

Gallatin Gateway County Water & Sewer District

PUBLIC MEETING

Date: FEBRUARY 6, 2017

Time: 6:30PM

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 Items¹

II. Conflict of Interest Disclosure²

III. Approval of Minutes

- A. Approval of Meeting Minutes for January 9, 2017
- B. Approval of Meeting Minutes for January 26, 2017

IV. Consent Agenda

- A. Approval of Application for Sewer Connection in Excess of 5 VRU by Gallatin Gateway School District
- B. Approval of Application for Sewer Connection in Excess of 5 VRU by M&M Hospitality
- C. Approval of Application for Sewer Connection in Excess of 5 VRU by Central Holdings
- D. Approval of Petition by Salesville Properties, Inc to Increase VRU Count Established by General Manager
- E. Authorize GM to Issue "Will Serve" Letters to Initial Project Participants
- F. Authorize Treasurer to Waive Application Fees for Initial Project Participants
- G. Authorize Treasurer to Waive Plant Investment Charge for Initial Project Participants
- H. Authorize GM and Treasurer to Waive Requirement of Section 822.2 for Initial Project Participants that All Costs and Expenses of Connection be Paid by Owner

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. SEARCH Reports, Administration and Draw Requests
 - vii. USACE 595 Reports, Administration and Draw Requests

¹ The opportunity for members of the public to comment on District matters which are not on the agenda. Time limits may be imposed at the discretion of the President.

² An opportunity for Board members to disclose any potential, perceived or real conflict of interest on any item on the agenda or for any District business.

VI. Regular Business

- A. Second Reading and Public Hearing on an Ordinance Establishing Noncompliant Property Charge and Amending Sections of the Rules and Regulations
- B. Public Hearing to Establish Rates for Noncompliant Property Charge, Plant Investment Charge, and Various Application and Other Fees
- C. Discussion and Decision on Petition by Meredith Tate to Decrease VRU Count Established by General Manager
- D. Approval of Updated Wastewater Project Budget
- E. Discussion and Decision on Seasonal Service Policy
- F. Discussion and Decision on Stub Policy for Initial Project

VII. Adjourn

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 February 6, 2017. Present at the meeting were board members Eric Amend, Ted Border, Ashley Kroon and David Sullivan. General Manager Matt Donnelly and Secretary Maralee Parsons Sullivan were also present. Members of the public included Tim Szafaryn, Kerry & John Payne.

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 & CONFLICT OF INTEREST DISCLOSURE

President Border asked for public comment on non-agenda items. There were no non-agenda items raised by the public.

President Border asked if there were any conflict of interest items for disclosure. None were raised.

APPROVAL OF MINUTES

After confirming that all directors had a draft copy of the January 9, 2017 meeting minutes, President Border asked whether there were any corrections. One correction was noted: Correct Heading on "Discussion and Decision on Resolution **2017-01** (not -02). Director Sullivan made the motion to approve the minutes as amended, Director Kroon seconded the motion and the minutes were approved 4-0.

After confirming that all directors had a draft copy of the January 26, 2017 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 Kroon seconded the motion and the minutes were approved 4-0.

CONSENT AGENDA

- A. Approval of Application for Sewer Connection in Excess of 5 VRU by Gallatin Gateway School District
- B. Approval of Application for Sewer Connection in Excess of 5 VRU by M&M Hospitality
- C. Approval of Application for Sewer Connection in Excess of 5 VRU by Central Holdings
- D. Approval of Petition by Salesville Properties, Inc to Increase VRU Count Established by General Manager
- E. Authorize GM to Issue "Will Serve" Letters to Initial Project Participants
- F. Authorize Treasurer to Waive Application Fees for Initial Project Participants
- G. Authorize Treasurer to Waive Plant Investment Charge for Initial Project Participants
- H. Authorize GM and Treasurer to Waive Requirement of Section 822.2 for Initial Project Participants that All Costs and Expenses of Connection be Paid by Owner

Director Amend made the motion to approve the consent agenda; Director Kroon seconded the motion, and the consent agenda was approved 4-0.

REPORT OF OFFICERS, STANDING COMMITTEES, AND SPECIAL COMMITTEES General Manager Report, Treasurer Report, Approval of Expenditures

GM Matt Donnelly provided the report. He has been working with Rural Development (RD) to obtain their authorization to issue a notice of award. RD has been going through the procedural checklist and reviewing the financial status of the project to ensure budgets are aligned. RD did authorize the District to issue a notice of award earlier today, and the District then issued the notice of award to JR Civil. The contractor has 15 days to send us a signed copy of the contract, and then the District and legal council will review, followed by another cycle of RD review prior to authorizing the District to counter-sign, and issue notice to proceed. He also advised that the District continues to receive signed sewer applications, as well as a few petitions for review of VRU calculation.

Treasurer Maralee Sullivan reviewed the current monthly financial package (P&L and Balance sheet) for FY starting July 1, 2016: There was no revenue reported in January, and expenses included \$250 legal and \$7561 engineering. She noted that the District has received the first installment of money collected by Gallatin County, and the county was successful in collecting 4 of the 5 accounts submitted. Ms. Sullivan noted that the District is at a point where it needs to have a phone, as the GM has been using his home phone number as the District phone for public notices, etc., and recommended that the District purchase a cell phone. Director Sullivan noted that a District phone is a basic part of infrastructure, and is not optional.

Director Kroon made a motion to authorize the GM and Treasurer to research cell phone packages, and to purchase a phone/plan with a \$100 limit on the phone purchase and \$50/mo. for the recurring plan. Director Amend seconded the motion. There was no public comment. The motion passed 4-0.

REPORT OF ENGINEER, GRANT AGENCY DRAWS & REPORTS

GM Matt Donnelly provided the engineer's report in Kurt Thomson's absence. Mr. Thomson had advised that his only activity has been waiting for the authorization to issue a notice of award (completed today).

- RUS: nothing to report
- TSEP: nothing to report
- CDBG: nothing to report
- DNRC: nothing to report
- COE: nothing to report
- SEARCH: nothing to report

REGULAR BUSINESS

Second Reading and Public Hearing on an Ordinance Establishing Noncompliant Property Charge and Amending Sections of the Rules and Regulations

GM Donnelly performed the second reading of Ordinance 2017-01, and stated that staff recommends adoption of the ordinance as the fairest and most expedient way of enforcing mandatory connection to the public sewer system. Board comment indicated that non-compliance with the mandatory hook-up would create a health risk for the

community, and it is in the interest of public safety to assess a financial non-compliance charge to the District's mandatory connection requirement. Tim Szafaryn stated that he had heard from a community member that if enough people sign up initially for sewer service, hook-up would not be mandatory (Board comment clarified this is false), and there may be misinformation in the community. The Board stated the District would try to clarify the facts in on-going communications with the community. Director Amend made a motion to approve Ordinance 2017-01; Director Sullivan seconded the motion. The motion passed 4-0.

Public Hearing to Establish Rates for Noncompliant Property Charge Plant Investment Charge, and Various Application and Other Fees

GM Donnelly noted that the District's Rules and Regulations were adopted in October 2013, with a number of rates, fees and charges necessary for running the operations of the District being left undetermined, due to the uncertainties of the project at that time. Staff further recommended the Board establish the rates, fees and charges now at a public hearing. Each of the following charges were considered and discussed:

Charge for Discontinuance or Reestablishment of Service: This charge would apply to properties for which the District finds a need to either cut off or reconnect a service (may be more applicable for water). Discontinuance would require the installation of a valve in the sewer line, or physically capping the service line.

Staff recommendation is that the charge be set at "actual costs".

Public and Board comment included a discussion on a potential scenario, whereby the District is providing service for two lots, with one lot owner being billed for a second service, which is piggybacking on the first lot. GM Donnelly stated he will check the Rules & Regulations, and will also review the engineering designs.

Director Kroon made a motion to establish the Charge for Discontinuance or Reestablishment of Service at "actual cost"; Director Sullivan seconded the motion. The motion passed 4-0.

Connection Application Fee: This fee is for new applicants (post-project) to physically connect to the sewer main. Construction costs are to be paid by the applicant, but the District would incur expenses so that its engineer can review the applicant's plan and inspect the connection when the applicant's contractor uncovers the District's sewer main. The review and inspection process is expected to cost approximately \$200 per connection.

Staff recommendation is to set the fee at \$200 per connection.

Board discussion included concern of how the District would cover additional expense if the actual costs were higher than \$200. Board comments indicated that \$200 is likely a good ballpark amount and a good place to start, in order to develop data on actual costs.

Public comment: none

Director Kroon made a motion to set the Connection Application Fee at \$200; Director Amend seconded the motion. The motion passed 4-0.

Extension Application Fee: A sewer main extension is required when the applicant intends to connect a subdivision or development that requires new pipeline infrastructure in the public right-of-way. The District will be required to perform a significant amount of engineering and inspection work when it receives this type of application.

Staff recommendation is to set the charge at “actual cost” (may include services required by an engineer to review plans and inspect the contractor’s work).

Board discussion included a comment that the costs would be dependent upon the actual length of the extension, and could vary in complexity, so actual costs will likely vary as well.

Public comment: none

Director Sullivan made a motion to set the Extension Application Fee at “actual cost”; Director Kroon seconded the motion. The motion passed 4-0.

Industrial Discharge Permit Fee: This fee offsets the cost of the District to review plans for industrial discharge to its system. At this time the District’s agreement with Four Corners Water & Sewer District does not allow industrial discharge.

Staff recommendation is to leave as undetermined; GM will deny any applications for industrial discharge until circumstances change.

Board discussion indicated they would like to leave this fee unchanged as “to be determined”.

Non-compliant Property Charge: The stated purpose of this charge is to encourage properties to comply with Section 305 of the District’s Rules & Regulations. The rules state that this charge must be no less than the sum of the normal wastewater service charges. The current value of the wastewater service is \$69.30 per VRU per month.

Staff recommendation is to set the charge at \$69.30 per VRU per month.

Board discussion indicated that the Board would consider setting the charge higher than the normal wastewater service charges, but is hesitant to do so at this time. The Board indicated they want to enforce mandatory hook-up due to concerns about public health, rather than focusing on overly punitive action. It was noted that the District does impose punitive fees through its late fee and delinquent account fee policies.

Public comment: none.

Director Amend made a motion to set the Non-Compliant Property Charge at \$69.30 per VRU per month; Director Kroon seconded the motion. The motion passed 4-0.

Plant Investment Charge (PIC): The purpose of this charge is to offset the cost of treatment capacity consumed by the applicant’s (post-project) proposed development. This charge will help finance the District’s expansion of its wastewater treatment capacity, and should be set such that new applicants would fund their own portion of the District’s future expansion. The current value of one additional VRU at the FCWSD treatment facility is \$5250, and will likely be raised in the near future. While it is clear that the best value for Gallatin Gateway at this time is to acquire additional capacity from FCWSD, there is no guarantee that they will always be able to offer more capacity,

and staff's opinion is that the District should position itself in the long run to have the financial capability to build its own treatment facility. However at this time staff believes it to be detrimental to the community's economic well being to charge a rate substantially higher than that of FCWSD.

Staff recommendation is to set the PIC charge at \$6000 per VRU.

Board discussion indicated they are aware they must be thinking about expansion plans now, they cannot rely on FCWSD to provide extra capacity in the future, grants likely will not be available to fund expansions, and the PIC charge needs to be high enough to support needed expansion in the future. The Board agreed that \$6000 is a good baseline to start, acknowledging that this will be reviewed annually.

There was no public comment.

Director Sullivan made a motion to set the PIC charge at \$6000 per VRU; Director Kroon seconded the motion. The motion passed 4-0.

Service Request Application Fee: This is a request to establish a billing account. Staff recommendation is to keep this at no charge (no change from current). The Board agreed to keep the Service Request Application fee at no charge.

Each of the above charges, discussed and voted upon in this public hearing, have been summarized in **GGCWSD Resolution 2017-03**, providing for establishing various rates and charges. Director Amend made a motion to adopt Resolution 2017-03; Director Kroon seconded. The motion passed 4-0.

Discussion and Decision on Petition by Meredith Tate to Decrease VRU Count Established by General Manager

GM Donnelly stated that the District had set the VRU count for the duplex owned by Ms. Tate at 2.31 VRU, based on tax records indicating this unit contains 5 bedrooms. The petitioner has stated that the tax records are outdated, and a remodel has changed the bedroom count to 1 bedroom in one unit and a studio apartment in the second unit, which is to be assessed at 1.22 VRU according to District Rules. President Border physically inspected the property and concurs with petitioner's statement of number of bedrooms.

Director Sullivan made a motion to accept the petitioner's changes in bedroom count, and change the VRU computation for Tate property to 1.22 VRU; Director Amend seconded. There was no public comment and no Board discussion. The motion passed 4-0.

Approval of Updated Wastewater Project Budget

GM Donnelly stated that the budget is not ready for approval at this time. He advised that because the construction bid came in \$140K lower than the engineer's estimate, USDA RD has de-obligated RD grant #2 for \$125K, so the budget will need to be re-worked based on this. He noted that the construction line item is now at the actual number per the winning bid, and the \$422K contingency will be reduced, since the project has, in essence, saved \$140K. The project will draw funds from (in order) RD grant (\$1.85M), RD Loan (\$1.65M), and as much as is needed from RD loan2, up to \$310K. Rates were set based on 124 VRU's and the maximum loan amount of \$1.96M. If the District signs up more than 124 VRU, or incurs less than \$1.96M in debt, the

Board may have the opportunity to reduce the rates. There was no public comment and no Board discussion; no action was taken.

Discussion and Decision on Seasonal Service Policy

GM Donnelly noted that a District customer has asked if they would be able to put their sewer service “on hold” during the months (about 50% of the year) they are not living there. Board discussion indicated that they could not see how the District could implement a seasonal policy, there is no way to enforce it, and do not want to encourage it. The Board stated that they do not want the District to be in a position to “police” whether or not a home is occupied, and it was noted that an un-occupied home could have a “running toilet” which would impact flow. GM Donnelly stated he would draft a policy for no seasonal service for Board review at a later meeting.

Discussion and Decision on Stub Policy for Initial Project

GM Donnelly stated that he did not yet draft a policy but welcomed Board discussion. Mr. Donnelly provided his thoughts on a stub policy, which would need to be cost neutral (doesn’t draw money from the project), and might possibly require plans to alleviate concerns of stubs being placed in the wrong location, which might ultimately be abandoned. Board discussion included whether or not the stub policy would waive PIC charges, cost and market value of a stub, and the process of determining who is to be included in the initial project, with PIC charges waived. Board discussion indicated agreement that if a landowner requests that a stub be put in during construction, PIC charges **would** be applied. It was further noted that financing for the project was provided to alleviate the immediate health problem of the community, which includes lots with existing septic systems.

President Border then asked for unanimous consent to adjourn. Seeing no objection, the meeting was adjourned at 8:23 p.m.



Secretary