

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

January 11, 2017

The regular meeting of the Lockwood Water and Sewer District Board of Directors was held on January 11, 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, MT.

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, and Jill Cook of Morrison-Maierle.

Guests present were Evelyn Pvburn of the *Yellowstone County News*, and Dan Carter, Exxon Mobil.

Attendance and Voting Record attached to minutes

PUBLIC COMMENT:

None.

APPROVAL OF MINUTES:

The minutes of the Board meeting of December 14, 2016 were presented for approval.

The following corrections were noted:

Page 1: First paragraph, add "Billings, MT" after 1644 Old Hardin Road.

Page 1: Public Comment; first paragraph, change address to read "110 Nightingale Drive".

Page 6: Old Business, Rate Study -- Add names of Scott Aspenlieder, owner of Performance Engineering and Consulting, and Bob Riehl, District resident, as participants in rate study advisory committee.

- I. Carlotta Hecker moved to approve the minutes of the Board meeting of December 14, 2016, with corrections as noted. Stuart Deans seconded the motion. Motion carried.

NEW BUSINESS:

Review of Service Agreement between LWSD and Exxon

A phone conference was held between Exxon Mobil legal counsel, Manager Ariztia and Terry Seiffert, LWSD legal counsel, to further review provisions of the service agreement. Subsequent to the phone conference, Exxon provided its proposed changes to the agreement, followed by LWSD review and changes of its own, and now it is being reviewed again by Exxon. Some specific items requested by the LWSD Board to be included in the agreement were added. A current copy of the draft agreement was presented to the Board for review and comment. The bulk of the errors found were typographical errors which can be easily corrected. Manager Ariztia advised it is not an exact number, but the system development fee for Exxon is a little over \$3.1 million.

Petition for inclusion into the Water District Boundary. Fraction of the North1/2 Section 28, less the NW1/4 of the SW1/4 of the NE1/4 Section 28, Emerald Hills 2nd Filing, Emerald Hills 3rd Filing, Emerald Hills Westgate 2nd Filing, certificate of Survey 2674 Amended, and Emerald Hills Acreage Tracts Subdivision 5th Filing (Tax ID D06545

This petition for inclusion into Water District No. 1 and Sewer District No. 1, of Chris and Tammi Vlahos, Superior Buildings, LLC, was presented at the December meeting and was tabled for further discussion. The Board decided to allow the petition to cover only Sanctuary Canyon Subdivision, First Filing. The language of the motion was proposed by Manager Ariztia and reviewed and approved by Attorney Seiffert.

- II. Nancy Belk moved to approve inclusion of Sanctuary Canyon Subdivision, First Filing, consisting of 20 residential lots, into the Lockwood Water Service Boundary. This is done with the stipulation that if at any point in the future the District were to modify its Sewer Service Agreement or Sewer Service Boundary with the City of Billings to include the above-mentioned property, it would automatically become part of the joint Water and Sewer Service Boundary, and be subject to any requirements thereof. Carlotta Hecker seconded the motion. Motion carried.

The legal description is as follows: Fraction of the North1/2 Section 28, LESS the NW1/4 of the SW1/4 of the NE1/4 Section 28, Emerald Hills 2nd Filing, Emerald Hills 3rd Filing, Emerald Hills Westgate 2nd Filing, certificate of Survey 2674 Amended, and Emerald Hills Acreage Tracts Subdivision 5th Filing (Tax ID D06545).

Copy of Petition attached to minutes

NOTE: Further review of the petition revealed the Notary is not in proper legal form, and the petition will have to be resubmitted with a proper notary. An ordinance will also have to be prepared for approval at the next meeting.

OLD BUSINESS:

Update and possible motion on Phase II assessments for 110 Nightingale combined tax codes

Manager Ariztia advised he did some additional research on the combined tax code matter to verify the facts as presented by Mr. and Mrs. McCarthy (see minutes of December 14, 2016). Bond counsel was contacted, and he advised that based on the way that the resolution was written, the Board is under no obligation to grant the request. If the Board chooses to grant the request, it is within its discretion to modify the resolution and exempt the property from paying the double assessment based on the facts and information they provided. There are three remaining properties that have dual assessments on their property, but only one property owner came forward to dispute the charges.

After discussion, the Board recommended that the three properties that were consolidated tax codes prior to construction of the Phase II project, even though the consolidation happened after the adoption of the resolution, will be assessed one assessment on their tax bill instead of two. Also taken into consideration was the fact that each property owner has one sewer connection. The Board directed Manager Ariztia to develop verbiage to that effect, to be reviewed by legal counsel and acted upon at the next Board meeting.

Intake/Pump Station design update

Jill Cook reported they are working toward a 30% submittal in January after the geotechnical boring is done. The last she spoke to Tetra Tech, they still did not have their permit from MRL, however, the environmental review is complete and awaiting signature. The boring will be between the railroad bridge and the interstate bridge.

Ms. Cook advised with regard to the Johnson Lane reservoir, Morrison-Maierle had recommended a small mixer in the reservoir, which is a very low power, low tech instrument, to keep the water agitated and either stop or minimize ice formation. It also keeps the water homogeneous so there is no stratification in winter or summer in water quality.

In response to a question by President Peters, Ms. Cook advised she does not expect any movement on the RRGL grant. The goal of RRGL is protecting natural resources. RRGL is interested in replacement of sewer lines that may be leaking and contaminating the groundwater, or some other large project reducing energy consumption. Consequently, a water project is not an ideal project to submit to RRGL. However, the recommendation normally is to apply because some years funds were available and the legislature chose to fund every qualified project.

FINANCIAL REPORTS:

The Yellowstone County trial balance shows funds due the District as of 12/31/16 in the amount of \$56,701.60.

Financial reports attached to the minutes are: Check/Claim Detail for the Accounting Period December, 2016 and January, 2017; Trial Balance with Revenue and Expenditures for the Accounting Period December, 2016, Statement of Revenue Budget vs. Actual for the Accounting Period Statement December, 2016; Statement of Expenditures - Budget vs. Actual Report for the Accounting Period December, 2016.

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

OTHER BUSINESS:

Letter of Recommendation for COP Construction

Pursuant to COP Construction's request for a letter of recommendation from LWSD, Manager Ariztia prepared a draft letter for Board review. The Board approved the letter for President Peters' signature.

Copy of COP letter of recommendation attached to minutes

Montana Rural Water Conference

The 38th annual Montana Rural Water Conference will be held in Great Falls, Montana, on February 22, 23 and 24, 2017. All pre-registrations must be in by February 6, 2017. Consequently, any Board member wanting to attend will have to advise Manager Ariztia before that date.

Copy of Registration Form and Agenda attached to minutes

MANAGER REPORTS:

The water pumping record is as follows:

December, 2015	19,448,600
December, 2016	21,504,300

Wastewater record:

November, 2015	3,158,056
November, 2016	3,436,312

The TSEP legislative session is slated for Tuesday, January 17th in Helena, Montana. TSEP contacted Manager Ariztia to inquire if there would be somebody from LWSD to testify before the legislature. Gary Forrester, former Board member, who is now a lobbyist, was

suggested as a good candidate to testify for LWSD. Manager Ariztia will attempt to contact Mr. Forrester. Manager Ariztia advised he may be interested in attending to familiarize himself with the process and the parties involved.

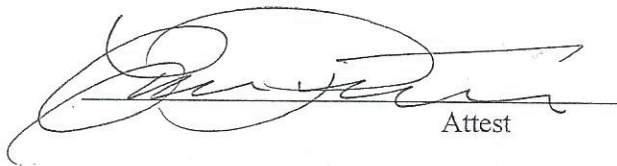
The second system development fee advisory committee meeting was held at which Andrew Rheem and Erik Johnson of Raftelis participated in a Go-To-Meeting telephone conference. There is another meeting scheduled for January 31, 2017, which will be the third and potentially last meeting, to be followed by the committee's recommendation to the Board regarding the system development fees.

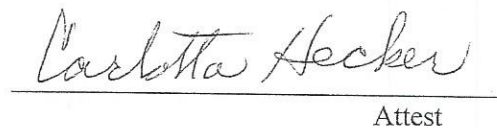
Manager Ariztia advised LWSD closed on the coal tax DNRC loan in the amount of \$294,000, which is the amount to cover the reserve capacity fees to the City of Billings for one year.

- IV. 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 8:35 p.m.

The next Board meeting will be held on February 8, 2017.


Attest


Attest