

**MINUTES OF PUBLIC MEETING
FOR PHASE 3 SEWER PROJECT
OF LOCKWOOD WATER AND SEWER DISTRICT**

July 9, 2020

A public meeting of the Lockwood Water and Sewer District Board of Directors was held on July 9, 2020, to gather public input regarding the Phase 3 Sewer Project. President Peters called the meeting to order at 7:00 p.m. in the conference room of the Lockwood Fire Station, 501 Johnson Lane, Billings, Montana 59101.

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

There were 15 members of the public in attendance.

Public Attendance record attached to minutes

**PUBLIC MEETING PRESENTATION BY JILL COOK
OF MORRISON-MAIERLE**

Ms. Cook thanked everyone for coming. This is the second public meeting. The first public meeting was held in 2018. The project was then put on hold for the funding applications' review and award in 2020.

What are the objectives of the public meeting; Ms. Cook advised she will go over recent sewer progress and successes, give an overview of the Phase 3 project and costs, discuss funding and implementation schedule, review the environmental reports, and gather public input on the proposed project and the environmental reviews.

When a community wants to plan a project and they want to apply for funding from state or federal agencies, a report called a Preliminary Engineering Report (PER) is prepared. The intent of that report is to analyze system needs, look at priorities, timelines, projected costs, and apply for state and federal grants and low interest loans. These steps for Phase 3 have been completed, and the funding applications have been submitted.

In the PER, the entire existing wastewater collection system is examined. They look at the planning area, the remaining unserved area in Lockwood, the demographics and population projections, and wastewater flow forecasts from all the remaining areas. Then they look at alternatives. Alternatives may be options that will make the project more affordable or more effective. They also complete an environmental review, which in this case has been completed. The required public notice was given, along with a public comment period.

The next step is to develop an implementation plan consisting of preliminary layout of the

sewer system, estimate of project costs and establishment of a preliminary implementation schedule.

Going back in history, Lockwood was previously the largest community in Montana with no central sewer services. In 1998, the population in Lockwood was around 4,000 within the District boundary. The projected growth was 2.4% and major commercial growth was occurring near the new Johnson Lane Interchange. However, growth was being somewhat stunted by lack of a central sewer system.

Prior to the central sewer, about half a million gallons per day of wastewater was going into groundwater in Lockwood. 25% of drainfields had failed. Yellowstone County was authorizing non-standard repairs. The soils in some areas of Lockwood are not very suitable for a drainfield. High nitrates were being found in the groundwater. Drainfields are not a long-term solution.

Lockwood negotiated an agreement with the City of Billings in March of 2008 for the City to accept Lockwood wastewater. Several options were evaluated at that time, including Lockwood building their own treatment plant that would have to be permitted, and wastewater discharged into the Yellowstone River. Lockwood chose to send their wastewater to the City of Billings. It was a fairly complex agreement. Lockwood tests their flows for various parameters. Lockwood meters it and it pays by the gallon for wastewater sent to the City. Lockwood also pays a Reserve Capacity Fee that sets aside a portion of volume in the City water treatment plant for Lockwood.

Phase 1 Sewer Subdistrict passed in 2009 and funded by a GO Bond, consisting of essentially the commercial/industrial corridor in Lockwood that includes the Lockwood Road, North Frontage Road, and Old Hardin Road. These were a lot of the folks that were most in support of the project, and needed it for their businesses to be able to expand.

In addition, Lockwood received grant funding for Phase 1, half a million from TSEP, almost a half a million from ARRA, which was the stimulus money after the recession of 2008, and the STAG grant, which came from EPA, of \$6.7 million. That STAG grant was specifically earmarked to oversize all of Phase I so eventually as Lockwood built up the sewer to the remaining areas, the trunk lines would be big enough for the whole system to be built out.

Lockwood also received loan forgiveness of \$600,000. That was again stimulus money. The final bond for Phase 1 was \$11.2 million, and on top of that construction and engineering came in under the expected cost. Morrison-Maierle always tries to do their estimating conservatively. The total bond came in \$2.8 million below the expected amount due to project savings and loan forgiveness.

Subsequently Phase 2 was started. The Phase 2 area was essentially all the remainder of everything out to the red lines designating the water service boundary (referring to map). The Phase 2 GO Bond failed. A series of seven neighborhood meetings were held to talk to residents and property owners about what they thought was a fair method of assessment. Opinions

included a GO Bond based on property value or a special assessment based on an equal amount per each tax code parcel. People tended to like the special assessment with an equal amount charged per parcel better; (one house, one connection).

We refined the service area reducing it from 1020 properties to 640 properties encompassing some of the smaller lots in Lockwood, Hemlock, Greenwood over here on to Rosebud, Starlight area. Lockwood had \$2.7 million in grants for Phase 2 and approximately \$6 million in loans. In addition to that, Yellowstone County contributed just under \$800,000 for restoring and upgrading the roads.

Phase 2 was to be paid by special assessment in equal amount per the tax code, not per the lot. The assessment is updated annually and the idea is as new subdivisions are brought in within the boundary, the assessments per parcel go down. Population projections were rechecked assuming that some large lots would subdivide into smaller lots based on new zoning regulations.

Future sewer service areas begin with a service area delineation. All the rest of Lockwood was looked at that wasn't included in Phase 1 or 2. (Referring to maps. Areas currently without sewer were evaluated as part of the future sewer planning area, and each area was analyzed to develop a preliminary cost estimate.

Areas were prioritized as "basins" in terms of project affordability looking at cost per lot, constructability, efficient phasing. If a basin is right next to the Phase 2 sewer and then there's another basin farther down the line, they can't get to the farther out basin until you're connected into the adjacent basin. Reports are provided by the county on drainfield conditions and soil suitability, and also growth potential and economic cost effectiveness is looked at.

The areas that were ranked highest were identified and prioritized as the Phase 3 planning area. Lower ranked areas were identified as a future Phase 4. A Phase 3 planning area boundary was established for cost estimating and they did an alternative analysis regarding whether they would build it all as one big project or split it into two separate projects, 3A and 3B. The final boundary will need to be established through a legal process where the boundary is established, legal notice is published, a public meeting is held. There will be an opportunity to petition in and out of that boundary, the Board will consider those petitions, and at that time a final boundary would be established.

Other alternatives will be looked at including cost effectiveness, things like optimizing the number of lift stations. There are two areas that are lower than Old Hardin Road that will require pumping back up to the trunk main at Old Hardin Road, and it has been looked at to see if those two can be combined into one. Alternative sewers have been analyzed, which can include vacuum systems, and low pressure pumping systems. Opportunities have been looked at to take advantage of alley construction where there are alleys. Another alternative looked at was moving the trunk main for some distance out of Old Hardin Road to Driftwood.

Alternatives 1 and 2 were compared. Alternative 1 was constructing all of Phase 3 in one project; alternative 2 was splitting Phase 3 into two projects. Comparison criteria was based on project affordability; operational ease; facility flexibility; resource use, and local economic effect. (Referring to Map.) Green on map is Phase 3, yellow is Phase 4.

Yellow consists of a lot of the newer constructed areas. Recognizing that a lot of these new subdivisions have brand-new septic tanks, brand-new roads, they don't particularly need sewer service right away, they don't really want the sewer right away. It also comes and picks up a little area off of Rosebud.

Green on the map would be if Phase 3 was done all in one project. This is Alternative 2 where Phase 3 gets split into Project 3A and 3B, the green again being 3A, and orange being 3B. And again, this was based on what's most affordable, what needs the most done from a commonsense standpoint of being next to existing mains.

Then, opinions of probable cost are developed. Again, these are very high-level planning estimates. Survey has not been done yet, detailed design has not been done, but this estimate is based on the best estimate based on the best information we have at this time, attempting to be conservative in the estimates.

User rates are analyzed with grants and without grants, and we look at the probable grants that communities like the Lockwood Water and Sewer District can apply for, and then we've got number of connections, the sewer assessments that would be that property's portion of the loan paying back for construction of the system. The reserve capacity assessment is something to the City of Billings that all properties pay in Lockwood, and then the monthly rates for a total of the cost.

MANAGER ARIZTIA: So, just to clarify, if you want to go back one slide. So that sewer assessment, it gives you an average monthly cost on the far right-hand side, the sewer assessment itself is the assessment that's placed on each individual property tax, so you would actually pay that either once or twice a year depending on how you pay your property taxes. So your monthly sewer bill that you get in the mail that you pay every month would be \$53.16. The other portion of it is the assessment that's placed on the property taxes.

MS. COOK: Right. You wouldn't start paying this sewer rate until you actually connect, and there's not a requirement to connect in. Yellowstone County and DEQ have established the protocol that when a system fails, if you have central sewer available to you, and there are some caveats that you can get out of it, but in general if your onsite system fails, you'll have to connect at that time. If your drainfield fails, they won't issue a permit to allow you repair it. But until that time, if you would like you are free to continue to use your septic tank and drainfield.

FROSTY ERBEN: Can I add something to that?

I'm a realtor. If the sewer is within a close enough distance to the property being sold, the lenders are going to require that it be connected. So, one way or the other, at some point everybody is going to get hooked to the sewer to satisfy the needs of the lender that is loaning the money on the sale of the property.

MS. COOK: Okay. And I would also say, the other thing about doing special assessments is you can pay off in advance if you choose to. So, a GO Bond on the property for the duration of the loan, there's no way to prepay it, but the assessment, if you want to pay it off early, like in a house sale, something the buyer might say I'm going to pay the assessment.

FROSTY ERBEN: But nine times out of ten they do ask for any SIDs that you can pay off to be paid off, but it is negotiable.

MANAGER ARIZTIA: Every year that payoff amount is recalculated based on how much was paid toward principal the year prior. Before the new list goes out to the tax rolls for the coming year payoff is recalculated based on your portion of the current principal amount. Once the assessment is paid off, the property is removed from the tax list.

Now, if you pay off that property somewhere during that tax year, once the list has been submitted to the County and DOR, and the property tax bills have gone out, then that property tax has to be paid throughout that year because it's already been calculated in the total payoff. Then it would be removed from the tax list for the upcoming year.

ROBIN RUDE: And did you say when it's recalculated they look again in the additional properties and subdivide in -- the denominator in the calculation changes if there are more properties that year than the previous year?

MANAGER ARIZTIA: Yes.

ROBIN RUDE: So the sewer assessment, though, doesn't get charged until the bonds are sold.

MANAGER ARIZTIA: Correct.

MS. COOK: Right. That would be a project construction fee.

DICK HOKE: So, under 3B sewer assessment, is that a monthly cost? Is that added into the annual cost of your taxes?

MANAGER ARIZTIA: Yes.

DICK HOKE: So, it would be \$1400 additional --

MANAGER ARIZTIA: A year on your property tax, yes.

TROY UNREIN: Would it be beneficial to pay the cost sooner? Would the cost increase over time?

MANAGER ARIZTIA: What happens is Phase 3 goes in, that amount goes on your property taxes. Then there's another fee, it's called a system development fee, and what that is, it's buying into your portion of the infrastructure that's already been put in place that people have been paying on through their assessments and through their monthly user rates for operation, maintenance, repairs and things like that. So at the time you get ready to connect in, you pay that fee. Usually every year to every two years that fee goes up. So, yes, it is beneficial to pay it as early as you can because the longer you wait, the more that fee increases.

The caveat on that the system development fee is two part. Every time we make a new connection into the Lockwood sewer system, we have to pay the City of Billings a system development fee, and we have no control over that fee. So when they go through their rate studies every two years and calculate what that system development fee is, we charge that to our customers. It's kind of a pass-through cost. And then there's an additional portion of the system development fee for the infrastructure that belongs to Lockwood that's currently in place.

So, you pay your assessment for 30 or 40 years, and then your system development fee at the time you connect in, and that's a one-time fee.

FROSTY ERBEN: What is that rate right now? What is the fee? If I go down to get a permit, what is it going to cost me?

MANAGER ARIZTIA: About 18, about 17 something.

FROSTY ERBEN: The reason I asked that question is because I talked with a gentleman last week, he said \$1400 right away, and he's saying hold the permit that says he doesn't have to pay that \$1800. Is that true? He's got a permit that he paid for right away.

MANAGER ARIZTIA: Since then, though, there was a rule established that you could pay the current connection fee, and you have three years to connect in. Now, people that paid prior to that rule going into effect, and there wasn't very many of them, they're locked in for however long until they connect in.

But now, if Phase 3 rolled in as soon it was completed, you could pay for Phase 3, or pay whatever that system development fee is at that time and you're locked in for three years. And you connect in within that three years, you don't pay anything additional. If you go beyond that three years, you don't lose that money you just pay the difference between the fee you paid and the current fee.

MS. COOK: Any other questions on the topic we were just on?

So, what is available to help offset some of the costs with grants/without grants. The

probable grants that we know of right now, and we're assuming Lockwood will get in are RRGL and TSEP . Lockwood would be eligible for \$125,000 from RRGL. There's the TSEP program, and there's the SRF loan program, and that's a low interest loan from the State of Montana. We will continue to monitor for other infrastructure funding that may become available.

CARL PETERS: Jill, what's the amount on TSEP, is it \$750,000?

MS. COOK: For TSEP, I believe we're at \$500,000 --

MANAGER ARIZTIA: \$625,000.

MS. COOK: \$625,000. It's based on median household income in the area.

We're hopeful that with the current situation with the economy, that there could be additional infrastructure stimulus money. We'll be looking for that. Phase 1 happened to go at a very fortunate time when all that other stimulus money was coming out in 2008-2009, and so if there's any option to take advantage of any other funding we'll certainly be alert to that. If additional funding came in, these costs would go down.

So, there is help for low income households. There can be help paying for the actual construction costs on your property. When you go to connect in, you're going to need to hire a contractor to come in and install your sewer service from your home to your stub-out which will be left at the property line. There are grants for low income households, and especially for seniors.

DICK HOKE: Can you do that yourself or does it have to be done by a contractor?

MS. COOK: You can do it yourself but plumbing code requires the connection be made by a plumber. You can run it all the way up to five feet away from the connection, with the caveat being that Lockwood also needs to be notified when the connection is made to come out and perform an inspection of your service.

We have an preliminary implementation schedule. The recommended alternative right now is breaking it into two projects. The reason that's the recommended alternative is that allows both projects to go out and apply for funding. So the Phase 3A project will go first, we will start the design on that. Meanwhile we would then apply for the next funding cycle, which is another two years out, for Phase 3B.

The preliminary schedule shows we completed the facilities plan approval and adoption. Lockwood submitted TSEP and RRGL grant applications this spring. Lockwood has notified SRF of the possibility of taking out a loan if the bond passes so that process is complete. Because Montana Legislature only meets every other year, you turn in your funding applications in even years; the Legislature meets in odd years, and so Lockwood won't know about the final word from the Legislature until 2020/2021.

There is a line here, the legal process to establish a special assessment. There really ought to be another line in there which is the legal process to establish the final boundary. The boundary would be set in Phase 3A. Phase 3B would give notice to property owners in the boundary of the costs, hold a public meeting, and then the special assessment election process would go forward.

If that passed, work would begin on design with all final plans and specifications for the project in May, 2022. It will be placed for bids, expecting that we might actually award the project by July, 2022, begin construction in the fall, complete construction before the snow flies the next year and then Lockwood has a two-year warranty. Bonds would be projected to close somewhere in late 2023.

MANAGER ARIZTIA: That's, I believe, a timing issue there, whether they would show up that year or whether they would show up the following year.

MS. COOK: We're talking about two years out or so before any costs would show up on our payments.

ROBIN RUDE: So, my question on the cost estimates that you had on a previous slide, and this is the grants that you're applying for that says complete in both A and B. So are the list grant costs associated in the previous slide, if they were divvied up and 3 was an entirety, or is that divvied up between a 3A got their grants and 3B got their grants?

MS. COOK: Thank you for pointing that out. We talked about 3A and 3B in the current funding application and in the preliminary engineering report, but the way that we're recommending to go out for Phase 3A and then do 3B separately, there would actually be another round of grant applications for Phase 3B.

MANAGER ARIZTIA: Then, as far as clarification, what she's saying is the cost estimate, and it's like three or four slides back that we were looking at the with or without grants for 3A and 3B, the with grant portion, is that based on each project having their own set of grant funding?

MS. COOK: Yes.

MANAGER ARIZTIA: So, if it ended up being that during the public meeting, then the property owners might say, no, we want this all combined, 3A and 3B into one Phase 3 project, then that sewer assessment amount would actually go up because you would be reducing the amount of grant funding you would be receiving because you're only receiving grant funding once as opposed to twice.

MS. COOK: And really, it will all average out somewhat because 3B includes some work funded in 3A. There would be a little bit of inflation on 3B because theoretically construction costs increase every year, so getting Phase 3B done sooner, you also save some

inflation.

ROBIN RUDE: Just to clarify, the grant applications, then, would be dependent upon total cost of the project, so if it was \$20 million versus \$10 million, you would double the amount that you may be awarded if it was 20 million?

MS. COOK: No, the grants available don't vary based on the size of your project. If there were some future stimulus money, it could vary based on the cost of the project. We saw Phase 1 got \$6.7 million. That was because Lockwood worked with their representatives in D.C. to say we have this extremely important project, that's why they got 6.7 million.

CARL PETERS: Those grants today are almost unheard of.

MS. COOK: So those are what people talk about when they talk about earmarked, the federal earmarks that people get their senators to arrange. Lockwood was the proud beneficiary of one of those earmarks.

CARL PETERS: So, it's not such a bad word, is it?

MS. COOK: When you're the one that's getting it, it's pretty nice.

So that's the preliminary implementation schedule. Like I said, there was a environmental report completed. Most of the sewer lines will be placed in existing roads, areas that have previously been disturbed. We do go out when we do an environmental review to give notice to all the agencies, Army Corps of Engineers, Natural Resources Conservation Service, U.S. Fish & Wildlife, DEQ, the DNRC, Fish, Wildlife & Parks and State Historic Preservation Office. We send them a figure from our projected sewer layout and say if you have any concerns regarding construction in these areas, please let us know. We also have to do a report that analyzes land use, for example, are we taking any prime farmland out with this project.

Biological resources, are we impacting any native species or habitats. Floodplains, are we crossing any wetlands; are we worrying about any culture or historical resources, and then socio economic and environmental justice would be would be are we serving only a section of the community that has a lot of money and we're leaving out a certain racial group or whatever the case may be. The environmental report didn't find any significant environmental impact. There will be short-term impacts from construction that the contractor will have to mitigate.

So the next steps, TSEP application is already submitted. Normally we would have had this public meeting prior to that, but we couldn't. The fact that we had a public meeting has to get to TSEP by August. We will continue to monitor for other sources of funding. When the Board chooses, the process can be started to legally establish the Phase 3 boundary with the goal of project implementation, starting the design in 2021, and starting construction in 2022.

BOB RIEHL: If something were to come up with say, based on the past history

because of Corona, is the District prepared not to be able to submit an application quickly?

MS. COOK: Oh, in terms of some sort of stimulus money?

BOB RIEHL: Right.

MS. COOK: Yes. So having this report on hand allows that to be quickly sent off to any funding source available and it's got all the background on the project, all the analysis we've done, the alternatives we've done, prioritization. We've backed up the need for the project. We've got the environmental reviews done.

MANAGER ARIZTIA: And the cost estimates are completed.

CARL PETERS: That's a good point, Bob, because this would come combined with what you would consider a top priority.

MS. COOK: And the State of Montana is extremely supportive with finishing out the sewer in Lockwood because of the high nitrates. And so Lockwood has been very successful, there's never been any problem getting the state grants that I've talked about.

DICK HOKE: Why in Phase 4 is Pine Hills and Sierra Subdivision lumped together? That's two complete different communities. Pine Hills has little tiny lots, so it doesn't seem it should be in with a neighborhood that doesn't need sewer for 20 years.

MS. COOK: Are you talking about --

DICK HOKE: Dickie Road.

MS. COOK: Part of the reason that this is on its own, so when we went through the prioritization, project affordability being one, so this is a particularly difficult area to sewer because of how it fits geographically across the Interstate. It falls off this area along the lift station and pumps back to the trunk main, and then it requires per Phase 3 the main trunk line to stop right here. Unfortunately, it's just separated enough that that area is particularly difficult and expensive to serve.

DICK HOKE: But that portion still needs sewer worse than anybody.

MS. COOK: Right. The other issue with that area and the other thing that we talked about with the District is that area is particularly well-suited to apply for a CDGB grant. CDGB grants are partially based on low income. So, most of this planning area does not qualify. This area near Dickie Road would, and so we talked about, assuming that Phase 3 gets this part built, we could then focus on this area as kind of a standalone project. So after CDGB funding to help offset the cost for those residents even further, we can sewer that area separately.

I don't know if the Board has any other comments on that area.

NANCY BELK: This is the Pine Hills area, it's not that it couldn't be served, and it could possibly be its own special area, it's just not part of Phase 3. It could be in a future Phase 4 because it's not included in planned Phase 3.

DICK HOKE: So it will be another five years before they take care of restrictions.

NANCY BELK: Yeah, if we can get Phase 3 going. We have to get Phase 3 going before we do Phase 4.

TROY UNREIN: Jill, I have a question on that. If they apply for a special grant because of the Covid-19, would that change the construction timeline?

MS. COOK: Not necessarily. The Board can tell us to start designing any time they want to, but assuming that we are waiting for the state grants and the legislative cycle to happen next year, I'm assuming we would still be starting design in 2021. There have been circumstances even for the Lockwood Water and Sewer District where some grants has already been obtained or some funding has already been obtained and we have started design prior to the grants being finalized, particularly when we talked with staff at the state agencies and we know that it's being ranked very high.

MANAGER ARIZTIA: I would think, too, that if sometime during the design process, say that everything goes through, we're going for a Phase 3A with that 3A boundary, and if additional infrastructure funding money becomes available in large dollar amounts, I think that we would re-look at 3A and 3B together to kind of spread that additional grant money.

MS. COOK: And we'd have to work with your attorney on the special assessment election that it was done and the boundary setting process is done.

TROY UNREIN: You said there might be two lift stations, where would the other one be?

MS. COOK: So, a lift station here, and it's way down at the north end here. It all falls to the north, so we would pick it up on the north end and pump it back. The other one is for this whole area, this is Tillamack. This entire area will also be pulled up to the north. Preliminarily it had its own lift station right about here. So one of the alternatives to reduce costs will be Alternative 3. We don't ever design around getting easements because that's a property owner's decision. We assume initially that everybody's got to serve themselves in the public right-of-way and if we happen to be able to get an easement, then we can combine and reduce costs.

TROY UNREIN: Okay, that easement you were just talking about, later, if somebody does get that easement, if somebody gets an easement on that other property for the lift station,

then it will pump back to Old Hardin Road?

MS. COOK: So, either way, if there are two lift stations, they'll both pump back Old Hardin Road. If there's one, it's just that everything will flow to this one and then we'll pump back to Old Hardin Road.

TROY UNREIN: That would be the best right there, the one?

MS. COOK: Yes, right. I agree. That would be ideal, and that's why we'll pursue that more.

DICK HOKE: And it's the same way with some sewer lines, if somebody's got a basement, why do you have to put it so deep. I know you have to meet the water and everything, but the homeowner, if they want to put in their basement, put a little lead tape in their own basement and bring it back up to ground level to carry that on, you know.

It seems like if you bury the sewer line you're on one street and there isn't a basement on that pumping station, so why put the sewer so deep, you know, if you're looking at the area.

MS. COOK: So, a lot of factors can go into it, sometimes it's a matter of topography. If you were around when Phase 1 was built, we had to lay the truck mains in Old Hardin Road deep enough at minimum required slope, we required the minimum slope, to run that all the way back and pick up the farthest property, and because of the undulations in the ground, there were areas, and the worst was 30-feet deep in the road. Nobody wants to be 30-feet deep.

The good news is, as we moved out into Phase 3 the ground generally trends upward, and so it's going in line with what we want the sewer to do, we're not fighting the ground. As you go south, all of these lines will drain to Old Hardin Road and so they can stay at something closer to minimum bury which we recommend about 6-1/2 feet. Sometimes, too, the waterline might be unusually low. You've got the waterlines at 8 feet, and you've got to have a separation.

MANAGER ARIZTIA: And the other thing too, is during Phase 2 we put markers out on the property lines where we anticipated the sewer services to go. And during that process, there was an opportunity for the property owners to call the number on the card to talk to the engineer and say I don't like this location, I want it on this side of my yard, and I have a basement but I don't have bathroom on it there, so I would rather have my sewer line 8 feet deep as opposed to 12-feet deep.

ASSISTANT MANAGER REED: Basically, if you were to run to the north, it's just a very small portion of that Phase 2.

MS. COOK: You mean if were to combine still?

ASSISTANT MANAGER REED: Yeah, I mean everything on the south side of Old Hardin Road.

MS. COOK: Everything on the south side of Old Hardin Road is running by gravity. These areas slope off significantly towards the Interstate as you head north, and to bring those in by gravity, the whole system, that 30-foot in Old Hardin Road would have been 40 feet, and so we always planned from the very beginning that we were going to have to pump the area north of Old Hardin Road back up to Old Hardin Road. It's not a long distance, it's not a huge lift. But the way the ground slopes to the north, it's really not reasonable to dig something that deep to serve those areas by gravity.

These areas will run by gravity to their lift stations, and then the lift station will pump back to Old Hardin Road. Everything south of Old Hardin Road flows by gravity.

TROY UNREIN: So, I know that Johnson Lane Interchange is coming up, are there any considerations of bringing the sewer lines that they cross Johnson Lane and those somewhere past the highway there?

MS. COOK: So, these areas are served in Phase 1, we've got that sewer main at Johnson Lane here, it comes from Wade currently over to Reynolds and then crosses the Interstate. So all of this was already served by a lift station, so the Town Pump over here and all of these commercial properties all run to a lift station, Johnson on Firth and it comes across Old Hardin Road and then pulls by gravity.

TROY UNREIN: And there will be no changes to that scenario.

MS. COOK: No. Nothing to change because it's all in the ground.

FROSTY ERBEN: I don't know if this is the time to talk about this, but here is another consideration. Those of us that have lived out here for a while and have lived through the different construction phases of the Interstate and the sewer, if they combine this with the rebuilding of the Interstate intersection, it's going to be hell getting out of these neighborhoods to get anywhere west of here. I'm thinking that after you get this done, if you get this done before they start construction on that, it would be a whole lot less trouble trying to get out of that area.

MS. COOK: I guess last I heard, it sounded like MDT was planning on this intersection rebuilding coming around 2023/2025. I'm betting on 2025.

FROSTY ERBEN: Is that what they saw, 2023 to 2025 for the Interchange?

MS. COOK: Yes, that's a good point, in one way or the other, we will have to deal with in and out so provision will be made one way or the other, and we won't have any construction.

FROSTY ERBEN: So you wouldn't go all the way up Becraft to Westgate in one shot?

DICK HOKE: That's going to jam everybody up for a while.

MANAGER ARIZTIA: But that's in the 3B, the proposed 3B section so that wouldn't be done until the next round of funding.

FROSTY ERBEN: Unless you do them together.

MANAGER ARIZTIA: Correct.

FROSTY ERBEN: Which makes sense to do them together because it's less expensive that way. But just throwing it out there, just saying.

The other thing to take into consideration is the fact that the new school is going to start a real drive for people to move out here, which means that some of the blank spots out there that you're looking at are probably going to start to be looked at to be developed for new housing. So we've got a whole bunch of things that are trying to create a perfect storm of chaos, let's put it that way.

MS. COOK: Well, to build off what you said, I agree. I think people are going to be moving to Lockwood to be in the school district which is a benefit to the Phase 3 property owners. Like we talked about, I don't know the acreage on this parcel, but I'm just going to, for example, if you've got a 20-acre parcel, right now under the special assessment method, an equal amount per parcel, so a 20-acre parcel, you're going to pay the same as a half-acre parcel. You take LWSB's loan amount every year, you divide it by the number of properties, then your 20-acre parcel divides into quarter-acre parcels, now you've got say 80 parcels where you used to have one, and so now your loan is being divided up through those additional 79 properties that didn't used to be part of paying that loan. So, it's a long-term benefit to everybody in these areas if these larger properties do subdivide and you have more people help pay those loans.

So that's an excellent point, and that's part of our line of thinking as well. You know, these numbers look high and I'm fully aware that when you look at that, you go, gee, you know, it's not a small amount of money and we acknowledge that. The hope would be over time when and if these parcels divide, that cost per parcel will go down.

What other questions are there?

CARL PETERS: So, Jill, on Phase 4 of areas there, could those be broken up then too? Is it all just one Phase 4?

MS. COOK: In this project, we really, once we decided to focus on Phase 3, and then we said how do we build Phase 3, do we build it in one or two? Phase 4 also, at some future date after Phase 3 is over and now we're left with Phase 4, what are we going to do about Phase 4? Phase 4 could be built in one project, there might be a petition to build it in two projects. We would look at that at that time.

TROY UNREIN: COP, they did the last phase, do they have the whole project or will it

go back out for bid?

MS. COOK: No, it will always go to bid. Each project goes out for bid. So the Phase 1 project was done in five different construction projects. I believe COP did three and Western Municipal did two, and then on Phase 2, COP did Phase 2, and Western Municipal did intake.

What else?

DICK HOKE: Just here again, see if they can do better compaction on their – I mean Phase 2, I've still got, in the subdivision where I live, there are dips, they should be fixed. It's just like Old Hardin Road is Phase 1, hey, I worked for the City for 20 years and I know what the road is like. COP Construction used to be number one in the City area or Yellowstone County, I think they could be number 10 now, we might as well hire Hong Kong to get someone to do our work.

Old Hardin Road don't – I know the County's got a lot to say what's done on the road, but let's make it feasible. When you drive down Old Hardin Road, you're hitting traffic, it's like riding on a roller coaster, you know. There should be better compaction. There is no need for it not to be.

AUDIENCE: Who inspected – who was doing the inspection when the manhole covers were this much too high on Old Hardin Road?

MS. COOK: So, I think that happens over time. It certainly wasn't that way on the last day of the construction project. I personally walked it with the contractor as well as representatives from the District and representatives from the County. If it's more than, I can't remember what the County standard is, they have a standard for how high that rim can stick up and they had a measuring stick measuring each one. In defense of the contractor, which I shouldn't do, I'm not the contractor, it can be hard to get compaction right next to a manhole, you can't take your machines in there.

AUDIENCE: I worked on the sewer for Lloyd Lockrem and other ones, and when they got done, if it wasn't done right, if that stuff happened within a year or two years, they'd come back and fix it.

MS. COOK: Right. And that's the situation here. Lockwood required a Phase 2 warranty, COP came back several times during that Phase 2 warranty. At some point, after the Phase 2 warranty is over, they are no longer obligated. But, I mean, it's a point well taken and it's something Mike and I have talked about, you know, these three areas that have to be watched. In an ideal world, there wouldn't be any problem.

ASSISTANT MANAGER REED: We're aware of what's going on out there because we get calls all the time.

MS. COOK: Yes, we're aware and we've discussed options to make sure that part is controlled.

CARLOTTA HECKER: That was one of the reason we were trying to stay out of Old Hardin Road is so that doesn't happen again.

MS. COOK: Exactly. And that's also why the County and MDT, when you make a crosscut, they require flowable fill. We could put in flow fill everywhere, it's just that the cost skyrockets and the costs are high already. Flow fill is a no-settlement solution. Flow fill is just sort of a runnier concrete which would be one way to nearly eliminate all settlements. However, it comes at a high cost.

CARL PETERS: Jill, how did you divide 3A and 3B?

TROY UNREIN: It took a little money but I got it done.

(General laughter)

MS. COOK: We actually have a big spread sheet, if you can imagine, a matrix of each area, and because we broke them up by basins, each basin had its own document. It had a numerical value for a ranking system for affordability, cost per lot, operational ease, facility flexibility, resource use, local economic effect. It also looks at funding opportunities for both, inflation effects, obviously areas that are adjacent to existing sewer and areas of a lot of failed drainfields, a higher priority of those things that are farther out and more expensive.

CARL PETERS: Are the number of lots there about equal in 3A and 3B?

MS. COOK: 3A has 461 and 3B has 369.

However, 3B, this is that horse boarding place. This is that big lot just east of Noblewood. There are some other lots out there, but north of Old Hardin both projects have some opportunity for that dividing and sharing of costs. And we're heard from some of these property owners of big lots that they have some interest in subdividing, which would be of benefit.

MANAGER ARIZTIA: And like Jill was saying, as long as the property that's subdividing is within the original boundary for that phase, then the following year once it's subdivided, then that can be added onto the tax rolls for the assessments and those costs can be spread amongst those new properties. And you can't take a property that's outside of that phase, subdivide it and then bring it into that assessment boundary because it just legally doesn't work like that now.

MS. COOK: If there's a property just adjacent to an existing sewer, the landowner can

decide to take things into their own hands and extend the sewer and run their own distribution system. Small areas can get together and form an RSID or a rural special improvement district and say we're going to do it ourselves and build our little section. We've worked with some subdivisions that have come to us and said we think we want to do this, all my neighbors are interested but at the end of the day, when we've put together the project costs, they're not eligible for the same grants and loans that the District is eligible for, and so none of those areas chose to go with an RSID, but it's an option. And that's a resident led initiative.

ROBIN RUDE: So is there any reason for public approval, whether it's 3A or 3B or Phase 3 all together?

MS. COOK: So, the Board would decide if we're doing 3A and 3B or doing them combined, and so we've already talked to the Board about it. We went through the PER with them, made the recommendations. The direction that the Board chose was to put them in two projects, and that's why when we applied for funding we told all these state agencies we're doing them as two projects and we applied for funding for 3A with a plan to go back and apply for 3B funding in two years.

ROBIN RUDE: So in the event there's infrastructure availability from the feds due to Covid, would that be re-looked at and maybe if more is available, to then combine them again, or is it a done deal?

MS. COOK: So it could be, and that would be a Board decision, and it depends where we are in the process. So if there have been boundary setting hearings already, and if the assessment had been passed, I'm not a lawyer, but that's going to become a lot more complicated because a specific boundary already agreed to assess themselves, and the rest of the folks haven't even been involved, so we'd have to back up.

MANAGER ARIZTIA: Or that you could then, if infrastructure funding came about, you could choose to do 3A and 3B as separate projects, but still apply for that additional funding.

MS. COOK: You could ask for 3A separate funding and 3B separate funding. And you can see where we are in the process here. I mean, we're looking at around this time next year before the legal process for the special assessment will occur. That gives us a year for some of the funding to come about before we get locked in with that special assessment.

MANAGER ARIZTIA: Just so the public knows, and I think we've demonstrated through here, but we look at every possible opportunity we can, not only to decrease the cost of the project by doing some of the things that Jill said. There are several things we can look at, eliminate lift stations, realignments on the sewer main so we put in less footage of sewer pipe, and then also we are constantly looking at funding because we know that regardless of how bad people want sewer, the cost is what's going to matter to a lot of people and whether they can afford it or not.

So, we're doing everything that we can to make this happen because we understand that ultimately it's coming out of the residents' pockets.

CARL PETERS: And that's why these public meetings are so important to hear from the public. We heard some good examples of that tonight.

ROBIN RUDE: I'm in favor of the 3A, 3B, but being a member of 3B, I don't want to miss out on some stimulus money being in 3B, but if you're applying for me too, I'm good.

(General laughter.)

MS. COOK: That's a good point, and we'll keep that in mind, if funding becomes available on how we can structure that application to ask for funding.

CHERYL GRENZ: I'm a part of 3A along Driftwood, and there's a bunch of houses all in a row, they were all built at approximately the same time. Their drainfields are all in bad shape. We've been praying for that because there's some on that street that are needing to practice, if we've got two people taking showers this morning, don't wash a load of clothes at that time. I mean this is a desperate kind of situation.

MS. COOK: There are definitely people where this is not really a nice option, it was desperately needed.

BOB RIEHL: Just as a side note, I know that you've had to estimate construction costs for projects routinely, have you noticed a change in what the construction costs are due to the Covid or any sort of other economic problem?

MS. COOK: Not yet.

BOB RIEHL: Not yet.

MS. COOK: Not yet.

BOB RIEHL: Do you project any?

MS. COOK: I mean it's really hard to say.

TROY UNREIN: Have you heard if material costs have gone up?

MS. COOK: Material costs could go up if there are some price change instructions. Labor costs could go down, or construction business in general could go down because private work, some of it is drying up. And so there may be contractors who are looking for work and willing to sharpen their pencils a bit on the bids. So there are kind of these competing forces,

and I'm not sure they would.

FROSTY ERBEN: Could you put that map back up there, just ask a quick question from a builder/developer's standpoint.

This subdivision right here is platted, it's Blueberry Flats, it's the rest of Emerald Eagle. I'm talking to a contractor that wants to buy this. Is it to his advantage to put the sewer in the subdivision and then wait for the sewer to come in, or should they just go ahead and do the infrastructure, water, gas, electric and forget about the sewer until it comes in over there. We all know the more Lockwood we have to spread this over, the less cost it's going to be for individuals.

MS. COOK: Sure.

FROSTY ERBEN: Well, that's number one, and this one is for sale right now at too high of a price to even be able to sell it.

MS. COOK: This property?

FROSTY ERBEN: This one right here exactly. If they could get the price down to where it was economically feasible that would be probably one that would go 30,000. And I don't know what Mortensen is going to do with his, but he's got that one, 40 acres right there that is likely to be looked at pretty hard by people wanting to move out here. And then there's also this piece right here that is part of Wentner's Eagle Cliffs Subdivision.

MANAGER ARIZTIA: That's getting ready to develop, at least a portion of it.

FROSTY ERBEN: I mean, there's stuff happening, but the question is, is it to the developer's advantage to put some of this stuff in.

MANAGER ARIZTIA: So, I would say that there's a couple trains of thoughts. As a developer you're incurring the cost of putting a completely separate system from what you're required. You're required to put in the water and run it through there. There's a pretty big cost for the developer to run the sewer system in a property that doesn't have sewer available to it and make that pencil out on the lots.

The second portion is to design a system not knowing what the City or the municipal system depths are going to be, sizes are going to be, it would be kind of difficult to be able to design something that would tie into a line of sight and bury it.

MS. COOK: There would have to be some planning to make sure that they've established a reasonable entry plan and then there would be some calculation to determine appropriate system development fees to tie into the system.

MANAGER ARIZTIA: That, and then if the District sewer system doesn't get out there

for ten years, you have infrastructure that's been sitting there in the ground that's already ten years old before you even tie into it.

AUDIENCE: I've lived here all my life right here in Lockwood. I pay Lockwood Sewer – it was developed in 2001 or 2002, wasn't it? How many subdivisions have come into Lockwood since that time that I paid the sewer that's been put in the ground. This was to date already in 2002 or 2001, the whole area who knew what the grade was here and there, we've already got subdivisions up here, it should have been to the end.

MS. COOK: The County would have had to require that.

AUDIENCE: Well, it required it later on. With the costs, the inside costs, all that water, the cable, everything – anytime the County, it's B.S. It's the same way. They want the water, but they also have the sewer there.

(Several parties speaking at once.)

MANAGER ARIZTIA: It's hard to require a developer to put in a sewer system when you can't even provide the service to that developer yet.

MS. COOK: Well, then as Mike says, maybe it sits there, it's 2020 it's not built yet, so that infrastructure would have been sitting there for 20 years.

AUDIENCE: I know it's lots of cost, but down the long run, what's it going to cost that home later. I mean all this new stuff up here, I think it should have been put in.

NANCY BELK: A developer could just go on their own because it's so close to where the sewer line will be.

MANAGER ARIZTIA: There have been a couple people looking at that property that have called and asked where does the sewer end. So you tell them and give the estimated time frame. They have also asked could I run it from that manhole where it ends up to my property, and then the answer is yes. But like Jill says, once they factor that cost in to run that mainline and then break it up into their lots and their profit and how much it's going to cost, I don't think it financially works.

MS. COOK: Nobody has decided to do it yet, and we have worked for several subdivisions that were interested in doing it.

NANCY BELK: It is possible. They can do it on their own if they want to.

TROY UNREIN: My recommendation to that developer would be plan for this to come in, but don't build it. So the other utilities that are going in, you have certain easements that you want to route the, but plan for this, you know, so you're not crossing them when it comes time to

build.

MS. COOK: Yes, if developers planned for future sewer by keeping the water in a specific corridor and leaving space for future sewer installation, which would be ideal.

That's been the challenge with these projects, you work along in areas that are fully developed with all the other utilities, there's irrigation water running everywhere. It's not ideal.

CARL PETERS: It's tough to be the last utility.

TROY UNREIN: I just have a comment here real quick. You know with Jill being a resident of Lockwood, she's got game here. I trust her that she's going to make good business decisions, you know, on my behalf and goes after loans and things like that. She's got to be on top of her game.

MS. COOK: I am a resident and I'm in 3B. I care for this community. I've lived here for all these construction projects and I'm drinking the water and I've got a septic tank that I'm hoping that it lasts until the sewer gets to me.

Thank you all for coming.

There being no further questions to come before the Engineer or Board, the second Public Meeting on the Phase 3 Sewer Project was adjourned at 8:35 p.m.



Attest



Attest