

Gallatin Gateway County Water & Sewer District

MINUTES OF THE

BOARD OF DIRECTORS

A regular meeting of the Board of Directors of the Gallatin Gateway County Water & Sewer District was held at the Gallatin Gateway School, 100 Mill St., Gallatin Gateway, MT, on March 4, 2019. Present at the meeting were board members Eric Amend, Ted Border, and David Sullivan. General Manager Matt Donnelly and Secretary Maralee Parsons Sullivan were present. Kurt Thomson from Stahly Engineering was also in attendance. Members of the public included Dick Shockley, Frank Keyes, Greg Lucter, Susan Lantow, William Dreyer, Christie Francis.

President Border called the meeting to order at 6:30 p.m. Secretary Maralee Parsons Sullivan recorded the minutes of the meeting.

PUBLIC PARTICIPATION OF NON-AGENDA ITEMS

President Border asked for public comment on non-agenda items. None were raised.

CONFLICT OF INTEREST DISCLOSURE

President Border asked if there were any items of conflict of interest, or potential conflict of interest, to be raised. None were raised.

APPROVAL OF MINUTES

After confirming that all directors had a draft copy of the February 4, 2019 meeting minutes, President Border asked whether there were any corrections. None were noted. Director Amend made the motion to approve the minutes as written, Director Sullivan seconded the motion and the minutes were approved unanimously.

REPORT OF OFFICERS, STANDING COMMITTEES, AND SPECIAL COMMITTEES

General Manager Report, Treasurer Report, Approval of Expenditures

GM Matt Donnelly provided the report. He advised that the final project invoices/checks were processed in February, marking the close of the wastewater construction project. He noted there is still some warranty work to be completed so the District will still have a relationship with the contractor through September 2019. He has also been working with the GM from FCWSD on completing the O&M agreement and an agreement for purchasing capacity from them. He advised that FCWSD has also approved the selling of capacity to the District's first out-of-district customer (as required by the inter-local agreement), Diamond K Development, which has an existing structure and will be connecting to the GGWSD pipeline with a capacity of 2.5 VRU. Stahly Engineering will be their engineer. Mr. Donnelly is also working on lift station equipment

improvements such as an enhanced SCADA system that can interact with FCWSD. He further noted that he is now logging his time so that a job description for the General Manager can be drafted, to include time requirements for the position. The O&M report was presented, which showed the average daily flow remained flat from prior month (16.4K gal in February).

Treasurer Maralee Sullivan reviewed the current monthly financial package (P&L and Balance sheet) for FY starting July 1, 2018: Grants of \$371,903 were received in February to close out all but about \$1K in project expenses (which will be paid in March). In addition, the District closed on its Series A & C revenue bonds in February, so the District will be making monthly payments of about \$3300 in addition to its semi-annual payments for the Series B assessment bond of about \$11.5K. Expenses for the month of February included \$1500 for 3 months of administrative support services, and \$4200 in audit expenses, \$2,320 for annual O&M and \$2496 for 2-year warranty on the District's lift station generator. She noted that the District's balance sheet now shows \$1.796K for debt service for its Series A, B & C bonds.

Report of Ad Hoc Committee on Rules

GM Donnelly advised that the Rules Committee is finalizing its recommendations on changes to the District's Rules & Regulations (R&R's), and he suggested the District schedule a public hearing in April or May for the first reading of an ordinance amending the R&R's. Suggested changes to the R&R's include:

3.14(9)(b): Added language to affirm District can act if user produces extraordinary volume.

626: Added Special Assessment Equalization Charge for those properties that annex but for which state law prohibits assessment (it was noted the District also needs to develop an out-of-district rate).

627: Added section authorizing general fines and penalties.

802: Added section authorizing GM to set application procedures (via policy rather than via ordinance).

811+: Deleted sections specifying application procedures.

1122: Added reference to Big Sky specifications.

1142: Added reference to Big Sky specifications.

Mr. Donnelly also said that the committee has been studying alternative methods for VRU allocation for residential customers, noting they will recommend that the District move from using the number of bedrooms to using the square footage of the residence. He also noted that the District would likely "grandfather" in those customers who prefer their current rate (based on number of bedrooms.) Director Amend further commented that the formula for determining the square footage for the District's residences is not yet complete. The committee has not made any recommendations for modifications on how commercial property VRU is calculated. Director Sullivan moved to call for a public hearing in April 2019; Director Amend seconded the motion. There was no further Board discussion and no public comment. The motion carried 3-0.

REGULAR BUSINESS

Discussion and Decision on Pre-Design Application for Supersun LLC

GM Donnelly advised that this is an out-of-district application for sewer connection, an existing commercial property located on Highway 191 just south of Blackwood Road. Mr. Donnelly stated that by the District's current rules, using a strict square footage assessment and allocating it according to the District's VRU schedule as industrial space, the existing structures and planned build-out would be assessed a total of 9.5 VRU. He stated that the District has capacity and recommends approval, noting, however, that FCWSD will also need to approve the connection. The property owners, Frank Keyes & Susan Lantow, and their engineer, Bill Dreyer, were present at the meeting. Mr. Keyes stated he wanted to address any concerns the Board might have, and also would like to discuss the rate structure. He stated that none of the businesses are putting organics down the drain, noting purified water from de-humidifiers are being put down. He stated the units have mixed usage, with some units being used for storage, and some are used for medical marijuana. Mr. Dreyer said there are approximately 1.5 employees/unit on average, with an estimated future number of 2 employees per unit at full build-out (45 units x 2 employees/unit = 95 employees). He stated that using the MDEQ (Circular DEQ-4) estimated flow for employees, 1 commercial employee = 13 gpd, $95 \times 13 \text{ gpd} = 1,235 \text{ gpd}$. Based on this, the property owner would request 5.5 VRU ($1,235 \text{ gpd} / 225 \text{ gpd/VRU}$). He also stated that a wastewater flow meter will be installed for verification of flow. He expressed his opinion that since the buildings are industrial warehousing and wholesale growing operations with limited employees, the MDEQ wastewater flow calculation is more appropriate than a square footage calculation. It was confirmed that no one lives in the units, as this is not allowed. It was noted that the existing square footage is approximately 26,000 sq. ft., about 6 VRU according to the District's square footage schedule, with a potential 3 x 5,000 sq. ft. facilities to be built in the future. It was noted in discussion that the Board can approve an exception to the rules in a special case, such as having a meter installed to measure wastewater flow. An outflow meter allows the District to monitor actual flows, and should the flows exceed what has been purchased, the District has the ability to require the business to purchase more capacity. Director Amend moved to approve a deviation due to the fact that a flow meter will be installed on the out-going sewer line, and approve the application capacity of 5.5 VRU, contingent upon the approval of FCWSD, and with the understanding that if flows go over what is purchased, the District will ask SuperSun to purchase additional capacity. Director Sullivan seconded the motion. There was no more Board discussion and no more public comment. The motion carried 3-0.

Review of Audit and Acceptance of Audit Report and Auditor's Letter to Management

Ms. Sullivan provided the Board with the Audit report, the auditor's letter to management, and a staff memo summarizing the scope and results of the District's audit on its fiscal year ending June 30, 2018. The audit consists of 2 main components: 1) Financial statements and 2) Single Audit (required for

Federal award programs in excess of \$750K in a single year). She reported that there were no findings in the Single audit section, noting that the auditors expressed their opinion that the District has complied, in all material aspects, with the compliance requirements expressed in the Uniform Guideline standards. In the financial statements section, there were no material weaknesses identified and one significant deficiency, in which the District needs to make 3 journal entries to correct statements to capital assets, debt and beginning net position. She also noted that she intends to obtain the services of a CPA before the end of the fiscal year to review the District's financial statements and make necessary adjustments, such as putting the District's physical assets into service and establishing a depreciation schedule.

Director Sullivan moved to accept the audit report and auditor's letter to management, for the fiscal year ending June 30, 2018; Director Amend seconded. There was no further Board discussion and no public comment. The motion carried 3-0.

Discussion and Decision on Executing a Time and Materials Contract with Stahly Engineering for Engineering Services During the Warranty Period on the New Wastewater Infrastructure

GM Donnelly stated that the District is in a warranty period with the contractor between now and September 2019, and it makes sense to retain the District's relationship with Stahly Engineering as its Term Engineer through that period, noting that the District may want to solicit bids for a new Term engineer beyond the warranty period. Mr. Thomson stated that the hourly engineering billing rates run between \$95-\$145/hour. Director Amend moved to authorize the GM to sign the Time and Materials Contract with Stahly Engineering, provided the hourly cap is \$145/hour. Director Sullivan seconded the motion. There was no further Board discussion and no public comment. The motion carried 3-0.

President Border then asked for unanimous consent to adjourn. Seeing no objection, the meeting was adjourned at 7:31 p.m.



Secretary