

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

June 9, 2021

The regular meeting of the Lockwood Water and Sewer District Board of Directors was held on June 9, 2021. President Peters called the meeting to order at 7:00 p.m. in the Lockwood Water and Sewer District Office, 1644 Old Hardin Road, Billings, Montana 59101.

Present at the meeting were Board members' Carl Peters, Carlotta Hecker, and Stuart Deans. Board member Merrill Walker was absent. Also present was Manager Mike Ariztia, Assistant Manager Tony Reed, and Jill Cook of Morrison-Maierle.

Guest attending was Andrew Rheem, Senior Manager of Raftelis, a Registered Municipal Advisor as defined in Section 15B(e) of the Securities Exchange Act of 1934.

Attendance and voting record attached to minutes

PUBLIC COMMENT:

None.

APPROVAL OF MINUTES

The minutes of the May 12, 2021 Board meeting were presented for approval.

Page 4, paragraph 4, "Tom" Maclean, should be "Thom" Maclean.

- I. Carlotta Hecker moved to approve the minutes of the May 12, 2021 Board meeting with the correction as set forth above. Stuart Deans seconded the motion. Motion carried.

NEW BUSINESS:

- * **Approval of Pay Application No. 3 to Record Steel and Construction Inc. (RSCI) for the 2020 Water Treatment Plant Upgrade Project**

RSCI presented their third pay application for the Lockwood Water Treatment Plant Upgrade for services rendered 5/1/2021 through 5/31/2021, covering mobilization and general requirements in the amount of \$206,012.01.

- II. Stuart Deans moved to approve payment of RSCI's Pay Application No. 3 in the amount of \$206,012.01. Carlotta Hecker seconded

the motion. Motion carried.

* **Resolution No. 164 - Fiscal Year 2022 Sewer Planning Budget**

- III. Stuart Deans moved to adopt Resolution No. 164 approving LWSD Sewer Planning budget for fiscal year 2022 in the amount of \$60,000.00. Carlotta Hecker seconded the motion. Motion carried.

Carlotta Hecker read the Resolution into the record.

RESOLUTION NO. 164

A meeting of the Board of Directors of the Lockwood Water and Sewer District was held on the 9th day of June 2021, 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 2022 be approved in the amount of \$60,000.00.

2022 Planning Budget with Cash Flow Analysis Attached

(Signed Carl Peters, President and Carlotta Hecker, Secretary 6/09/2021)

* **Resolution No. 165 - fiscal year 2022 Sewer Operations Expense Budget**

- IV. Carlotta Hecker moved to adopt Resolution No. 165 approving the LWSD Sewer Operations Expense budget for fiscal year 2022 in the amount of \$1,836,131.00, and the Fiscal Year 2022 Forecasted LWSD 2022 Capitalization Budget in the amount of \$531,902.52. Total amount: \$2,368,033.52. Stuart Deans seconded the motion. Motion carried.

Carlotta Hecker read the Resolution into the record.

RESOLUTION NO. 165

A meeting of the Board of Directors of the Lockwood Water and Sewer District was held on the 9th day of June, 2021, 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 2022 Sewer Operations Expense Budget and the Fiscal Year 2022 Sewer Capitalization Budget for fiscal year 2022 be approved as represented in the attachments to this Resolution entitled "PROPOSED 2022 LWSD SEWER OPERATIONS EXPENSE BUDGET" (Page 1) with supporting exhibits entitled "2022 FORECASTED LWSD SEWER INCOME" (Page 2), "PROPOSED 2022 LWSD CAPITALIZATION BUDGET" (Page 3). The Sewer Operations Expense Budget for Fiscal Year 2022 therefore be approved in the amount of \$1,836,131.00 and the Fiscal Year 2022 LWSD Capitalization Budget be approved in the amount of \$531,902.52. Total: \$2,368,033.52.

(Signed Carl Peters, President and Carlotta Hecker, Secretary 6/09/2021)

* **Resolution No. 166 - fiscal year 2022 Water Operations Budget**

V. Stuart Deans moved to adopt Resolution No. 166 approving the Proposed 2022 Water Operations Expense budget for Fiscal Year 2022 in the amount of \$1,687,900.00, and the Fiscal Year 2022 proposed Capitalization Budget in the amount of \$3,320,000; total amount: \$5,007,900.00. Carlotta Hecker seconded the motion. Motion carried.

Carlotta Hecker read the Resolution into the record.

RESOLUTION NO. 166

A meeting of the Board of Directors of the Lockwood Water and Sewer District was held on the 9th day of June 2021, at the District office located at 1644 old Hardin Road, Billings, Montana.

RESOLUTION: Be it ordained by the Board of Directors of the Lockwood Area/Yellowstone County Water and Sewer District (LWSD) that the Fiscal year 2022 Water Operations Expense Budget and the Fiscal Year 2022 Water Capitalization Budget for fiscal year 2022 be approved as represented in the attachments to this Resolution entitled "PROPOSED 2022 LWSD WATER OPERATIONS EXPENSE BUDGET" (Page 1) with supporting exhibits entitled "2022 FORECASTED LWSD WATER INCOME" (Page 2), "PROPOSED 2022 LWSD CAPITALIZATION BUDGET" (Page 3). The Water Operations Expense Budget for Fiscal Year 2022 therefore approved in the amount of

\$1,687,900.00, the Fiscal Year 2022 LWSD Capitalization Budget approved in the amount of \$3,320,000. Total: \$5,007,900.00.

(Signed Carl Peters, President and Carlotta Hecker, Secretary 6/09/2021)

* **Rate study update (Andrew Rheem with Raftelis financial Consultants, Inc.)**

Andrew Rheem of Raftelis presented an update on the 2020 Financial Plan and Rate Setting Overview presented via telephone at the May, 2021 Board meeting.

Water Plan adjustments proposed were the delay of some capital expenditures including main replacements and upgrades, fire flow upgrades and Mid-Zone Reservoir 2; increasing current System Development Fees by 3% per year starting 7/1/22; and, increased funding of growth-related improvements.

Sewer fund financial plan adjustments since the May, 2021 presentation included delayed Vactor Truck until FY 2024-25; reviewed debt service coverage calculated to exclude debt repaid by assessments; Phase 3 is excluded (additional customers help reduce costs for existing customers).

Exxon volume reduction anticipates reduction in volume and revenue, rates increased offsetting much of the costs. Reduced cash reserve target to \$0.5M, increases to \$0.8M by FY 2029-30.

Rates projected will be over five-year period through 7/1/25. New rates will be presented to the public at the July, 2021 public meeting.

The next steps are as follows:

Notice of public hearing will be advertised June 25 and July 2, mailed to customers July 1, and public meeting to be held on July 14. Mailing to customers to include an estimate of what the customer may be charged.

After discussion, the Board recommended the base rates on sewer and water stay the same, with an increase in the volume rates on both water and sewer.

Phase 3 will have its own connection fees, and will connect into Phase 1 infrastructure. Phase 3 should be relatively similar to Phase 2. System Development Fees for Water will remain the same as now, to be increased by inflation over the next four years.

The rates will be reevaluated in five years.

FINANCIAL REPORTS

The Yellowstone County Trial Balance was not available.

Financial reports attached to the minutes are: Check/Claim Detail for the Accounting Period May, 2021; Trial Balance with Revenue and Expenditures for the Accounting Period May, 2021; Statement of Revenue Budget vs. Actual for the Accounting Period Statement May, 2021, Statement of Expenditures - Budget vs. Actual Report for the Accounting Period May, 2021.

- VI. Carlotta Hecker moved to approve payment of the bills submitted on the Check/Claim Detail List. Stuart Deans seconded the motion. Motion carried.

OTHER BUSINESS:

* **Water Treatment Plant Expansion Update**

Jill Cook reported RSCI is working on filter-to-waste piping. They will be de-watering and then starting the mass excavation. It's been a slow start and there's not a lot to report, but things are going to start picking up. Contract completion is anticipated for March, 2022.

MANAGER REPORTS:

The Board is looking for an replacement Board member. One candidate has expressed interest in the position.

Pumping Record - Water:

May, 2020	31,817,700
May, 2021	26,488,400

Wastewater record:

April, 2020	4,504,456
April, 2021	4,771,492

Exxon Wastewater:

April, 2020	46,191,992
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April, 2021

57,639,384

- * **Ordinance No. 2021-1 covering the expansion of the Lockwood Water and Sewer District Boundary. Expansion is based on petition for inclusion into the Lockwood Water & Sewer District Boundary and into Water District #1 and Sewer Service District #1 submitted by Lockwood TEDD property owners**

Carlotta Hecker read the Certificate into the record.

CERTIFICATE AS TO ORDINANCE AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Lockwood Area/Yellowstone County Water and Sewer District, Montana (the "District"), hereby certify that the attached ordinance is a true copy of an Ordinance entitled: "AN ORDINANCE OF THE LOCKWOOD AREA/YELLOWSTONE COUNTY WATER AND SEWER DISTRICT, MONTANA, GRANTING THE PETITION OF 29 PROPERTIES/INDIVIDUALS, TO INCLUDE LANDS INTO THE LOCKWOOD WATER AND SEWER DISTRICT BOUNDARY AND INTO WATER DISTRICT #1 AND SEWER DISTRICT NO. 1 OF THE LOCKWOOD AREA/YELLOWSTONE COUNTY WATER AND SEWER DISTRICT" (The Ordinance), on file in the original records of the District in my legal custody; that the Ordinance was duly adopted by the Board of Directors of the District at a regular meeting on June 9, 2021, and that the meeting was duly held by the Board of Directors and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Ordinance has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Ordinance at said meeting, the following Directors voted in favor thereof: Carl Peters, Carlotta Hecker and Stuart Deans; voted against the same: None; abstained from voting thereon: None; or were absent: Merrill Walker.

WITNESS my hand and seal officially this 9th day of June, 2021.

Secretary/Treasurer LWSD

- VII. Stuart Deans moved to adopt Ordinance No. 2021-1 granting the Petition of 29 properties/individuals into Water District No.1 and Sewer District No. 1. Carlotta Hecker seconded the motion. Motion carried.

ADJOURNMENT:

VIII. Carlotta Hecker moved to adjourn. Stuart Deans seconded the motion. Motion carried.

There being no further business to come before the Board, the meeting was adjourned at 9:25 p.m.

The next Board meeting will be held on July 14, 2021.

Carlotta Hecker

Attest

Stuart Deans

Attest