

Gallatin Gateway County Water & Sewer District

PUBLIC MEETING

Date: April 15, 2014

Time: 6:30PM

Place: Gallatin Gateway Fire Station, 320 Webb St., Gallatin Gateway, MT

For: Meeting of the Board of Directors

AGENDA

I. Public Participation on Non-Agenda Items¹

II. Unfinished Business and General Orders

- A. Discussion and Decision on Treatment System Prequalification

III. New Business

- A. Any New Business Which May Come Properly to the Board

IV. Adjourn

¹ The opportunity for members of the public to comment on District matters which are not on the agenda. Time limits may be imposed at the discretion of the President.

Gallatin Gateway County Water & Sewer District

MINUTES OF THE

BOARD OF DIRECTORS

A special meeting of the Board of Directors of the Gallatin Gateway County Water & Sewer District was held at Big Timberworks Conference Room, 1 Rabel Lane, Gallatin Gateway, MT, on April 15, 2014. Present at the meeting were board members Merle Adams, Eric Amend, Ted Border, Steve Janes, and David Sullivan. General Manager Matt Donnelly and Secretary Maralee Parsons Sullivan were also present. Kurt Thomson from Stahly Engineering and Larry Watson from Gallatin County were in attendance. Public attendees included Tim Szafaryn.

President Border called the meeting to order at 6:32 p.m. Secretary Maralee Parsons Sullivan recorded the minutes of the meeting.

PUBLIC COMMENT

President Border asked for public comment on non-agenda items. There were no non-agenda items raised. President Border proceeded to the next item on the agenda.

UNFINISHED BUSINESS AND GENERAL ORDERS

Discussion and Decision on Treatment System Prequalification

The Board entered into discussions on the two types of treatment options being considered, level II and SBR. Kurt Thomson reported on his discussion with DEQ on whether or not there would be any issues with the discharge permit, should the board select an SBR system. The DEQ advised that the permit does specify treatment type, but since SBR is comparable to a level II, or arguably more effective treatment, it can be operated under the current permit as long as increased discharge effluent volume is not proposed or expected (permit is up to 50K gal). The change in treatment system can be addressed at the time of permit renewal (in 5 years), with information outlining the installed system, or the current permit may be modified now, or at any time. Matt Donnelly reported on District council's opinion on these 2 options, and potential impacts to the lawsuit. Leaving the permit as is will have no impact on the lawsuit; modifying the existing permit would involve a public hearing process, and could lead to further delays. Council advice is to make the decision based on what is technically and financially best for the District and its customers.

The Board discussed a number of different technical aspects of the 2 types of systems, and asked a number of questions, addressed by Kurt. O&M costs were discussed, including labor rates. Kurt advised his check on local labor rates indicated a wide variation, from \$20-\$65/hr., so an estimate of \$50/hr. would be

reasonable, which reduces the original labor O&M cost estimates of \$100/hr. by half. Level II O&M costs for the Aventex system, quoted at \$21K annually, also will need to include \$15K/year for septic pumping, not included in the proposal. This increases the O&M cost of a level II to about \$36K, thereby reducing the overall difference in O&M costs between a level II and SBR (\$43K or \$53K for the 2 SBR vendors). Reference checks and site visits conducted by the GM and Board members confirmed these low estimates, with comments indicating that actual hands-on time at the treatment plant is typically minimal, ranging from 1-2 to 6 hours per week. All 5 members of the Board attended a site visit to tour the Rae Sewer facility on April 12; no District business was discussed during the tour of the operations.

GM Donnelly indicated both technologies will work very well for the District, and feels operating costs are the critical factor, and in that regard both systems pose a risk financially. An SBR system will incur higher O&M costs on day one, and a Level II system will incur debt (capital costs) down the road when an upgrade is needed (growth will force an upgrade at some point). As long as the risk of the higher O&M costs is manageable, he feels it is reasonable and prudent for the District to take the risk now, rather than push it on down the road.

Director Janes made the motion to vote on the choice of technology; Director Sullivan seconded the motion and it passed unanimously. President Border called for all in favor of a level II system; there were no "aye" votes. President Border called for all in favor of an SBR system, all Directors voted "aye". An SBR system technology was selected unanimously. The Board members then read a summary of their findings in reaching this decision:

- Level II treatment with phosphorous removal equipment is adequate for initial flows, but growth would likely necessitate a costly upgrade.
- SBR will remove more nutrients allowing for higher daily flows to accommodate future growth before a major system upgrade.
- SBR provides less risk of exceeding the discharge permit.
- There is not that much difference in the O&M costs between the 2 systems, and the long-term benefit of an SBR system is greater than the initial financial O&M burden of an SBR system.
- Capital costs are about half for an SBR, than a level II.
- Current estimates of O&M costs for SBR systems are significantly lower than what was in the PER and the District's best estimates, prior to the RFQ.

Board discussion then turned toward selecting one of the vendors submitting proposals for an SBR system. Stahly engineering has provided the Board with their scoring of the 9 vendors submitting proposals, based on 12 criteria. The 4 finalists (2 of each system type) made presentations at the Stahly office. The 2 top scoring SBR vendors were Northwest Water Systems (NWS) and Xylem ICEAS, and the Board discussed merits and costs of both systems.

The Xylem proposal has higher labor costs but lower energy costs. In speaking

with references and users of SBR systems, labor hours appear to be low. A reference check of a user who runs a small Xylem ICEAS plant in PA, indicated he spends about 20-30 minutes a day in the plant, primarily sampling. The system works very well in the cold and storm surges, have open basins without buildings, and maintenance has been minimal, He indicated there are numerous ICEAS systems in the area, and had heard only good things about them. It was noted that Xylem has over 1,000 installations worldwide, while NWS has 10-15 installations, and the designs of the different NWS systems appear to be inconsistent.

The Board expressed a desire for Stahly to review the detail on the proposal, and determine if anything is missing, and determine if there any other attached costs not listed (capital and/or O&M), and drill down into the Xylem labor costs. There is a \$50K higher installation cost associated with the Xylem system, than the NWS system, which the Board asked be explained.

It was noted that the lower capital costs associated with an SBR system (over level II) frees up some available capital to invest in add-on options, which may reduce operating costs.

Director Adams made the motion to select Xylem as the District's SBR vendor, and direct the District's engineers to provide the information below to the Board at the May meeting. Director Janes seconded the motion and it passed unanimously.

Information to be provided by Stahly (Kurt) at May Board Meeting:

- Drill-down into more detail on the Xylem ICEAS proposal, and determine if anything is missing. Determine if there are any other attached costs not listed (capital and/or O&M), and drill down into Xylem labor costs. Provide a footprint of the system.
- Determine why there is a \$50K higher installation cost associated with the Xylem system, than the NWS system (installation costs come from Stahly).

The Board members then read a summary of their selection of an SBR vendor:

- There appear to be fewer short-lived assets (SLA's) associated with the Xylem ICEAS system. Rural Development requires that the District maintain a fund to replace SLA's, so this will lower rates.
- Xylem uses less consumables, resulting in \$3K annual savings.
- Xylem continuous flow design allows for greater surge capacity.
- Xylem appears to be more efficient by design, using less than 1/3 of electricity of NWS system, resulting in over \$9K annual savings.
- Xylem has over 1,000 systems in use; NWS has only a handful.
- The Xylem ICEAS system has dual treatment chambers using the same biology, resulting in more consistent O&M.
- Xylem system has 2X the initial design capacity as NWS.

Stahly needs to finalize the design report for the treatment and submit to DEQ for

approval, and can start this now that a vendor has been selected. Pricing on the proposals submitted is locked in for 1 year, but once a vendor is selected, a negotiation stage is entered into, at which point a locked agreement will be signed. The Xylem rep out of Helena will be asked to attend the June Board meeting; Ryan and/or Robert will be asked to the May meeting to provide more input to the Board.

NEW BUSINESS

Larry Watson from Gallatin County provided the Board with an update on recent developments on the CDBG grant. The public comment period for the Finding of No Significant Impact (FONSI) came to a close. Comments were received from T. Threlkeld and Gallick law firm, both representatives of Gateway Village LLC. Based on legal advice he received from the county attorney, Larry did not respond to the Dept. of Commerce's request for comments from Gallatin County. Larry did respond to a question raised by T. Threlkeld regarding the schedule for public comment. A deputy county attorney reviewed the documents going back to the PER, first and second public hearing periods, and questions raised at each. Larry noted the county attorney's office is expected to recommend to the County Commissioners that an independent engineer be hired to offer an opinion on the Environmental Assessment. GM Donnelly, counsel Swimley, and available members of the Board will discuss this issue as soon as possible with the county commissioners and county attorney.

President Border asked for additional unfinished or new business, and seeing none, asked for unanimous consent to adjourn. Seeing no objection, the meeting was adjourned at 8:32 p.m.

Secretary