

# Gallatin Gateway County Water & Sewer District

## PUBLIC MEETING

**Date:** April 9, 2018

**Time:** 6:30 PM

**Place:** Gallatin Gateway School, 100 Mill St., Gallatin Gateway, MT

**For:** Regular Meeting of the Board of Directors

## AGENDA

### **I. Public Participation on Non-Agenda Items<sup>1</sup>**

### **II. Conflict of Interest Disclosure<sup>2</sup>**

### **III. Approval of Minutes**

A. Approval of Meeting Minutes for March 5, 2018

### **IV. Consent Agenda**

A. None

### **V. Reports of Officers, Standing Committees, and Special Committees**

A. General Manager Report, Treasurer Report, Approval of Expenditures

B. Report of Engineer

i. Technical Status

ii. RUS Reports, Administration and Draw Requests

iii. TSEP Reports, Administration and Draw Requests

iv. CDBG Reports, Administration and Draw Requests

v. DNRC Reports, Administration and Draw Requests

vi. INTERCAP Reports, Administration and Draw Requests

### **VI. Regular Business**

A. Review and Approval of FY2016-2017 Audit Report

B. Second Reading of Ordinance Revising Rules and Regulations and Call for Public Hearing

C. Annual Review of Rates and Charges

### **VII. Adjourn**

<sup>1</sup> agenda. Time limits may be imposed at the discretion of the President.

The opportunity for members of the public to comment on District matters which are not on the

<sup>2</sup> on any item on the agenda or for any District business.

An opportunity for Board members to disclose any potential, perceived or real conflict of interest

# **Gallatin Gateway County Water & Sewer District**

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## 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 April 9, 2018. Present at the meeting were board members Eric Amend, Ted Border, David Sullivan, and Elana Wexall. General Manager Matt Donnelly and Secretary Maralee Parsons Sullivan were present. Kurt Thomson from Stahly Engineering was also present. Members of the public included Ric Blevins, Ruth Hargrove, Laramie McCullough, Rick & Julie Hargrove, Travis Sturgis, Pete Stein.

President Border called the meeting to order at 6:30 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. Several members of the public expressed concerns over the conditions of the roads and private property in town, noting driveways and yards are “mud pits” and fences remain down, and the contractors have been under-performing. District engineer Kurt Thomson advised that the contractor, JR Civil, is contractually obligated to bring roads and property which they have disturbed back to prior conditions or better, noting that the engineers have photos and have documented the community’s complaints about road and property conditions. He stated that the contractors have stopped responding to the engineer’s request for a date when they will return to work. GM Donnelly noted that the construction contract includes a performance bond, which guarantees the job will be finished, and further stated that the District’s attorney has contacted the bonding company, and a conference call will be set up for the following week. He noted that the District is contractually unable to contact JR directly. It was also noted that the contract contains a \$1200 per day liquidated damages clause, for delay in substantial completion beyond the agreed upon completion date. GM Donnelly noted that if the contractor says they are not coming back, the District will declare the contractor in default, and the bonding company will bring in new contractors to complete the work. It was also noted that the contractor also still needs to set concrete around the rims of the manholes and set the roads to the proper grade. It was agreed that GM Donnelly would start an email list to communicate progress following the initial conference call.

There was also a comment and general discussion on the District’s PIC charges, costs to hook-up and rates. It was clarified that properties in the District which have an existing septic system or drainfield are included in the initial project, i.e., there is no PIC charge and no cost to hook up. The PIC charge of \$6000 applies to new development beyond what is included in the initial project, and PIC charges are intended to provide the District with money to pay for additional capacity. There has been an assessment levied on all parcels in the District (with or without buildings) to help repay the debt incurred to build the sewer, and it was further noted that grant funds paid for 2/3 of the project. GM Donnelly noted that the District’s rates are high

compared to larger cities but are not outside the range of norms for small communities in Montana, noting that the granting agencies would not have green-lighted the project if the proposed rates were out of line with other communities in Montana building new systems. He further noted that growth over time will enable the District to lower rates.

#### 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 March 5, 2018 meeting minutes, President Border asked whether there were any corrections. None were noted. Director Sullivan made the motion to approve the minutes as written, Director Amend 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. The flow rates are tracking well, with 4,487 avg. daily flow in March. Peak daily flow is high, primarily due to infiltration because manholes and not sealed or set. The lift station pump controller experienced a significant malfunction, discovered by the SCADA reading of zero flow on 3/26. The engineer was notified, and the subcontractor Advanced Pump (APE) staff came to the site for diagnostics. It was concluded that the controller experienced a known issue that prevented the controller from receiving new readings of lift station level. The controller “thought” that the lift station was remaining at a constant volume and therefore did not turn on any pumps. The issue was temporarily resolved by cycling power. The manufacturer agreed to send a new controller and APE agreed to install it. GM Donnelly noted he was satisfied with the response from the engineering and technical team.

Treasurer Maralee Sullivan reviewed the current monthly financial package (P&L and Balance sheet) for FY starting July 1, 2017: Income for March include a small grant draw of \$5,946 used to pay audit and legal fees. Quarterly invoicing was completed on March 30. Incurred expenses included \$1566 in legal and \$975 annual fee for the District’s discharge permit. A payment of \$1500 was made on the outstanding balance of the line of credit. Ms. Sullivan presented one invoice for approval: the auditor’s final billing installment for the District’s FY2017 audit, in the amount of \$1200. She noted that this will be submitted as part of a future draw request, as RD prefers that draw requests for less than \$5K not be submitted. Ms. Sullivan recommended paying the auditor’s invoice from the general fund in order to avoid finance charges and reimburse the general fund upon receipt of RD funds. Director Amend moved to approve payment of the \$1200 invoice from Anderson ZurMuehlen from the general fund, provided it is included in the next draw request for reimbursement. Director Wexall seconded the motion, which carried 4-0.

#### REPORT OF ENGINEER, GRANT AGENCY DRAWS & REPORTS

Kurt Thomson provided the engineer’s report. He noted that JR Civil has a long list of items needing to be corrected, and also advised that Clint and Paul will be

returning as the on-site inspectors. Once the contractor's schedule is known, there will likely be a meeting to review the open items. Signs and size of rocks along the highway (need to be 4" or smaller according to MDT) are included on the list. MDT has a contract with the contractor. The engineer will work with the contractor to provide property owners with advance notice of repair work on individual properties. GM Donnelly noted that the District will want more detailed and more frequently updated schedules than what was provided last fall.

## REGULAR BUSINESS

### Review and Approval of FY2016-2017 Audit Report

Ms. Sullivan briefly reviewed the results of the audit with the Board, providing a summary memo as well as the 2 documents provided by the auditors. The audit consisted of 2 main components: 1) Financial statements and 2) Single audit (required for major government award programs). There was one finding in the financial statement review, in which the District needs to make two adjusting journal entries to correct capital assets, debt and beginning net position. There were no material weaknesses and no significant deficiencies identified in the single audit review of the District's government awards. Four updates to the District's policies were recommended. The audit and the District's response have been filed with the state and federal government. The Board had no questions and commented that it was very pleased with the results of the District's first audit.

### Second Reading of Ordinance Revising Rules and Regulations and Call for Public Hearing

GM Donnelly stated that District's Rules & Regulations appear to be in good shape, noting however, that the R&R were written before construction began and noted four areas which could be reviewed and possibly amended:

- 1) Potential for excessive flows – need mechanisms to strengthen the District's ability to manage and mitigate
- 2) Late fee structure
- 3) The application process – more clarity on the District's forms and enhanced information on the website
- 4) Service lateral specifications – new connections will be responsible for installing the service lateral to the District's mainline, and the rules currently state that Montana state guidelines should be followed. It has been suggested by other Districts that it would be helpful to add additional requirements, e.g. a 2-way clean-out at the property line.

After some general discussion, the Board decided to delay a public hearing on R&R changes until after the construction schedule is better understood. The Board also decided to form an ad hoc committee to review the R&R's; this will be an agenda item next month, so the Board can consider the goals and makeup of the committee.

### Annual Review of Rates and Charges

Pursuant to state statute requiring an annual review of rates and charges, the Board reviewed management's opinion on the appropriateness of the District's current rates and charges:

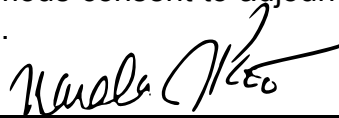
1. Benefitted Property Charge – pays a portion of the District's ongoing administrative expenses which are not directly attributable to operating, maintaining or repairing wastewater facilities. Currently set at \$6 per lot per

month, this fee generates sufficient revenue to finance the District's administrative expenses, e.g., general liability insurance, administrative services, legal, office supplies. Management recommends no change.

2. Wastewater Facility R&R Charge – sets the expenses related to the replacement of the District's wastewater facilities, and short-lived asset (SLA) replacement reserves required by conditions of the revenue bond portion of the debt incurred during Phase I Wastewater Treatment and Collection Project. Currently set at \$33.20 per VRU per month, this charge was reviewed and approved by bond council in 2017 as part of the project financing. None of the underlying assumptions have changed. Management recommends no change.
3. Wastewater OM&R Charge – sets the expenses related to the ongoing operation, maintenance and repair of the District's wastewater treatment & collection facilities. Currently set at \$36.10 per VRU, this charge was based upon the known cost of the FCCWSD treatment charge along with estimates of flow rates, electricity and other operating costs, and maintenance costs. With approximately 36% of the community connected, flow rates appear to be tracking at or below estimates. Given that the project is not yet complete, management feels it would be inappropriate to revisit estimates at this time. Management recommends no change.
4. Plant Investment Charge (PIC) – sets the cost of treatment capacity consumed by the applicant's proposed development or requirement. Currently set at \$6,000 per VRU, the PIC charge was based upon the engineer's cost estimate for building our own SBR treatment plant. It is slightly higher than the current FCCWSD PIC charge. FCCWSD is entering into Phase 1 of building new treatment capacity and the project cost estimates equate to \$41 per gpd of treatment for new construction. If we estimate 160 gpd per VRU this equates to \$6560 per VRU. Management recommends no change.

Board comment indicated they are in agreement with management's analysis and recommendation to not make any changes at this time.

President Border then asked for unanimous consent to adjourn. Seeing no objection, the meeting was adjourned at 7:55 p.m.



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Secretary