

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

July 12, 2017

The regular meeting of the Lockwood Water and Sewer District Board of Directors was held on July 12, 2017. 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, Billings, Montana.

Present at the meeting were Board members Carl Peters, Nancy Belk, Carlotta Hecker and Merrill Walker. Board member Stuart Deans was absent. Also present was LWSD Manager Mike Ariztia, Assistant Manager Tony Reed, Jill Cook of Morrison-Maierle, and Evelyn Pyburn of *Yellowstone County News*.

Attendance and Voting Record attached to minutes

PUBLIC COMMENT:

None.

APPROVAL OF MINUTES:

The minutes of the Public hearing of May 23, 2017, were presented for approval.

Two corrections were noted: Page 2, delete "are" and change to read, "Audience: But we all pay development in this \$1,225?"

On Page 14: the motion contained in the minutes to implement the water and sewer base and monthly usage rates should be clarified to show it was enacted that evening at the meeting. However, the decision on the extension and modifications of the system development fees would be postponed for discussion at the June Board meeting. The motion was changed to read as follows:

- "I. Nancy Belk moved to approve the water and sewer base rate and monthly usage rate in place. Discussion and decision on the extension and modification to the System Development Fees will be brought before the Board at the June Board meeting. Carlotta Hecker seconded the motion. Motion carried."
- I. Nancy Belk moved to approve the minutes of the Public Hearing of May 23, 2017 as corrected. Carlotta Hecker seconded the motion. Motion carried.

The minutes of the Board meeting of June 14, 2017 were presented for approval.

- II. Carlotta Hecker moved to approve the minutes of the regular Board meeting of June 14, 2017 as written. Nancy Belk seconded the motion. Motion carried.

NEW BUSINESS:

*** Resolution No. 143 – fiscal year 2018 Sewer Planning Budget**

Manager Ariztia presented the 2018 Sewer Planning budget to the Board for discussion and approval.

Resolution No. 143 was read into the record by Carlotta Hecker as follows:

RESOLUTION NO. 143

A meeting of the Board of Directors of the Lockwood Water and Sewer District was held on the 12th day of July, 2017, at the District office located at 1644 Old Hardin Road, Billings, Montana.

The following Resolution was adopted by the Board of Directors:

RESOLUTION: Be it ordained by the Board of Directors of the Lockwood Area/Yellowstone County Water and Sewer District (LWSD) that the Sewer Planning budget for fiscal year 2018 be approved in the amount of \$49,400.00.

Signed: Carl Peters, President
Attested: Carlotta Hecker, Secretary
Dated: July 12, 2017

- III. Nancy Belk moved to adopt Resolution No. 143, the fiscal year 2018 Sewer Planning Budget, as set forth in the attached Resolution No. 143. Merrill Walker seconded the motion. Motion carried.

*** Resolution No. 144 - Fiscal year 2018 Sewer Operations Expense Budget**

Manager Ariztia presented the 2018 Sewer Operations Expense Budget to the Board for discussion and approval. He advised new categories have been added to enable him to plan and budget with additional specificity, and as a clarification for the Board to clearly see where the money is actually being spent. The budget was increased approximately 7% from last year primarily due to payment of loan interest.

Resolution No.144 was read into the record by Carlotta Hecker as follows:

RESOLUTION NO. 144

A meeting of the Board of Directors of the Lockwood Water and Sewer District was held on the 12th day of July, 2017, at the District office at 1644 Old Hardin Road, Billings, Montana.

The following Resolution was adopted by the Board of Directors:

RESOLUTION: Be it ordained by the Board of Directors of the Lockwood Area/Yellowstone County Water and Sewer District (LWSD) that the Fiscal Year 2018 Sewer Operations Expense Budget and the Fiscal Year 2018 Capitalization Budget for fiscal year 2018 be approved as represented in the attachments to this Resolution entitled "Proposed 2018 LWSD Sewer Operations Expense Budget" (page 2), with supporting exhibits entitled "2018 Forecasted LWSD Sewer Income" (page 1), "Proposed 2018 LWSD Capitalization Budget" (page 3). The sewer operations expense budget for Fiscal Year 2018 therefore be approved in the amount of \$1,365,394.18, and the Fiscal Year 2018 LWSD Capitalization Budget be approved in the amount of \$708,677. Total: \$2,074,071.18.

Signed: Carl Peters, President
Attested: Carlotta Hecker, Secretary
Dated: July 12, 2017

IV. Merrill Walker moved to adopt Resolution No. 144, the Fiscal Year 2018 Sewer Operations Expense Budget and Fiscal Year 2018 Capitalization Budget as set forth in the attached Resolution No. 144. Nancy Belk seconded the motion. Motion carried.

*** Resolution No. 145 - Fiscal year 2018 Water Operations Expense Budget**

Manager Ariztia presented the 2018 Water Operations Expense Budget to the Board for discussion and approval.

RESOLUTION NO. 145

A meeting of the Board of Directors of the Lockwood Water and Sewer District was held on the 12th day of July, 2017, at the District office located at 1644 Old Hardin Road, Billings, Montana.

The following Resolution was adopted by the Board of Directors:

RESOLUTION: Be it ordained by the Board of Directors of the Lockwood Area/Yellowstone County Water and Sewer District (LWSD) that the Fiscal Year 2018 Water Operations Expense Budget and the Fiscal Year 2018 Capitalization Budget for fiscal year 2018

be approved as represented in the attachments to this Resolution entitled "Proposed 2018 LWSD Water Operations Expense Budget" (page 2), with supporting exhibits entitled "2018 Forecasted LWSD Water Income" (page 1, "Proposed 2018 LWSD Capitalization Budget" (page 3), "LWSD 2018 Fiscal Year Debt Service Coverage" (page 4), "Projected Cash Flow - LWSD Water Operations F.Y. 2018" (page 5). The water operations expense budget for Fiscal Year 2018 therefore approved in the amount of \$1,313,147.30, the Fiscal Year 2018 LWSD Capitalization Budget approved in the amount of \$1,272,500.00. Total: \$2,585,647.30.

Signed: Carl Peters, President
Attested: Carlotta Hecker, Secretary
Dated: July 12, 2017

- V. Merrill Walker moved to adopt Resolution No. 145, Fiscal Year Water Operations Expense Budget and 2018 LWSD Capitalization Budget as set forth in the attached Resolution No. 145. Nancy Belk seconded the motion. Motion carried.

*** Award of contract for Johnson Lane Water Main Extension**

Cayton Excavation and Springline Construction submitted bids for construction of the Johnson Lane Water Main Extension project. Springline Construction was the low bidder. Morrison-Maierle reviewed the bid documents and determined that Springline submitted all the required documents, and recommended Springline for construction of the project in the bid amount of \$76,461.00.

Jill Cook advised she will prepare the Notice of Award for the District's signature and will then start working with Springline on contract documents.

- VI. Carlotta Hecker moved to accept Springline Construction's bid in the amount of \$76,461.00 for construction of the Johnson Lane Water Main Extension project. Nancy Belk seconded the motion. Motion carried.

Copy of MMI 7/1/17 letter re: Springline bid, attached to minutes

OLD BUSINESS

*** Intake pump station design update**

Jill Cook advised the bulk of the pump station design has been completed. Plans and specs are prepared to submit to DEQ and are 95% complete. The funding agencies, SRF, TSEP, and the DEQ review staff are aware of the design submittal and the timelines.

FINANCIAL REPORTS

The Yellowstone County trial balance as of 5/31/17, shows a balance due the District of

\$45,417.26.

Financial reports attached to the minutes are: Check/Claim Detail for the Accounting Period June and July, 2017; Trial Balance with Revenue and Expenditures for the Accounting Period June, 2017, Statement of Revenue Budget vs. Actual for the Accounting Period Statement June, 2017; Statement of Expenditures - Budget vs. Actual Report for the Accounting Period June, 2017.

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

OTHER BUSINESS:

*** Becraft Update**

After reviewing the options and liability issues, it was determined not only by the District but also the Lockwood Irrigation District Board, that the trench needed to be restored to the south side on Becraft to send the water along the path it has always traveled and not diverting it to the north side where it could potentially cause damage.

The road has been patched with base and millings. The County and County Commissioners have been notified. COP Construction was contacted to perform the work. There were trench plugs in portions of Becraft that had been dug out to prevent water from infiltrating into those trenches from the surface. COP Construction will return to install the second portion of the trench plugs from the roadway to the property lines in both those sections and they will extend all the way down to the sewer line service. The ditch along Becraft will be restored.

At present, the District is going to be paying for these repairs. The funding agencies have closed out the project as far as construction goes, and they do not consider this part of the project. Hopefully repair will be completed this week.

President Peters advised some of the impacted residents may be seeking legal remedies with regard to reimbursement for the cost of using LWSD water to irrigate, but this is not a certainty.

*** City of Billings Sewer Update**

As the Board was advised earlier, Andrew Rheem and Manager Ariztia met with the City of Billings to discuss certain questionable aspects of the rate study. There are possibly three issues that they think are worth bringing forward. The issue with the reserve capacity fees cannot be dealt with as part of the rate study, and will have to be dealt with separately.

The first issue is the matter of the reserve capacity fees that were paid over the last year,

which were significantly higher than they were the year before based on the City's anticipated improvements to the City sewer treatment plant. The improvements were not done, and those costs, therefore, were not expended. The City suggested there is an absence of any obligation in the contract for the City to reimburse LWSD for the unused payments.

The second item was the City's anticipated Lockwood growth numbers, and whether that matches what LWSD determines or anticipates as Lockwood growth.

The third item was the rate base, with Lockwood customers paying system development fees and connecting in and paying reserve capacity, how that works to ensure that LWSD is not paying for things twice. Manager Ariztia felt the questions and concerns should be addressed in a formal letter to the City staff as a request for additional information. The Board agreed, and Manager Ariztia will prepare a letter for Board review.

*** Contract for WIPFLI Auditing Services**

Manager Ariztia presented a contract from WIPFLI to conduct the LWSD audit for three years: 2016, covering July 1, 2016 to June 30, 2017 in the amount of \$19,000; 2017, covering July 1, 2017 to June 30, 2018 in the amount of \$19,400; and 2018, covering July 1, 2018 to June 30, 2019 in the amount of \$19,800.

VIII. Nancy Belk moved to accept the WIPFLI contract for auditing services for 2016, 2017, and 2018, in the amounts of \$19,000; \$19,400, and \$19,800 respectively. Merrill Walker seconded the motion. Motion carried.

MANAGER REPORTS:

The water pumping record is as follows:

June, 2016	50,749,100
June, 2017	38,647,300

Wastewater record:

May, 2016	2,076,448
May, 2017	3,988,336

Manager Ariztia announced that the District is now accepting debit and credit card payments. The District website provides an option for online payment through a one-time payment or an automatic withdrawal of payments. There is also an option to create a user account wherein the customer can review past accounts and payment history. There is a 3% fee associated with online use or a \$2 minimum. The website has been updated with the new rates that became effective on July 1.

The Lockwood TEDD will have an infrastructure master plan public input meeting on Wednesday, July 26 at 6:00 p.m., at the Lockwood Fire Station. Morrison-Maierle is working on the infrastructure master plan also, in an attempt to make sure that this master plan captures the true cost for connecting to the Lockwood water and sewer systems.

Manager Ariztia advised that the state safety inspection that resulted in a list of deficiencies has been remedied, and he has received notification that LWSD met all of the requirements and the case is closed.

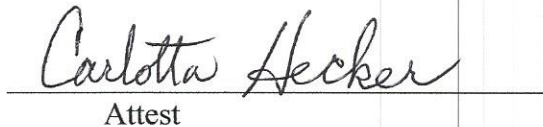
Potential wage increases will be discussed at the August meeting.

IX. 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 9:10 p.m.

The next Board meeting will be held on August 9, 2017.


Attest


Attest