

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

June 14, 2017

The regular meeting of the Lockwood Water and Sewer District Board of Directors was held on June 14, 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 Merrill Walker and Stuart Deans. Also present were LWSD Manager Mike Ariztia, Assistant Manager Tony Reed, Jill Cook of Morrison-Maierle, Evelyn Pyburn of *Yellowstone County News*, and Lockwood residents, Donnie Sessions, Bob Riehl, Woody Woods, and Jackie Pepin,

Attendance and Voting Record attached to minutes

PUBLIC COMMENT:

Lockwood resident Jackie Pepin advised she had to leave the public meeting early, and had a question about the sewer system development fee and payment being due in 40 days. She read on the Internet that there was discussion of giving more time for payment of the system development fee because the sewer wasn't completed until late last fall and people haven't had a chance to hook up and cannot find contractors. She wanted to know what the decision was.

Manager Ariztia replied it is one of the next items on the agenda for discussion under System Development Fee discussion and possible motion regarding fee increases and implementation.

APPROVAL OF MINUTES:

The minutes of the Board meeting of May 10, 2017, were presented for approval.

- I. Stuart Deans moved to approve the minutes of the Board meeting of May 10, 2017 as written. Merrill Walker seconded the motion.
Motion carried.

NEW BUSINESS:

- * **Approval of proposal from Nittany Grantworks to prepare Treasure State Endowment Program (TSEP) and Renewable Resource (RRGL) grant applications for Phase 3 Sewer Subdistrict planning and PER**

Manager Ariztia presented a Scope of Work proposal from Nittany Grantworks to prepare grant applications to the Treasure State Endowment Program (TSEP) and Renewal Resource (RRGL), to support preparation of an update to the Wastewater Preliminary Engineering Report in anticipation of moving forward with the planning for a potential Phase 3 sewer subdistrict. The fee for Nittany's work is \$2,520. The total amount the District could receive from a combination of the two funding agencies is approximately \$20,000. Nittany has prepared successful grant applications in the past for the District.

- II. Merrill Walker moved to approve Nittany Grantworks proposal for preparation of grant applications to TSEP and RRGL in an amount not to exceed \$2,520, to support an update to the Wastewater Preliminary Engineering Report in anticipation of a potential Phase 3 sewer subdistrict. Nancy Belk seconded the motion. Motion carried.

Nittany Grantworks Scope of Work attached to minutes

*** Resolution 142 authorizing submission of TSEP Application**

Manager Ariztia advised RRGL's planning grant applications will be due later in the year and will be announced sometime after July 1, 2017. TSEP's funding application is due June 26 and requires Resolution 142 authorizing submission of the application to be approved by the Board. The Resolution was read into the record by Carlotta Hecker.

Resolution No 142

Resolution Authorizing Submission of TSEP Application

A meeting of the Board of Directors of the Lockwood Water and Sewer District was held on the 14th day of June, 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 as follows:

WHEREAS, Lockwood Water and Sewer District is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) to prepare an Update to the Wastewater Preliminary Engineering Report;

WHEREAS, Lockwood Water and Sewer District agrees to comply with all State laws and regulations and the requirements described in the TSEP Application & Administration Guidelines for infrastructure Planning Grants specifically, and those that will be described in the TSEP Project Administration Manual generally;

WHEREAS Lockwood Water and Sewer District commits to provide the amount of matching funds as proposed in the TSEP application; and

That Carl Peters, President, is authorized to submit this application to the Montana Department of Commerce, on behalf of Lockwood Water and Sewer District, to act on its behalf and to provide such additional information as may be required.

Passed and approved this 14th day of June, 2017

Copy of Resolution No. 142 attached to minutes

Manager Ariztia reminded the Board that TSEP grant monies are subject to matching funds from the District. The RRGL grant does not require matching funds. All grant money received will go to update the Morrison-Maierle PER for the potential Phase 3 sewer project.

- III. Stuart Deans moved to adopt Resolution No. 142 authorizing submission of the TSEP grant application. Merrill Walker seconded the motion. Motion carried.

*** System Development Fee (SDF) discussion and possible motion, regarding fee increases and implementation**

Manager Ariztia reported that at the public meeting on May 23, a number of items were brought before the public for consideration, one being the user rates consisting of base rates and usage rates for both water and sewer; the second portion being the system development fees.

The Board voted and approved the base rate and the usage fees at the public meeting. The system development fee issue was postponed for discussion at the June Board meeting. The question was whether or not payment of the fee should be extended for Phase 2 customers past the scheduled implementation date of July 1, 2017, to allow additional time for customers to connect into the sewer system.

Various public comments presented highlighted the short time frame from the notice of the public meeting to the implementation of the fee, citing that the project didn't open up for people to connect into the system until September of last year. There were also harsh winter conditions prohibiting installation.

The third question was that if customers paid the system development fee, would the Board want to set a time frame within which they would be required to connect into the sewer system, and would they be forced to pay the difference between the original fee that they paid and the new fee.

The final item was if people had paid the system development fees up to this point, would they be grandfathered in indefinitely because there was not a rule in place at the time that they paid the fees, or whether a time frame should be set in place even for those customers who have paid to connect into the sewer.

Ultimately, pursuant to the system development fee extension discussion, with input from residents, Donnie Sessions, Woody Woods, Bob Riehl, and Jackie Pepin, the Board agreed the numbers for the system development fees were satisfactory, however, the general opinion was that the Phase 2 customers should be given more time to pay the fees. After group discussion, the Board agreed to extend the system development fee for Phase 2 customers for two years from July of 2017 to July of 2019. The system development fees would more than likely be reviewed in four years for implementation in the fifth year.

- IV. Nancy Belk moved to extend payment of the system development fees for current Phase 2 properties for two years from July 1 of 2017 to July 1 of 2019. Stuart Deans seconded the motion. Motion carried.

The second item for discussion was creation of a time frame for hooking up to the system after the system development fees are paid and before they are required to pay the difference between the original fee and the new fee. The question being, does the Board want to allow a clause creating a time frame from the time a person pays the system development fee to the time they connect in. As of right now, there is no time limit for connection.

Jill Cook asked if the motion to extend included water system development fees as well. She felt it should be clarified because the water system development fees are also increasing.

After extensive discussion, the Board decided to approve a three-year deadline for hooking up to the sewer after payment of the system development fees. Merrill Walker recommended three years; Stuart Deans recommended five years; Nancy Belk recommended three years; Carlotta Hecker recommended three years; Carl Peters recommended four years.

- V. Nancy Belk moved to approve a three-year time frame from the time that properties pay their system development fee to connect into the sewer system. If they do not connect into the sewer system by the end of three years, they will be required to pay the difference between the fee they paid and the current fee. Carlotta Hecker seconded the motion. Stuart Deans cast a dissenting vote. Motion carried.

The next item for discussion was the question whether people that have paid the system development fee prior to this Board meeting should be notified of the deadline in fairness to people who have already paid in Phase 2 that haven't connected. The Board decided those parties should be grandfathered in.

- VI. Nancy Belk moved to grandfather in all parties who have currently paid their system development fees for Phase 2 with no deadline for connection due to no previous guidelines. Carlotta Hecker seconded the motion. Motion carried.

Jill Cook again reiterated her question of inclusion of water system development fees to be included in Motion V for clarification. Manager Ariztia said there is no policy, connection time is unlimited. Manager Ariztia stated these policies would be an addition to LWSD's rules and regulations from this point forward. The motion would cover all sewer services three years from the date the fees are paid to connect in, and would be effective for Phase 1, new development in Phase 2, and Phase 3. It was decided that the rules and regulations should be extended to also govern the water side.

- VII. Merrill Walker moved to modify Motion V as follows: Any water or sewer system development fee paid has three years from the date of payment to connect into the service. If at the end of the three years the properties have not connected in, they will be required to pay the difference between the fee they paid and the current fee. Carlotta Hecker seconded the motion. Motion carried.

Manager Ariztia advised there would also have to be a modification to Motion VI grand-fathering anybody that had paid their water system development fee up to this point.

- VIII. Merrill Walker moved to amend Motion VI as follows: Any property that has paid a water or sewer system development fee up to this date is grandfathered in, and does not have to pay an increased fee at the time they connect. Carlotta Hecker seconded the motion. Motion carried.

- IX. Merrill Walker moved to implement the new system development fees for water and sewer as proposed, to be implemented July 1, 2017. Nancy Belk seconded the motion. Motion carried.

* **Resolution 141-Resolution to increase rates for the users of the District's water and sewer system**

RESOLUTION 141

Resolution of Lockwood Area/Yellowstone County Water and Sewer District, Montana to Increase Rates for the Users of the District's Water and Sewer System

WHEREAS, under Section 7-13-2301, Montana Code Annotated, the Board of Directors shall fix all water and sewer rates and shall, through the general manager, collect the sewer charges and the charges for the sale and distribution of water to all users.

WHEREAS, pursuant to Section 7-13-2275, Montana Code Annotated, the board shall order a public hearing prior to the passage or enactment of an ordinance or resolution imposing, establishing, changing, or increasing rates, fees, or charges for services or facilities.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District as follows:

The District will implement a rate increase for users of the system as set forth herein. All rates were presented at a public hearing and approved as presented.

This resolution shall be immediately filed with the District Secretary and shall become effective upon passage. Approved rates will go into effect July 1st, 2017.

Passed and approved this 23rd day of May, 2017.

Copy of Resolution No. 141 attached to minutes

X. Merrill Walker moved to adopt Resolution No. 141. Stuart Deans seconded the motion. Motion carried.

*** Approval of Amendment No. 1 to Task Order No. 6 of Morrison-Maierle's contract for the 2017 Johnson Lane Waterline Extension**

The Board previously approved Task Order No. 6 to the agreement with Morrison-Maierle for the Johnson Lane waterline extension. The original Task Order 6 was approved for \$20,000. The geotech portion, covering the boring and soil sampling, was found to be more expensive than was originally estimated for the project. The request is to increase Task Order No. 1 with this amendment from \$20,000 to \$25,000 to cover the additional geotech work.

XI. Merrill Walker moved to approve Morrison-Maierle Amendment No. 1 to Task Order No. 6, increasing the amount of Task Order No. 1 to \$25,000, which is an additional \$5,000. Nancy Belk seconded te motion. Motion carried.

Copy of Amendment No. 1 to Task Order No. 6

Jill also reported that MMI solicited contractors for Johnson Lane where the geotech work was done, and five interested contractors will be submitting bids.

OLD BUSINESS:

Intake pump station design update

Jill Cook reported that the intake pump station design is continuing. Jill brought 70% plans for review and advised permitting is in progress.

FINANCIAL REPORTS:

The Yellowstone County trial balance was not received.

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

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

OTHER BUSINESS:

Becraft update. Manager Ariztia advised there was an issue with Becraft in that water from the irrigation system along Becraft infiltrated two of the sewer services that came across Becraft and caused the road to sink. There were two sections where there was approximately ten feet strips all the way across Becraft. COP Construction dug out all the mud and road base and replaced it with dry material and compacted it. It is now up to grade with road base and will eventually have to be re-paved.

The question at this point is responsibility and who will cover the cost. A bill was received from COP Construction in the amount of \$10,000. The bill was accepted, but Manager Ariztia advised COP he couldn't commit to payment at this time. Realistically, this was an area that was identified last year as a potential problem. Manager Ariztia believes blame cannot be put on any one organization.

After meeting at the site with COP, options were discussed to protect the District facilities. The Irrigation District is also involved in discussions for remedies. At this time there is no definitive plan on how to proceed.

A one-year walkthrough for the warranty period on all of Phase 2 will be held on June 15 by LWSD, Morrison-Maierle, Yellowstone County and COP Construction to identify any problems that will need to be taken care of.

A notice was received from Yellowstone County that it was beginning the process for submitting a CDBG funding application. Jill Cook and Manager Ariztia attended the initial

meeting and advised the County that Lockwood may be interested in applying for a portion of those funds. CDBG funds are broken into 2 categories; planning funds, and construction funds. The goal is to apply for a portion of the planning funds for the Phase 3 project, but also looking at some small areas in Lockwood as part of the Phase 3 project that may meet the income requirements for CDBG funding.

Manager Ariztia hopes to have the budgets completed for the July meeting.

MANAGER REPORTS:

The water pumping record is as follows:

May 2016	28,119,200
May, 2017	29,167,400

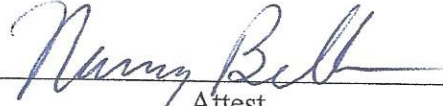
Wastewater record:

April, 2016	3,456,508
April, 2017	3,612,840

- XIII. Nancy Belk moved to adjourn the meeting. Merrill Walker seconded the motion. Motion carried.

There being no further business to come before the Board, the meeting was adjourned at 9:00 p.m.

The next Board meeting will be held on July 12, 2017.


Attest


Attest