

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

March 14, 2017

The regular meeting of the Lockwood Water and Sewer District Board of Directors was held on March 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 and Stuart Deans. Board members Carlotta Hecker and Merrill Walker were absent. Also present were LWSD Manager Mike Ariztia, Assistant Manager Tony Reed, Jill Cook of Morrison-Maierle, Robert Riehl, Advisory Committee member and Lockwood resident, Scott Aspenlieder, Performance Engineering, Advisory Committee member, and Andrew Rheem of Raftelis Financial Consultants.

Attendance and Voting Record attached to minutes

PUBLIC COMMENT:

None.

APPROVAL OF MINUTES:

The minutes of the Board meeting of February 8, 2017 were presented for approval.

- I. Stuart Deans moved to approve the minutes of the Board meeting of February 8, 2017 as written. Nancy Belk seconded the motion. Motion carried.

NEW BUSINESS:

Request to extend District facilities for Silver Fox Subdivision. The proposed extension would include both water and sewer mainline and fire hydrants to service a maximum of five lots.

A written request was received from Boyce Smith for approval to extend the water and sewer mainline to service five new lots zoned controlled industrial in Silver Fox Subdivision. Silver Fox Subdivision is within the District boundary.

- II. Nancy Belk moved to approve extending the water and sewer mainline into Silver Fox Subdivision. Stuart Deans seconded the motion. Motion carried.

Copy of request letter and preliminary plat map attached to minutes

OLD BUSINESS:

Rate study update and discussion

- * Presentation and potential recommendations from the system development advisory committee

- * Financial Plan update

Andrew Rheem of Raftelis Financial, presented a report of the progress of developing system development fees for the water and sewer District. A series of four meetings were held between himself, Manager Ariztia, Jill Cook or Morrison-Maierle, and the members of the Advisory Committee, Carl Peters, Bob Riehl and Scott Aspenlieder. A fairly recent Montana statute requires that an advisory committee process be undertaken before system development fees can be adopted.

A ten-year plan was developed encompassing common questions and projection assumptions, ultimately to arrive at fair and equitable user charges and rate revenues that are sufficient for the District's financial needs. The first main component of the plan are the system development fees. The initial evaluation has been completed, and then refined and modified through the advisory committee process.

System development fees are one-time fees assessed when primarily new developments are issued permits and they are designed and intended to recover the cost of facilities that are benefitting from this newer increased development.

Sewer is today a system-wide fee that is assessed to new or increased development. There are more nuances relative to sewer, and the first one is the City of Billings. The District collects a one-time system development fee in the amount of \$905 from Lockwood customers on behalf of the City of Billings for the wastewater treatment plant and related infrastructure that the District ties into.

The term "maximum supportable" came about over the years with the introduction of development fees. Maximum supportable is terminology we use to describe that up to that fee we can defend the costs based on the facilities and based on the approach and what is reasonable and fair and equitable.

Mr. Riehl, a advisory committee member, offered his opinion on maximum supportable, stating usually in a rate design you're looking at a revenue requirement that you have to yield towards, and so this methodology is fairly good at addressing a fee for something that you're really not too sure how many hookups you're going to get and what the revenue is going to be, so assigning a revenue requirement to that group is difficult.

Mr. Aspenlieder, another one of the advisory committee members representing the

developers, offered a dissenting opinion. He believes if the District implements its proposed system development fee, it will have an impact on the affordability of housing in Lockwood, and the willingness of developers to develop properties in Lockwood, inhibiting the growth rate of the community.

Manager Ariztia advised that currently the highest fee hasn't deterred development in the mid-zone area, and it hasn't shifted development from the mid-zone area to the low zone area because of the lower fees.

Mr. Rheem continued his presentation with the second component, the financial plans, looking at overall revenues that are sufficient to do three things: pay the bills, exceed debt service coverage ratio requirements that are tied to existing debt, and revenue capacity to take on that debt.

Manager Ariztia advised the Board has the information it requires on the system development fees. The next phase would be for the Board to come to agreement on the system development fees for water and sewer. The system development fees should hopefully be solidified in April, with presentation of potential rate alternatives as far as the user and base rates, not necessarily to have them approved then, but at least have them presented.

If the Board requires more information, they could look to the May meeting for approval of the fees, holding a public meeting some time in May, with June as the final approval for the implementation date of July 1, 2017.

FINANCIAL REPORTS:

The trial balance from Yellowstone County as of February 28, 2017 showed a balance due LWSD of \$2,417.73.

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

- III. Nancy Belk moved to approve payment of the bills submitted on the Check/Claim Detail List. Stuart Deans seconded the motion. Motion carried.

OTHER BUSINESS:

None.

MANAGER REPORTS:

The water pumping record is as follows:

February, 2016	18,893,800
February, 2017	18,931,200

Wastewater record:

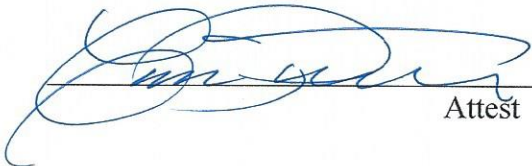
January, 2016	3,289,704
January, 2017	3,595,636

The new truck approved for purchase by the Board has been delivered.

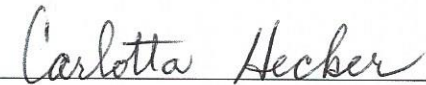
IV. Nancy Belk moved to adjourn the meeting. Stuart Deans seconded the motion. Motion carried.

There being no further business to come before the Board, the meeting was adjourned at 10:15 p.m.

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



Attest



Attest