

**MINUTES OF REGULAR AND PUBLIC MEETING
OF BOARD OF DIRECTORS
OF LOCKWOOD WATER AND SEWER DISTRICT**

February 10, 2016

The regularly scheduled and public meeting of the Lockwood Water and Sewer District Board of Directors, was held on February 10, 2016. President Carl Peters called the meeting to order at 7:00 p.m. in the conference room of the Lockwood Water & Sewer District Office, 1644 Old Hardin Road.

Present at the meeting were Board members Carl Peters, Nancy Belk, Carlotta Hecker, and Stuart Deans. Also present were Manager Mike Ariztia and Assistant Manager Tony Reed. Board member Merrill Walker was absent.

Guests present were Jill Cook, P.E., of Morrison-Maierle, Inc., Evelyn Pyburn of the *Yellowstone County News*, and Bob and Jan Carlson, Lockwood residents.

Attendance and Voting Record attached hereto

PUBLIC COMMENT:

Bob Carlson advised he and his wife were attending the meeting to get some information about the sewer that's going down Starlight Drive where they live. They have concerns regarding the sewer pipe being installed in front of their house instead of in the alley. Behind their home. All of the streets next to them are running pipe down the alley, and their septic tank is in the back of their property.

Manager Ariztia said he had been on Starlight and spoke with several residents regarding their sewer hookups, and had inquired about the reasoning behind putting the pipe down the front of the properties, and deferred to Jill Cook for an explanation as he was not here at the time the decision was made for placement.

Jill replied that whenever possible they did put the sewer in the alley. The particular alley behind the lots on their street is only ten-feet wide and already has utilities in it. The tracks on the excavator COP is using are 10-feet wide, and that would not allow room for construction functions. Mr. Carlson asked why their alley isn't 20-feet wide like the rest of them, and Jill advised she was not sure, and that he would have to ask the county; the county website shows the alley to be 10-feet wide.

The original plan was to run pipe down the alley, but in the design phase it was shown not to be feasible because of the lack of room and the presence of other utilities. Jill advised she will check the size of the easement and follow up with Mr. Carlson.

Jill said another consideration they might want to look into was applying for a grant or low interest loan from USDA Rural Development to assist with the cost of laying the pipe to the main.

PUBLIC MEETING ON 2015 DRAFT WATER MASTER PLAN UPDATE

Jill Cook presented a draft update on the Water System Master Plan/Preliminary Engineering Report. The last Master Plan PER was done in 2005 with an update in 2009. In a PER, a full overview of the District's current situation is given; the future situation is assessed, and alternatives are developed for any deficiencies that are identified, and a roadmap is provided with suggestions for implementing the most highly rated projects.

In response to a question from President Peters as to the difference between a PER and a Master Plan, Jill advised that a Master Plan is a planning document. The Master Plan looks at the next 20 years. A PER is a very specific document. Montana's funding agencies decided to streamline the application process and came up with guidelines that cover Montana requirements, which was the Preliminary Engineering Report.

The first step was to define the service area and population projections. Annual population increase from 1990 to 2010 for Lockwood was 1.3%. Yellowstone County annual population increase during that time period was 1.4%. Consultation between City/Planning and LWSD resulted in a reasonably conservative population growth rate of 1.5%. Using this projected rate, the LWSD population projection will be 7,803 in 2025 and 9,056 in 2035. The average water demand growth over the years has been 5% per year.

Water supply comes from the Yellowstone River. The existing intake was built in 1987. There are three submersible turbine pumps installed with provision for a fourth pump. There is also seasonal use of a pump in the Lockwood Irrigation District intake channel. There have been problems with ongoing sediment and debris on screens, and frequent pump repairs related to the incline position of the pumps.

LWSD is in compliance with existing regulations, but there are potential future regulations for all surface water treatment plants. The original water source in 1955 was groundwater. Surface water treatment began in 1987. Ongoing upgrades include 2005 pre-sed, 2012, 2nd clearwell, and in 2014, clarified and filter upgrade. Treatment capacity is 3.0 MGD. The treatment system is conventional filtration.

An evaluation of the supply and treatment system reveals it meets water demands and state quality regulations. It is very well maintained for its age, utilizing 1987 original equipment, and the plant works very well. Operational limitations include frequent intake problems, screen dredging, pump repairs; lack of redundancy with filter does not meet DEQ requirements; equipment is reaching almost 30 years, and some components are approaching the end of their useful life.

There is 249,100 feet of distribution system piping, and the pipe materials are asbestos cement, PVC. An evaluation of the distribution system indicates some undersized mains which lead to inadequate fire flows; additional looping needed for redundancy; and future line extensions are recommended. There are reservoirs at Johnson Lane, Coburn Road, and East, and a pumping station at Noblewood which boosts to mid-zone. An evaluation shows pumping capacity is adequate; additional storage is needed in low and mid-zones, and a mixer is recommended at Johnson Lane.

Deficiencies and items of concern are the intake, treatment, including lack of filter redundancy and aging equipment; distribution, including fire flow improvements, looping, redundancy, and extensions for the future.

The following is a summary of recommended improvements:

Priority 1 Near Term Improvements (1-5 years):

Recommended Improvement	Approximate Construction Time Frame	Estimated Construction Cost (2015 dollars)
Remove incline pipe & construct new Pump Station	2018	\$2,100,000
Chlorine System Upgrade	2018	45,000
Vacuum Blower Upgrade	2018	60,000
Fire Flow recommended upgrades	Start annual in 2017	330,000/yr
Water Main recommended upgrades	Start annual in 2017	500,000/yr
Noblewood Pump Station large pump setting adjustments	2016	0
Future Pipe Extensions upgrades	As needed	Paid by development
Mixer to Johnson Lane Reservoir	2018	45,000
Additional Conventional Treatment Train	2020	2,300,000
New 0.45 MG mid-zone reservoir	2020	950,000

Priority 2 Mid-Term Improvements (6-10 years)

Fire Flow recommended upgrades	Continued from 2017	~330,000/yr
Water Main recommended upgrades	Continued from 2017	550,000/yr
Future Pipe extensions Upgrades	As needed	Paid by development
New 1.1 MG Johnson Lane Reservoir	2022	2,300,000

Priority 3 Long-Term Improvements (11-20 years)

Construct New River intake structure	2026	2,700,000
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Fire Flow recommended upgrades	Continued from 2017 ~ 300,000/yr
Water Main recommended upgrades	Continued from 2017 500,000/yr
Future Pipe extensions Upgrades	As needed Paid by development

2018 Water System Upgrade Project Total Estimated
 Project Cost: \$4,310,000

2020 Water System Upgrade Project Total Estimated
 Project Cost: \$4,540,000

Funding options include LWSD capital improvement reserves; low interest loans, revenue bonds; grants through state agencies such as TSEP, RRGL, USDA-RD, CDBG, and the Coal Board.

The effect on rates depends on timing of the project, availability of grants and final funding package. The projected rate increase is \$5.95 per equivalent dwelling unit.

The complete report is available for public review at the LWSD office. Ms. Cook emphasized the above recommendations are in MMI's professional judgment, however, the District is not obligated to carry them out, and is free to perform the recommendations, or not, as it sees fit.

Board discussion followed regarding the report. President Peters noted on Page 4-1, Lockwood Water Users Association transitioned into Lockwood Water and Sewer District on May 1, 2001, not August 22, 1996. It was also mentioned later in the text two or three times.

Referring to Page 1-8, Manager Ariztia asked what the difference was between the summary of annualized and present worth cost for water supply upgrade alternatives and the summary of capital costs. Jill Cook responded that the present worth cost looks at the capital cost plus the annual O & M cost, with the theory being that when you choose something you should choose it based on present worth.

Manager Ariztia inquired as to the deadline for receiving comments. Jill advised that the grant application deadline is in May, and they want to have the final to Laurie Benner by early April. Manager Ariztia will ask for comments to be given by February 29th, so any revisions to the report can be completed based on comments received, followed by issuance of the final report in April.

Nancy Belk called attention to Page 4-6, where it states if you have 69% of the annual precipitation falls April through September, and then November, December, January, account for the remaining 16%. That only totals 85%. Jill will check on the numbers and revise the figures.

APPROVAL OF MINUTES:

The minutes of the Board meeting of January 13, 2016 were offered for approval. Two corrections were noted: Page 4, Manager Reports, Manager Ariztia and Nick Baker were added to those attending the Montana Rural Water Conference. Page 5, Second full paragraph, last sentence to read: "A trash rack will be installed in addition to a walkway across the structure."

- I. Carlotta Hecker moved to approve the minutes of January 13, 2016 with the corrections as noted. Nancy Belk seconded the motion. Motion carried.

NEW BUSINESS

Approval of COP Construction Pay Application No. 4 for the Phase 2 Sewer Project

COP Construction presented Pay Application #4 for the Phase II sewer project in the amount of \$832,182.40. Manager Ariztia verified all charges were appropriate.

- II. Nancy Belk moved to approve COP Pay Application #4 for Phase II sewer project in the amount of \$832,182.40. Carlotta Hecker seconded the motion. Motion carried.

COP Pay Application #4 with MMI informational statement attached to minutes

Proposal to Add Additional Projects to Ongoing "2015 Water CIP" Project Construction

Manager Ariztia advised that in going through the sewer project, they identified two areas that could be looped within the limits of the current project while equipment and resources are in the area, and both areas include paving. The top priority would be the Piccolo Lane 8" looping, which currently is looking at receiving a new portion of waterline, but there would be a portion coming from Highway 87 down Piccolo, and then there is a section coming up from Old Hardin Road. The cost for construction would be \$150,000 for the Piccolo portion. Once that project was complete, that road would be paved and LWSD wouldn't have to worry about going in there again to make any system improvements.

Currently there is an 8" main on Greenwood, and a 4" line going up Sterling and a 4" line going up Gardiner, and they both dead-end about three-quarters of the way up each street. The proposal is to go back to Greenwood on Gardiner and replace it with new 8" main all the way up Gardiner around to Sterling, tie into the 4" main at the end of Sterling and leave it 4" for now, and that would loop that for water quality purposes, and increase the fire flow in that area.

Payment will come out of the reserve account in the amount of approximately \$400,000. MMI will prepare an amendment for the engineering services, and a change order to the COP

Construction contract to \$.5 million for construction and engineering, which would include an increase to COP Construction's schedule based on the additional water work they would be doing. COP was allowed 320 days for construction, and this will extend another 29 calendar days or 21 working days onto the contract.

- III. Stuart Deans moved to approve the additional 2015 Water CIP Project Construction in the estimated amount of \$400,000, not to exceed \$450,000, and to prepare an amendment for engineering services and a change order to the current contract with COP Construction. Carlotta Hecker seconded the motion. Motion carried.

OLD BUSINESS:

Phase 2 Sewer Project Update

Manager Ariztia reported Peters Street was being completed by the school and should be done by the end of the week, so that will conclude the work in that portion. Juniper, Hickory, Hemlock, Sunrise, Greenwood, Sterling, Gardiner and Rockwood have been completed. They are working on Wanda right now. Nightingale, Loretta and Hillner have been completed. Once Wanda is completed, they will start work on Eagle Rock.

There were some issues on Eagle Rock where the waterline wasn't where they thought it was in the road for maintaining the required separation between the water and sewer lines. After several meetings, MMI prepared a revised plan to request a deviation through one section. DEQ's approval was sought and given. There is a potential that some gutter will have to be torn up and replaced.

Manager Ariztia suggested the Board consider partial utilization and opening up of some of the completed sections as set forth above to allow connection to the sewer. This will be discussed at the next Board meeting.

Discussion on Potential Longevity Program

Manager Ariztia provided the Board with copies of the Longevity Analysis prepared by Richard Larsen, Larsen & Associates, which was a comparison of how the City of Billings, City of Bozeman, City of Laurel, and City of Great Falls handle employee longevity compensation. He had been asked by the Board to review the analysis and provide a recommended schedule for LWSD. The recommendation was longevity compensation would start after three years of service; \$100.00 per year; capped at \$2,500; and lump sum paid out once a year on December 1st.

- IV. Nancy Belk moved to approve the recommended longevity compensation as compiled by Manager Ariztia . Carlotta Hecker seconded the motion. Motion carried.

Copy of Longevity Analysis attached to minutes

FINANCIAL REPORTS:

The Yellowstone County Trial Balance for monies due LWSD as of 12/31/15, was \$2,509.58.

Financial reports attached to the minutes are: Check/Claim Detail for the Accounting Period January and February, 2016; Trial Balance with Revenue and Expenditures for the Accounting Period January, 2016, Statement of Revenue Budget vs. Actual for the Accounting Period Statement January, 2016; Statement of Expenditures - Budget vs. Actual Report for the Accounting Period January, 2016.

- V. Nancy Belk moved to approve payment of the bills submitted on the Check/Claim Detail list. Carlotta Hecker seconded the motion. Motion carried.

Financial Reports attached hereto

OTHER BUSINESS:

2016 Health Insurance Renewal

A memo was sent from Manager Ariztia to the Board regarding the health insurance renewal. He met with Terry McGuiness, the Blue Cross/Blue Shield representative, regarding a 12.33% increase on the District's health insurance. Manager Ariztia recommended renewal.

- VI. Nancy Belk moved to accept the renewal of BC/BS health insurance in the amount of \$6,095.46 per month. Stewart Deans seconded the motion. Motion carried.

Copy of February 5, 2016 Memo from Manager Ariztia attached to minutes

Manager Reports:

The water pumping record is as follows:

January, 2015	19,901,200
January, 2016	20,130,300

Wastewater record:

December, 2014	3,117,000
December, 2015	3,937,000

Manager Ariztia advised he had received from people that live in a small area off of Rosebud who are between the Phase 1 and Phase 2 sewer projects and have become an island unto themselves. They were part of the original Phase 2 boundary, but through scaling down and different options they were cut out of it, even though they were in a section of the District that had the highest responses for the sewer program. There are approximately 20 properties, and they want to connect into the sewer. The area is south of Rosebud between Viva and Coburn Road.

Nancy Belk suggested they could organize their own RSID. Manager Ariztia contacted bond counsel regarding including these properties into the Phase 2 boundary. He was told nothing was really impossible but it would be a very hard thing to do. Phase 2 would have to be reopened, and if it would increase the cost to the existing Phase 2 people at all, then it was not doable.

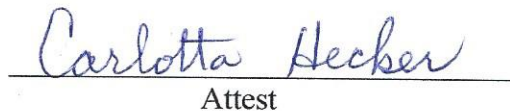
An alternative is to ask them to wait and if the District went forward with a Phase 3 sewer project, they would be included in Phase 3. Jill Cook advised Morrison-Maierle could be approached to form an RSID for these properties. Manager Ariztia's conclusion was unless the property owners were willing to wait for a Phase 3, there was not anything the District could do for them at this time.

VII. Nancy Belk moved to adjourn the meeting. Carlotta Hecker seconded the motion. Motion carried.

There being no further business to come before the Board, the meeting was adjourned at 10:10 p.m.

The next Board meeting will be held on March 9, 2016.


Attest


Attest