned about devaluation of his property. He noted he is not on the FCWSD system and has his own well, and is concerned about impacts to his well. The Board thanked Mr. Shober for his comments and invited him to continue to attend public Board meetings to stay informed on designs and progress on the facility.

### **New Developments Proposed in NE District Area & Water Rights Discussion (Double-Tree Inc.)**

Trevor Campbell with Double-Tree/Utility Solutions discussed the proposed project. He noted that they have been in contact with several developers along the south side of Cameron Bridge Road who are interested in developing their property and will need water & sewer service. Utility Solutions is proposing a water/sewer main extension

project out to Cameron Bridge to service those properties in the future. He noted that the District is currently planning on putting a sleeve under Jackrabbit at Valley Center, and the project could tie into that line and extend north to Cameron Bridge and east to Harper Puckett Road. He provided maps, noting the development would ultimately be billed out at about 2000 EDU's, with 1000 EDU's expected within the next 2-5 years. Utility Solutions would like an assurance from the District that it would be willing to extend into this area and serve the properties out of its future expanded capacity. Barb Campbell further stated that Utility Solutions would pay for the extension of the water & sewer mains, and they would be reimbursed by the developers. She noted that Belgrade School District is looking for an expansion site, and that Belgrade is not interested in servicing water/sewer south of Cameron Bridge. She noted that they have met with the District's WRF committee, which stated they wanted to explore all of the potential consequences of this project, in addition to the \$15M in impact fees the District would expect to receive. Ms. Campbell would ideally like a memorandum of understanding from the District by June 1<sup>st</sup>, so they can move forward with designs, be out of DEQ review by the end of the year, and put pipe in the ground next year, and be complete at the time of the FCWSD expansion. District engineer Marty Gagnon noted that this volume of development could put the District into phase II of the expansion very quickly. It was further noted that those developments which have already purchased future capacity from the District would be serviced first. It was noted that this plan is consistent with the County's growth plan and is in the District's service area. Utility Solutions will work with the WRF committee and get more materials to the Board by the May Board meeting.

There was some discussion on the District's shortfall of mitigation water. Ms. Campbell noted that Marty Gagnon has indicated his belief that some of US's water rights should have been transferred to the District at the time of the sale to the District. She noted that the contract was very specific on which water rights were transferred, but suggested Utility Solutions would work with the District on a solution to avoid having a decision made in court. It was noted that the District will likely have increasing shortfalls in the Northstar and Galactic Park areas because of additional users in the area. Mr. Gagnon & GM Kundert will put together some numbers on how much water is needed. Ms. Swimley also suggested that the accumulated water rights which have transferred from Utility Solutions to the District should be included in the process.

### **Water Reclamation Facility (WRF) Committee Report**

GM Kundert provided the report. He noted that the public information meeting was well attended, and Q&A's and minutes have been posted on the District's website. Next steps are being discussed.

### **Engineer's Report**

Marty Gagnon provided the report. He advised that they are in the selection process for the new SBR and have received 4 proposals. Interviews will be set up for next week, followed by scoring and a recommendation to the Board by the May meeting. He further noted that the lowering of the water line on Baxter, which is being required by MDT, may be pushed out until fall. He will also begin contract negotiations for the project to extend the Baxter main across Jackrabbit. The design is done for the most part but needs MDT & DEQ review and approval. He further noted he will be working on the expansion of the disposal area. The disposal capacity of the discharge permit is

635K gal/day, and the expansion (phase II) will be up to 700K gal/day. The expanded disposal site will be near the existing disposal site, as has been planned, noting there is enough disposal area there for at least 1 million gpd (models still need to be run to verify). They will also evaluate whether or not to put the disposal area under-ground. He noted several efforts to mitigate odors are underway.

### **Monthly Operation & Maintenance Report**

GM Kundert provided the report:

- C1 lift station and valve vault repairs were completed in less than a day.
- OSHA Confined space training was completed by operators prior to C1 lift station repair.
- The Mg(OH)<sub>2</sub> injection at Valley Center lift station is temporarily shut down in preparation for Evoqua Water's testing/evaluation on the use of their bioxide treatment. If used, the bioxide will replace the Mg(OH)<sub>2</sub>.
- The effluent flow from the EGWWTP to the RI basin disposal area began experiencing backup problems. The air/vacuum relief valve on the pipeline had to be replaced, and a malfunctioning pressure sustaining valve at the RI basin needs repairs and modifications. Repair parts are on order.
- A District-wide power outage caused problems at Valley Center and Galactic Park lift stations. The Valley Center issue stemmed from the engine exerciser control attempting to start the generator on the weekly schedule while the generator was already running, causing the exerciser control to lock up. The Galactic Park issue was due to the pump protection relays malfunctioning on generator power that wouldn't let the pumps run. Temporary rewire to bypass the relays was performed and parts have been ordered for an automated bypass of the relays when operating on generator power.
- The EGWWTP experienced a Return Activated Sludge valve failure over-night, the valve closed itself due to a program glitch and upset the plant flows. This will be added to the alarm call list.
- A portable diaphragm pump has been purchased for the EGWWTP and will be used to help cut down on the amount of sludge hauling.
- The new variable frequency drive panels for Galactic Park lift station are enroute.
- All staff members attended the first training session for the maintenance care program. The new program will track preventative maintenance as well as repairs and provide asset management capabilities.

### **Monthly Water Usage & Financial Report**

The Board reviewed the monthly reports. GM Kundert noted that A/N 125 (allowance for doubtful accounts) has been removed. These were "inherited" accounts from Utility Solutions, which, unlike the District, did not have the county tax rolls as a mechanism for collecting delinquent accounts. The Board reviewed the P&L Budget Performance Report. GM Kundert noted in the future he will break out sewer & water revenues. YTD operating revenues are at 108% of budget. Shared expenses and water O&M expenses are under budget, at 95% and 99% respectively, while sewer O&M expenses are over budget at 108%. Sewer expenses are high due to equipment expenses and C1 repairs and sludge hauling expenses.

### **Appointment of 3 Expiring Positions for Board Members**

3 Board member terms are expiring in May 2018. Ms. Swimley noted that if the 3 Board members whose terms are expiring are willing to be appointed to another term, the Board can move to appoint them for another 4-year term. **Motion:** Member Heather West moved to appoint Peter Thatcher, Cory Klumb and Nancy Flikkema to another 4-year term as Directors of the FCCWSD Board. VP Nancy Flikkema seconded the motion. **The motion carried 4-0.** It was noted that the 3 returning Board members will need to sign and have notarized the Oath of Office and return them to the Gallatin County election department. Ms. Swimley will email the oath forms to the Directors.

### **Board Member Topics**

The date for the GM evaluation was set at May 8 at 6:45 pm. The meeting will be posted and will start as a public meeting, then closed due to employee's right to privacy. VP Nancy Flikkema asked what needs to be done to address the issue raised earlier in the meeting regarding a discrepancy in repair cost information on the Elk Grove water meters. Mr. Gagnon said that Brad has looked into it, and Mr. Gagnon will prepare a response to this issue, as well as other concerns raised, addressing rates and taxes, and send a written response to Matt Elwell, who can get the information out to the Elk Grove homeowners. It was discussed that more public education is needed regarding the expansion. Next steps are for the District to gather specifics on the design, financials, and equipment as well as the on-going efforts to mitigate environmental impacts and the concerns raised by residents.

### **Adjourn**

There being no further business before the Board, the Four Corners Water & Sewer District meeting of April 17, 2018 was adjourned at 8:45 p.m.



Maralee Parsons  
Secretary