

Gallatin Gateway County Water & Sewer District

MINUTES OF THE

BOARD OF DIRECTORS

A regular meeting of the Board of Directors of the Gallatin Gateway County Water & Sewer District was held at the Gallatin Gateway School, 100 Mill St., Gallatin Gateway, MT, on January 7, 2019. Present at the meeting were board members Eric Amend, Ted Border, and David Sullivan. General Manager Matt Donnelly and Secretary Maralee Parsons Sullivan were present. Members of the public included Ron Page, Scott Meyers and Brock Lindberg.

President Border called the meeting to order at 6:31 p.m. Secretary Maralee Parsons Sullivan recorded the minutes of the meeting.

PUBLIC PARTICIPATION OF NON-AGENDA ITEMS

President Border asked for public comment on non-agenda items. Ron Page asked how the flows are looking and what are the prospects for selling additional capacity. GM Matt Donnelly replied that the flows are looking good, and noted that the Board recently adopted a policy establishing a process for selling additional capacity, which states that 3,500 gpd of capacity shall be continuously reserved for in-district development, and capacity shall be allocated on a first-come, first-served basis wherein the date of receipt of the Pre-Design application serves as the basis for the allocation queue. Mr. Page also asked if there is a punch-list for construction items to be completed in the spring. Mr. Donnelly advised that there is a punch list which the engineer considers complete with the exception of road grading, survey pins, and fence re-alignment. There are also some warranty items such as road repair which will be completed in the spring.

CONFLICT OF INTEREST DISCLOSURE

President Border asked if there were any items of conflict of interest, or potential conflict of interest, to be raised. None were raised.

APPROVAL OF MINUTES

After confirming that all directors had a draft copy of the December 3, 2018 meeting minutes, President Border asked whether there were any corrections. None were noted. Director Amend made the motion to approve the minutes as written, Director Sullivan seconded the motion and the minutes were approved unanimously.

After confirming that all directors had a draft copy of the December 15, 2018 meeting minutes, President Border asked whether there were any corrections. None were noted. Director Amend made the motion to approve the minutes as written, Director Sullivan seconded the motion and the minutes were approved unanimously.

After confirming that all directors had a draft copy of the December 27, 2018 meeting minutes, President Border asked whether there were any corrections.

None were noted. Director Amend made the motion to approve the minutes as written, Director Sullivan seconded the motion and the minutes were approved unanimously.

REPORT OF OFFICERS, STANDING COMMITTEES, AND SPECIAL COMMITTEES

General Manager Report, Treasurer Report, Approval of Expenditures

GM Matt Donnelly provided the report. He stated that flows are still looking good, with the December average daily flow at just under 16K (gal). He noted that flows are up somewhat, and he will be monitoring flows to see if there is a correlation with cold weather. He stated that the lift station pumps have been cycling well, but it was discovered on 1/3/2019 that the backup generator had failed to start during its last scheduled automatic exercise period. The cause is being investigated, and it was noted that the generator is still under warranty. He also advised that he is gathering quotes from vendors for maintenance contracts. Mr. Donnelly stated that due to the federal government shut-down, it is very unlikely the District can close on its Series A and C bonds as scheduled on January 17, 2019. The final inspection as required by the construction contract occurred on January 3, 2019, noting there will still be a warranty inspection following completion of the warranty work.

Treasurer Maralee Sullivan reviewed the current monthly financial package (P&L and Balance sheet) for FY starting July 1, 2018. The final draw from CDBG for \$277,463 was received in December, which will be allocated by RD in the coming months. The final TSEP draw of \$17,827 also was received in December. She noted there was an unexpected expense of \$950 for the filing fee required for the District's Annual Financial Report (AFR). The District's annual income was over \$1.5M due to project grants, which exceeded the revenue threshold requiring a filing fee. Ms. Sullivan provided a review of Budget to Actual income/expenses for Q1 and Q2 of FY2019. The General Fund income and expenses are on budget, while the Sewer Enterprise Fund is considerably under-budget for both revenue and expenses. This was expected as the budget was developed using a basis of 100% of connections complete, while connection work actually continued for most of the first quarter.

Ms. Sullivan presented an invoice in the amount of \$6,200 from the District's auditor, Anderson Zurmuehlen, for progress billing #2 for the District's single audit. She advised that this will ultimately be paid for through RD grant funds (\$13K is budgeted), but recommended that the District pay the invoice now from its general fund, so the full amount of the audit can be requested from RD in a single draw, once the government is re-opened. Director Amend moved to approve payment of the Anderson Zurmuehlen invoice for \$6,200 from the general fund; Director Sullivan seconded. There was no further discussion and no public comment. The motion carried 3-0.

Mr. Donnelly advised that the ad hoc committee on rules did not meet in December and he hopes to have something to report in February.

REPORT OF ENGINEER, GRANT AGENCY DRAWS & REPORTS

No engineer's report was provided.

REGULAR BUSINESS

Discussion and Decision on Petition for Review of VRU computation for S. Meyers

GM Donnelly advised that there are two structures on the property in question, one originally used for a showroom and small shop, and the other originally used as warehouse space with a small apartment. Both are served by the same service lateral. Staff used county tax records to initially make a determination that the combined total of both buildings had 6,786 sq. ft. of industrial classification, 2,704 sq. ft. of office classification and a one-bedroom apartment. Due to the fact that the District does not use meters and based on the District's rules, the property was initially allocated 3.44 VRU. Mr. Meyers has petitioned for review, stating his belief that the property uses less water than a standard single-family residential home. Mr. Scott Meyers was in attendance and also introduced Brock Lindberg, who is in the process of buying the property from Mr. Meyers. Mr. Meyers stated the functionality of the business located on the property is such that there are far fewer employees and customer traffic than the adjacent retail businesses. He says the business located there now has 4-5 employees and the apartment on the premises is a store room and has not been used as a residence for about 15 years. He said he would be willing to put in a meter and pay for the cost, noting that the meter would have to be on wastewater rather than on water, since he maintains a fire pond, used by the GG Fire Department, and most of the property's water usage goes to maintain the fire pond. There was some general discussion on how the District developed its rules in determining VRU allocation for commercial properties. The Board expressed its willingness to consider reclassifying the space (office vs. industrial). It was noted, however, that if the District does reclassify the property and reduce the VRU allocation, the owner of the property would need to *buy back* any VRU's needed in the future if the functionality of the property changes. Director Amend offered to visit the property with the purpose of potentially reclassifying the usage of the property.

Discussion and Decision on Petition for Review of VRU computation for M. Sadowski

Mr. Donnelly stated that Ms. Sadowski's residence located at 210 Bozeman has been classified as a 4-bedroom house, per state records, and has been allocated 1.62 VRU. She has petitioned for review, stating in her petition that the structure should be classified as a 3-bedroom home, citing the fact that a furnace is located in one room that was previously classified as a bedroom. This room thus has no closet, and Ms. Sadowski also provided evidence that a furnace room cannot be attached to a bedroom. Mr. Donnelly offered his opinion that the petition has merit, stating that the petitioner has supplied evidence that the home is a 3-bedroom single family residence (SFR), and recommended that the petition be granted and that the property in question be allocated 1.31 VRU

effective January 1, 2019. Board discussion included agreement that based on the evidence provided, the room with the furnace should not be considered a bedroom. Director Amend moved to approve Ms. Sadowski's petition to reclassify the property as a 3-bedroom SFR, and be allocated 1.31 VRU effective January 1, 2019. Director Sullivan seconded the motion. There was no further Board discussion and no public comment. The motion carried 3-0.

Discussion and Decision on Petition for Review of VRU computation for G. Allen

Mr. Donnelly stated that Ms. Allen has petitioned for review of staff's determination relating to the VRU calculation for her property located at 309 Bozeman, requesting that the structure be classified as a one-bedroom home and that special consideration be made because "gray water" is not draining to the sewer. Ms. Allen's property has been classified as a 3-bedroom house per state records, and has been allocated 1.31 VRU. The petitioner had a county tax assessor come to her home recently and the resulting tax assessment report from December 2018 was supplied as evidence to support the petition. Mr. Donnelly offered his opinion that the petition has merit, and that the petitioner has supplied evidence to support the claim that the home is a one-bedroom SFR. The District's rules state that each independent sewer service lateral, i.e., "connection", be allocated a minimum of 1 VRU. Irrespective of whether gray water is or is not connected, the minimum 1 VRU rule has previously come before the Board and multiple requests to deviate from this rule have been denied. He recommended that the petition for re-classification to a one-bedroom residence be granted and that the property in question be allocated 1.0 VRU effective January 1, 2019. Board comment included concurrence that the new county tax assessment report suffices as evidence of the petitioner's claim of a one-bedroom residence. Director Amend moved to approve the petitioner's request to reclassify the home in question as a one-bedroom house, allocated 1.0 VRU effective January 1, 2019. Director Sullivan seconded the motion. There was no further Board discussion and no public comment. The motion carried 3-0.

Discussion and Decision on Pay Application #17 Which Constitutes Final Payment

Mr. Donnelly advised that contractor's pay application #17 has not been received yet, so the Board cannot yet consider it. There was no further discussion and no action taken.

Discussion and Decision on Engineer Invoice #69

Treasurer Maralee Sullivan advised that this invoice was previously withheld from Board review/approval, pending the Board's consideration/approval of Engineer Amendment #11, which added an additional \$5,000 to the contract for Grant Administration. Invoice #69 dated September 10, 2018 is solely for \$958.19 for Grant Administration services. She noted that the invoice lists the revised contract amount of \$48,470, which includes the \$5,000 from EA #11, before the Board had taken action on the amendment (although she also noted that there was sufficient amount remaining in the original contract to cover this invoice).

Since the Board approved EA#11 in December 2018, Ms. Sullivan recommended the Board approve the invoice for payment, noting that it will be included in the next draw request, once the government re-opens. Director Amend moved to approve engineer invoice #69 for payment; Director Sullivan seconded the motion. There was no Board discussion and no public comment. The motion carried 3-0.

Discussion and Decision on Approval of bond Anticipation Note and All Matters Necessary to Close Series A and C Bonds for Wastewater Project

Mr. Donnelly advised that due to the government shut-down, this is on hold. There was no discussion and no action taken.

President Border then asked for unanimous consent to adjourn. Seeing no objection, the meeting was adjourned at 7:36 p.m.

Secretary