

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

**July 14, 2021**

A combined regular and public meeting of the Lockwood Water and Sewer District Board of Directors was held on July 14, 2021. President Peters called the meeting to order at 7:00 p.m. in the Lockwood Senior High School, 1932 US Highway 87 East, 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, Evelyn Pyburn, *Yellowstone County News*, and Marilyn Niezwaag, Recorder.

Guest speaker 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.

**THE PUBLIC MEETING MINUTES ARE APPENDED HERETO. NO  
MEMBERS OF THE PUBLIC ATTENDED THE MEETING**

**REGULAR BOARD MEETING MINUTES**

**APPROVAL OF MINUTES**

The minutes of the June 9, 2021 Board meeting were presented for approval.

Two changes were noted: Page 4, next to the last paragraph, Notice of Public Hearing will **be** advertised . . . - insert word "be".

At the request of Board Member Deans, on Page 6, second paragraph of the Certificate as to Ordinance and Adopting vote, change "William" Deans to **Stuart** Deans.

- I. Carlotta Hecker moved to approve the minutes of the June 9, 2021 Board meeting with the corrections as set forth above. Stuart Deans seconded the motion. Motion carried.

**NEW BUSINESS:**

\* **Approval of Pay Application No. 4 to Record Steel and Construction Inc. (RSCI) for the 2020 Water Treatment Plant Upgrade Project**

RSCI presented their fourth pay application for the Lockwood Water Treatment Plant Upgrade for services rendered 6/1/2021 through 6/30/2021, in the amount of \$247,312.74.

- II. Stuart Deans moved to approve payment of RSCI's Pay Application No. 4 in the amount of \$247,312.74. Carlotta Hecker seconded the motion. Motion carried.

\* **Approval of contract with Nittany Grantworks for the preparation and submission of application for ARPA funding**

Applications for ARPA Funding are being submitted for the Mid-Zone Project, Johnson Lane Reservoir, treatment plant project, and the Phase 3 sewer project. Nittany Grantworks provided a bid in an amount not to exceed \$2,880.00.

- III. Stuart Deans moved to approve the contract with Nittany Grantworks for preparation and submission of the application for ARPA funding in an amount not to exceed \$2,880.00. Carlotta Hecker seconded the motion. Motion carried

**Nittany Grantworks proposal attached to minutes.**

\* **Resolution No. 167 - Resolution for increase to the rates for the users of the District's water and sewer system.**

- IV. Carlotta Hecker moved to adopt Resolution No. 167 to Increase the rates for the District's water and sewer system to become effective August 1, 2021. Stuart Deans seconded the motion. Motion carried.

**CERTIFICATE AS TO RESOLUTION 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 Resolution is a true copy of a Resolution entitled: "RESOLUTION OF THE LOCKWOOD AREA/YELLOWSTONE COUNTY WATER AND SEWER DISTRICT, MONTANA", to increase rates for the users of the District's water and sewer systems (the "Resolution"), on file in the original records of the District in my legal custody. That the Resolution was duly adopted by the Board of Directors of

the District at a public meeting on July 14, 2021, and that 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 herein been amended or repealed.

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

WITNESS my hand and seal officially this 14<sup>th</sup> day of July, 2021.

\_\_\_\_\_  
Secretary/Treasurer LWSD

## **FINANCIAL REPORTS**

The Yellowstone County Trial Balance was not available.

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

- V. 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**

Manager Ariztia reported some excavation has been done on the south side of the building where they are doing the expansion. They have poured one of the sumps and they are doing the rebar work and hopefully will pour the first slab on Friday. A crane has been installed on the west side of the building and construction is progressing.

## **MANAGER REPORTS:**

### **Pumping Record - Water:**

June, 2020	35,963,900
, June, 2021	53,344,900

**Wastewater record:**

May, 2020	4,905,384
May, 2021	3,597,132

**Exxon Wastewater:**


May, 2020	64,967,540
May, 2021	66,544,324

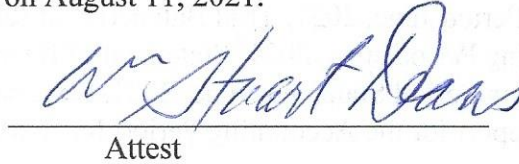
**ADJOURNMENT:**

VI. 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 8:25 p.m.

The next Board meeting will be held on August 11, 2021.

  
Attest

  
Attest

## **PUBLIC MEETING ON PROPOSED RATE INCREASES**

**July 14, 2021**

Guest speaker and Raftelis representative, Andrew Rheem, presented an overview of the 2021 Water and Sewer Rate Changes proposed for adoption by the Lockwood Water and Sewer District Board of Directors.

The basis for the rate increases included factors that increased costs more than \$27 million of planned system maintenance and investment over the next decade; anticipated 4-8% in pass-through costs from the City of Billings; anticipated 3% annual inflation, and more stringent and expensive state requirements for sewage treatment being undertaken by the City of Billings. The one-time system development fee was also part of this evaluation. The Board was tasked with looking at the maximum supportable system development fee, as well as working with the advisory committee in evaluating the fee.

As we went through our financial planning evaluation, we looked to funding, operating costs and capital improvements, to the extent the District is looking to issue debt in this case primarily within the water fund. An additional benefit of long-range planning and setting aside reserves is so the District can jump into those opportunistic options that come the District's way.

Lastly, we recommended establishing capital reserve more formally, and phase into that as well as operating reserves. Again, we are able to access capital markets to the extent that we've got emergency or capital facility, we're able to do that as well. And it also allows us to flatten out rate increases over time.

In terms of the driver on the water system, it's certainly a significant one and the capital improvements over the ten-year period were projected to be roughly \$27 million, and it's largely comprised of four projects. We've got water treatment plant improvements that have started and are anticipated to be completed in fiscal year 2022 for around \$10 million. The District obtained some loans and pursued other funding options, but for our plan, absent grants, are anticipated to be cash funded.

Then as things continue, we're looking to issue some debt over this time period for the first mid-zone reservoir in 2023; in 2024, Johnson Lane reservoir at approximately \$3 million, and in fiscal year 2029, the second

mid-zone reservoir. The District is anticipating some grant funds and pursuing others, but is still not relying on grants, at least the larger ones. As we have \$27 million in capital improvements, it's one of the drivers for overall rate increases.

The other one is just normal cost increases, certainly on the water side, capital investments and system replacements, water pipe lines, sewer pipe lines, as well as miscellaneous improvements. The sewer side, the City of Billings updates their user charges every two years. Their rates were forecasted to go up, and that certainly is a driver for higher rates on the sewer side. In water and sewer District costs, we anticipate those to go up 3% as well as capital improvements.

The regulations driving the City is as they update and improve their treatment plant and operate it over the years, there's additional cost there, as well as the District's, and there's additional regulations on the water side that add into the capital improvements. So, overall, costs are going up and that's largely the driver for recommending increased water and sewer rates.

As we went through, we weighed quite a few things, and certainly these top few merged at the top; equity and fairness was a significant one, as well as maintaining and funding the infrastructure that we have, and maintaining that moving forward. There's an additional equity aspect in that customers joining the system on the System Development Fee side are contributing their fair share of the investment that previous customers have made, and that the District has available for new customers.

Lastly, just so we're all protecting the environment with the facilities on the water and sewer side, particularly the sewer side, its regulations get more stringent.

So, in terms of what the impacts may be on the customers, this really averages out. The impact for a typical residential customer, when we combine the water and sewer bill, the customer using 6,000 gallons water and 5,000 gallons sewer, it translates to a monthly increase of a little over \$2.50.

On the commercial side, larger meter size for a typical customer and more amount of water and sewer, the increases are a bit more as we're increasing the volume rates and maintaining the base rate, and this translates to approximately \$10 a month each month throughout the period.

The second component is the fire line rates, and this is an element that hasn't always gotten increased and updated so we looked at what these are, and I know that the District had these customers and similarly the cost of the infrastructure increased, and so we looked at passing those costs along and phasing that over the five-year period.

In terms of where we are generating additional revenue, it's the volume rate and user charges currently, and under the proposed rates, we're making a system-wide approach for water, and so percentage-wise they are increasing higher than what the overall revenue is because we're leaving base alone.

In terms of the other primary charge we had, the system development fees, we were asked to update these as well, and we looked at the maximum supportable fees and went through the process with the advisory committee, and that was certainly a driver as well. We evaluated the impact and ultimately determined to maintain the water fee with a 3% adjustment for inflation starting next year. The maximum supportable fee could support a bit of a higher fee, but the District is pursuing grant opportunities and other funding to also see how that comes through.

The sewer system, these get a little more convoluted depending on the type of customer you are, but let's just focus on existing customers that are joining the sewer system in Phase 2. Currently, for the connection fee, most of the customers are at the 3/4-inch meter size. As we updated the maximum supportable fee here increasing as we build up equity each year and pay off debt, we're proposed a little bit more of an inflationary adjustment in the first step, and then just over time as equity builds in, we're looking at about \$400 over the five-year period on average.

CARL PETERS: Andrew, what is the percentage increase on the 3/4-inch meter as opposed to the one inch?

MR. RHEEM: It's about a 13% increase on the one inch and the other meter sizes about a 40%.

There was a phased implementation last time on the 3/4-inch meter, and it was like a year or two that we waited to adjust that one, but the larger meter sizes went up.

CARL PETERS: So they would still pay the \$435 prior to August

1st?

MR. RHEEM: Correct.

MANAGER ARIZTIA: Bullet No. 1 under the chart says that's just the fee that Lockwood gets, that doesn't include the fee that we have to pay to the City of Billings.

MR. RHEEM: Correct.

So, then the City has been increasing that fee over time including their most recent study.

MANAGER ARIZTIA: Their most recent study, I think the 3/4-inch would end up about \$30 more.

MR. RHEEM: Yes.

So, it's a little bit higher the first year on the base meter side.

CARL PETERS: So, I'm an existing customer; is that correct?

MANAGER ARIZTIA: Right. So this doesn't impact you at all because you're already connected. But if you hadn't connected yet, then this would be what you would pay, so \$435 through August 1st, then August 1st you'd pay \$610, plus the City's system development fee, so the total is roughly \$1410, \$1415.

MR. RHEEM: So, the new fee is \$1430 for the City, and then the additional 4% charge.

Any additional questions?

EVELYN PYBURN: To sum it up, from what I understood, there's really not monthly rate increases, it's going to be focused on volume increases?

MR. RHEEM: Correct.

MANAGER ARIZTIA: So on the water system development fee, like Andrew was saying, the advisory board made a recommendation to keep the fee the same as currently. The reason you see an increase after



July 1st, 2022 is just based on 3% inflation.

Any questions for Andrew?

CARL PETERS: Some of the ones you didn't get into, Andrew, that I noticed quite a difference in, for instance, the hydrant use fee from \$20 to \$50, and the water main tapping fee went up quite a bit.

MANAGER ARIZTIA: I've been looking at those fees for a while, and they haven't adjusted since I've been here. I spoke with Barb and Tony, and it's been a pretty long time since those fees have been looked at. And the reason I was looking at them, things like the nonpayment shutoff charge and turn on, the after hours fee, those fees don't even cover what the District is spending to have the District employee go out and perform those functions. Even at the rate they're at now, it's still not 100% cost recovery, but it's a lot closer.

ASSOCIATE MANAGER REED: I don't think even in July 1, 2025, we're going to have enough to cover those costs.

MANAGER ARIZTIA: Right, but at least we're moving in the right direction, and it's not a huge increase. After hours fee goes from \$45 to \$65 and that's like if someone had a broken line in their house and they called a guy to come shut their water off, that comes closer to covering those costs. Most of the other ones stayed relatively the same. We did increase the Petition for Inclusion, the Request to Extend District facilities, and we added a Map or Subdivision review fee, which we hadn't had before.

Late Notice fee stayed the same. Late Notice and Shutoff charge, there's where we have to go out and tag a 24-hour door knocker on the door saying if you don't pay your bill, we're going to shut your water off.

CARL PETERS: That's pretty cheap, isn't it, Mike, for going out and taking the time to go out?

MANAGER ARIZTIA: It is.

ASSOCIATE MANAGER REED: That's just a courtesy call for the most part.

MANAGER ARIZTIA: On the tapping fees, the contractor is the one that does all the actual tapping of the lines. Up to two inch, I believe, is done by District staff, so the contractor will dig it, put shoring in place, and then District staff will go out and tap those lines. It usually takes probably between an hour and two hours by the time they load up the truck and drive out to the site, unload it, do the tap, then get back to the shop, so we increased those fees on the 3/4 and one-inch lines to \$125 and the larger lines went up to \$150.

CARL PETERS: Do you get into those at all, Andrew, so far as comparison with other areas, or is this strictly from management what it actually costs us to send the operator out?

MR. RHEEM: That's what we looked at, was this sort of time and material, and we worked with Mike to evaluate an average. And there's a little bit of smoothing, but this one in particular is direct cost in time to go do these services. In terms of a comparison, we usually don't get pulled in too much on these exact types of things, but the philosophy is what does it cost, and the other question is do we want to charge and do we want to charge the full cost.

We don't want to steer people away from doing something that benefits everybody, and after hours is an example of that, where maybe it's a little more expensive to send and pay somebody, but that may be a situation where somebody is leaking water and it's an emergency, you don't want to not help them to save a couple hundred dollars.

We didn't look at the specific fee comparisons from other areas, we were looking at the larger development fees and comparing those, but just on the surface I don't think these are substantial.

STUART DEANS: Well, I was thinking the City charges whatever it costs to go out and do some of these things, hire a contractor and then bill you for the contractor's fee.

MR. RHEEM: And as Mike indicated to you, the contractor sort of picks up that cost and others have that as part of their charges.

CARL PETERS: Does hydrant use apply to the fire department?

MANAGER ARIZTIA: No. This is another one we're

recommending to the Board be modified. Currently, the contractors just get charged a \$20 base rate, and then they get charged per thousand gallons for the water they use. Our recommendation is we charge a fee to go out and set the meter. We take it out to a hydrant and set it, and then when the contractor is done with it, then our service guy goes out and takes the meter off the hydrant, and we're recommending a \$50 fee to do that and then a \$2.75 a day rental fee for the hydrant meter itself, and then the usage fee.

STUART DEANS: The water is charged at the bulk rate too?

MANAGER ARIZTIA: Yes, the same as the bulk rate.

ASSISTANT MANAGER REED: I didn't see the usage fee anywhere else, but that is it actually for everyone.

MANAGER ARIZTIA: Yes.

CARL PETERS: So if someone were to be working on the line and they have to hook into a hydrant, is that the fee you're talking about?

MANAGER ARIZTIA: Yes.

A lot of times a contractor will ask us to set a hydrant so they can use it to water down pads, and some asphalt contractors will use it.

MR. RHEEM: And this was an example of a fee that wasn't in place. In terms of the rental rate, in some situations people don't bring it back or they'll keep it, so then the District may have to replace it in inventory. Something we looked at and decided not to implement is a deposit. It really hasn't been an issue. So that may be something the Board will want to evaluate in the future if it becomes an issue.

MR. RHEEM: So, I guess the last one we evaluated was Extra-Strength Surcharges, and it largely comes from the City of Billings, so in their study, not this one but the one before, they looked at adding a third strength category and included that. So that's the main change. This was one of the drivers for their plant expansion was the nitrogen, phosphorus, nutrients, so that's the abbreviation TKN.

The District didn't have necessarily a surcharge rate on the books so we calculated largely passing through the same charges.

CARL PETERS: How do you measure that?

ASSISTANT MANAGER REED: Well, we have BODs done once a month.

MANAGER ARIZTIA: If we had concerns with a customer that potentially would have those higher loading solids, they would be required to do sampling and provide us with sampling.

CARL PETERS: So we currently don't have any customers that meet that criteria.

MR. RHEEM: I think this is the last of the ancillary fee charges.

MANAGER ARIZTIA: So, the City of Billings outside normal working hours turn off/turn on charge is \$100; water tapping fee, two inch and smaller is \$155, bigger than two inch is \$355.

Any other questions? Do you guys feel comfortable with these recommendations? Is there anything you can see potential issues with?

MS. HECKER: I don't see anything, but something certainly could come to our attention after these go into effect.

MANAGER ARIZTIA: The bottom line on that top chart, the bulk water rate is currently \$6 per 1,000 gallons, projected to go up 25 cents a year for the next five years.

WHEREUPON, the Public Meeting was concluded at 7:48 p.m.

## **2021 WATER AND SEWER RATE CHANGES ATTACHED**