

## **FOUR CORNERS WATER AND SEWER DISTRICT MINUTES REGULAR MEETING, February 21, 2017**

### **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, February 21, 2017, in the cafeteria of Monforton School at 6001 Monforton School Road, Bozeman, Montana.

Board Members present: President Cory Klumb, Vice President Nancy Flikkema, Treasurer Terry Malloy, & Member Heather West.

Staff/Public: GM Kevin Kundert, Marty Gagnon representing MMI; Maralee Parsons, Secretary; Amy Ellingson, Cass Malloy, Joshua Smith, Ben Carter, Tobin Capp, Scott Holton, Danielle Stark.

### **Approval of Minutes**

January 17, 2017 Board Meeting:

**Motion:** VP Nancy Flikkema moved to approve the minutes as written; member Heather West seconded. *The minutes were approved 4-0.*

**Motion:** VP Nancy Flikkema moved to approve the minutes as written; member Heather West seconded. *The minutes were approved 4-0.*

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

None were raised.

## **GENERAL BUSINESS**

### **Monthly Water Usage & Financial Reports**

The Board reviewed the District & Elk Grove Water Usage/Billing report and financial reports (Balance sheet, P&L). There was no discussion.

### **FY 2015-16 Audit Draft Document Report by Rudd & Co.**

Scott Holton of Rudd & Co. presented the findings of the audit performed for fiscal year 2015-16. He commented that the degree of District staff professionalism and the accuracy of financials continue to improve. He noted the financial report is longer than in the past, due to the District's use of federal funds to acquire assets from Utility Solutions. He provided a high level review of the financials, which include the Independent Auditor's Report, Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, Notes to the Financial Statements, and Schedule of Expenditures of Federal Awards. He noted the federal funds piece added cost to the audit significantly. On the Schedule of Findings, he noted there was one significant deficiency found, namely, the number of year-end adjusting entries. There were 15 adjusting entries to properly state several balance sheet account items in accordance with GAAP. The largest was for just over \$9M, related to reclassification of capital asset types. He noted that the vast majority of the adjusting entries were related to the purchase of Utility Solutions' assets, so this would not be expected to be an on-going issue. He noted there were some housekeeping type items, which have been reviewed with staff, but no operational issues found. He noted that Rudd has issued 2 required letters to governance 1) summary of activities

related to audit and 2) internal control letter.

**Motion:** Treasurer Terry Malloy moved to accept the financial statements as presented for FY 2015-16; Member Heather West seconded. ***The motion carried 4-0.***

### **FY 2016-17 Budget Summary Follow-up**

GM Kundert noted the budget presented is the same as the budget approved by the Board on Feb. 1, 2017, but he has added a summary statement, and some optional items have been removed from the operating expenses. The net income summary lists the net income to Reserves & Depreciation of \$587,319. Board discussion included a question on Board member expenses (budgeted at \$5600). GM Kundert stated his understanding of Montana Code Annotated states Districts should pay each Board member \$80 per meeting, so this amount has been budgeted. An on-line search found Montana Code Annotated 7.13.2273 states Water & Sewer Board members “may receive a monthly salary”.

**Motion:** VP Nancy Flikkema moved to waive Board member salaries for the current fiscal year; Member Heather West seconded. ***The motion carried 4-0.*** Kevin noted he would make the adjustment on the budget.

### **BlueCross BlueShield Health Insurance, 17.5% Increase in April**

GM Kundert noted that the District’s rate increased 17.5%, effective April 1, and the coverage is not as good. He reviewed some health plan cost analyses, and stated that other plans available are similar in costs, with worse coverage, and staying with BCBS is the best option at this point. He also noted that one employee has elected to opt in to insurance for the first time, so this effectively has increased the overall costs by 35.2%.

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

1. A customer complaint about backed up sewer service was caused by blockage debris from construction; the debris has been removed.
2. Water hammer at the EGWWTP originating from the headworks screen spray bar flow destroyed the backflow prevention device, and has been repaired and a new backflow preventer was installed.
3. The headworks screen required modification to the seals in the concrete raceway.
4. A broken curb stop in Gallatin Heights was repaired by the contractor that originally installed it.
5. Water infiltration from Elk Grove sewer system was found to be coming from a leaking manhole in the wetland area. Installing restraints inside the manhole to prevent the sections from any additional movements repaired the leak and sealing the leak with water activated grout.
6. A second round of bench top testing has been performed on the Mg(OH)<sub>2</sub> products to be used in an effort to reduce the septicity in the force main. Dosage rates were adjusted in an attempt to determine the minimum amount of the product required to provide desired results.
7. An electronic timer has been installed on the control circuit for the influent vault mixer.
8. A fitting in the Pressure Reducing Valve on the water main servicing Gallatin Heights developed a leak, and the fitting was replaced. Normal pressures have returned.
9. Radio communication failures with Valley Center are causing some control issues, and solutions are being investigated.
10. Hydromatic hasn’t returned the influent vault pump #3 that was sent in for warranty

repair.

11. The aeration mixer in digester #3 is currently inoperable, and the system is being looked at to determine if it is the motor or a control problem.

### **District Vehicle Use/Mileage Reporting**

As a follow up to the Feb. 1 meeting, GM Kundert advised he has obtained estimates from 3 vendors that provide GPS tracking of vehicles, along with reports that would enable the District to document vehicle use and report/log mileage. ClearPath GPS has presented the best option, and GM Kundert recommends this service be utilized at a yearly rate of \$825, or \$22.95/month per vehicle. He noted that the reports will be a useful tool for the GM, and will also provide accurate mileage reports for tax reporting purposes. Board discussion indicated they agree the service will provide reporting benefits for the District.

### **Engineer's Report/Facility Plan Update**

Marty Gagnon reported that they are on schedule to present the facility plan update to the Board in March. He will review the draft with Kevin first to get his input. They are exploring several options for treatment, from MBR to another oxidation ditch, and they are leaning toward putting the treatment plant at Elk Grove. The report will also look at sludge handling options to reduce costs.

### **Discussion on Sale of Capacity by Customers**

GM Kundert noted that there have been a few requests for purchase of excess EDUs to ensure developers have those available as needed. They want to know what the policy would be if they wanted to sell back the unneeded EDUs. Board discussion included concern about developers buying extra capacity now at current fees, avoiding future raises in capacity fees. Other concerns include how the District would track excesses, and it was noted that developers can usually predict fairly accurately how many EDUs are needed. It was also noted that the District must ensure they can meet the capacity needs of the District, and are not looking to create a market for capacity.

### **Wildfire Defense Systems Bldg., Galactic Park Lot 61**

GM Kundert noted that the customer prefers to discuss irrigation water capacity at a later date. No decisions needed.

### **Middle Creek Parklands Subdivision**

*VP Nancy Flikkema recused herself from Board discussion/decision.* Joshua Smith briefly presented the subdivision's request for 1) 12 additional lots (12 EDU) to be paid for as part of the original contract for MCP Subdivision at the contracted price of \$5,000/EDU, and 2) development of commercial lots 267 & 268 slated to use 38 EDUs, to be billed at the current rate of \$7,875/EDU. The total approximate cost to be paid to the District is \$359,400. The Board reviewed the packet submitted.

**Motion:** Treasurer Terry Malloy moved to allow Middle Creek Parklands to acquire 50 additional EDUs; member Heather West seconded. ***The motion carried 3-0.***

### **Lilley 2 Lot Minor Subdivision – Request for Annexation and 21 EDU**

Ben Carter briefly presented a request to annex Lilley Minor Subdivision (Lots 1 & 2) into the District, along with 21 EDU. Lot 1 is slated to have 11 units and Lot 2 will have 10 units. The property is contiguous to the District, and actually is surrounded by the

District. Board discussion centered on capacity, specifically concerns on selling more capacity prior to hearing the facility plan update in March. The Board generally agreed that allowing property, which is currently an out-of-District "island" inside the District, is good practice.

**Motion:** Treasurer Terry Malloy moved to table this agenda item, and the following agenda item (Summit & Sky, LLC Dev't) until the March meeting, after the capacity report has been presented; member Heather West seconded. ***The motion carried 4-0.*** GM Kundert noted that he places capacity requests on agendas according to application date.

### **Summit & Sky, LLC Dev't**

The above noted motion has deferred board decision, but Marty Gagnon provided a brief description of the project, which consists of 20 acres on the NE corner of Baxter and Jack Rabbit. The developer plans to put 210 residential units, and will also have 8 lots devoted to commercial use, for an estimated total of 220 EDU. He noted that there is a prior commitment from Utility Solutions to service the property by extension of water and sewer lines, and recommended that District council look into this. He noted that the impacts of this development would be about 3 years down the road, and the approximate \$1.5M in capacity fees would help pay for District expansion.

### **Adjourn**

There being no further business before the Board, the Four Corners Water & Sewer District meeting of February 21, 2017 at 8:20 p.m.



Maralee Parsons  
Secretary