

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 June 4, 2018. Present at the meeting were board members Eric Amend, Ted Border, David Sullivan, EJ Engler (arrived 6:35), and Elana Wexall. General Manager Matt Donnelly and Secretary Maralee Parsons Sullivan were present, as was Kurt Thomson from Stahly Engineering. Members of the public included Kerri Payne, Dan Pittenger and Laramie McCullough.

President Border called the meeting to order at 6:30 p.m. Secretary Maralee Parsons Sullivan recorded the minutes of the meeting. President Border asked that the minutes reflect that 3 Directors were present at the previous week's construction meeting and no Board business was conducted.

PUBLIC PARTICIPATION OF NON-AGENDA ITEMS

President Border asked for public comment on non-agenda items.

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 May 7, 2018 meeting minutes, President Border asked whether there were any corrections. It was noted that there was a typo on the rate per VRU and should be corrected to \$69.30 per VRU. Director Wexall made the motion to approve the minutes as corrected, Director Sullivan seconded the motion and the minutes were approved 3-0 with Director Amend abstaining due to his absence at the meeting.

REPORT OF OFFICERS, STANDING COMMITTEES, AND SPECIAL COMMITTEES

General Manager Report, Treasurer Report, Approval of Expenditures

GM Matt Donnelly provided the operations report. The flows are holding well to what was anticipated from the VRU estimates. Advanced Pump and Equipment (JR's subcontractor) came out at the end of May and found a calibration error on the level sensor which was causing the pumps to kick on and off frequently, and this has been fixed.

Treasurer Maralee Sullivan reviewed the current monthly financial package (P&L and Balance sheet) for FY starting July 1, 2017: There was one small grant deposit in May, paying legal and engineering project expenses. Sewer revenues in May reflect an additional 9 hook-ups completed that month. She noted that a

payment of \$1,029 was made toward the principle of the LOC from payment received for an outstanding stub invoice. She further noted that the fiscal year end is approaching, and in early July she will be sending the notices to accounts with balances in arrears greater than 90 days, advising them of the annual County collection process.

Report of Ad Hoc Committee on Rules

There was no report provided as there was no activity this month.

REPORT OF ENGINEER, GRANT AGENCY DRAWS & REPORTS

Kurt Thomson provided the engineer's report. The contractors had 1 or 2 crews working this past week, along with a new superintendent. They have been working on correction items (e.g. manhole repair) so that service connections can continue, and filling in the other time with clean-up activity. As of May 31, there were 38 completed connections with 48 remaining, and 11 stubs are complete with 5 remaining. He noted he has asked for a detailed schedule for service connections but has not received it yet. It was asked why more crews are not working, and Mr. Thomson said he has been told by JR Civil that they want more experienced crews and don't have experienced additional crews available, and the follow-through communications on JR's part has been poor. There was some discussion on recent communications from the contractor's attorneys, which is being reviewed by the attorneys for the District and engineers. GM Donnelly will send the Board a copy of the District's attorney's response as soon as it is available. He will also send an update to those on the community email distribution list.

Grant administrator Teresa Grant had prepared a draw request to pay Stahly invoices #66 (\$756.25) and #67 (\$1,223.76), and JR pay app #11 (\$43,678.38). GM Donnelly advised that the pay app was not submitted on time (due the 25th of the month), and he had found an error in JR's pay application and as such is not recommending approval at this time. The Board reviewed Stahly invoices #66 & 67. Director Amend moved to approve Stahly invoices #66 & 67 for payment (\$1,980.01) from RD grant request; Director Sullivan seconded. The motion carried 5-0.

GM Donnelly also noted that Gallatin County is working to get the remainder of the CDBG funds deployed into the project. This would provide the District with more flexibility with contingency money to draw from grant (rather than loan). Indications are all parties want to have the issue resolved by June 30, 2018. He also noted that the District has not yet heard if TSEP will grant the District's request to extend the contract beyond June 30, 2018.

REGULAR BUSINESS

Election of Board President and Vice President

President Border opened the nominations for President. Director Amend nominated Ted Border for another term, noting that continuity would be beneficial for the District, especially at this stage of the project. Seeing no other

nominations for President, President Border closed the nominations. President Border stated he accepts the nomination for another term, noting he is committed to getting the District over the finish line of the project. Ted Border was elected to President by a vote of 4-0 (Border abstaining).

President Border opened the nominations for Vice President. Director Wexall nominated Eric Amend for another term as Vice President, noting that he brings good technical knowledge and historical perspective to the position. Seeing no further nominations for Vice President, President Border closed the nominations. Director Amend accepted the nomination, and was elected as Vice President by a vote of 4-0 (Amend abstaining).

Discussion and Decision Authorizing the Opening of an Interest-Bearing Account to Receive Project Funds Having External Signature Authority

GM Donnelly advised that if Gallatin County receives final approval for using the remaining CDBG funds to pay a portion of the District's Four Corners capacity charge, then USDA funds already used to pay that charge will need to be re-allocated. USDA has suggested that the District open an interest-bearing savings account and grant USDA signature authority, which would allow future draw requests against USDA funds be drawn from the money from the restricted savings account. It was noted that this money can only be used for the initial project, and the account will be closed when all USDA re-allocated funds have been dispersed. Director Amend moved to authorize the GM to open a savings account with external (USDA) signature authority; Director Sullivan seconded. There was no more Board discussion and no public comment. The motion carried 5-0.

Discussion and Decision on Petition for Review of VRU Computation by Pittenger

GM Donnelly reiterated that County tax records were used to determine the number of bedrooms per residence, in order to assign the number of VRU's to the property. County tax records for the Pittenger property indicated 1 structure with 3 bedrooms and 1 structure with 2 bedrooms, for a total of 2.31 VRU according to the District's rules. The Pittengers have petitioned for review and submitted a recent appraisal as evidence that their property has 2 structures, each with 1 bedroom. They request that their property be assessed 1 VRU as for a 2-bedroom house and request reimbursement for payments in excess of 1 VRU made since they were connected. GM Donnelly noted that the District's rules state that each independent structure must be served by separate sewer service lateral, i.e., "connection", and that each connection must be assessed a minimum of 1 VRU. He noted, however, that certain conditions in the Original Plat of Salesville made it cost prohibitive to strictly apply the "one connection per structure" rule in the *initial sewer project*. In the case of the Pittenger property, the engineer recommended connecting both structures to one sewer service lateral since there was a single owner for both structures, and that recommendation was carried forward through construction. Both structures are currently served by one sewer lateral.

GM Donnelly stated that the rule is intended to mitigate future issues that may arise if a property is subdivided prior to sale. In that case, if two buildings share a service lateral, ownership, easement and technical issues arise because of the shared service lateral. In Pittenger's case, both structures are located on a single 7000 square foot lot. The two structures are in extremely close proximity, and it appears unlikely that the lot will subdivide into two smaller parcels. Though this configuration would not be allowed in new applications for service, GM Donnelly stated the decision made by the engineer in the project design process was a rational one for financial and technical reasons. GM Donnelly recommended to the Board that the two, small single-family-residences located in close proximity to one another be considered equivalent to a duplex with each unit having one bedroom. Appendix B of the rules dictate 1.22 VRU for this configuration. Mr. Pittenger asked for clarification as to why his property would not be considered equivalent to a 2-bedroom residence (1 VRU), since it has a single connection. It was noted that the Pittengers aggregated their 2 lots into a single platted parcel ID with the County, and would likely have to go through the subdivision process if they wanted to sell each lot separately. Each structure has its own kitchen and has separate electric meters and accounts, and both structures were previously connected to a single septic tank. There was general discussion as to whether the property should be classified as two single-family residences, or classified as a duplex due to the extreme proximity of the 2 structures with a single sewer connection. GM Donnelly noted that this property is in the original sewer project, and the engineer made a thoughtful decision with a technical and financial basis to put the two structures on a single connection, noting both structures are on a single lot which would be very difficult to subdivide. After some discussion the Board agreed with staff's recommendation that the property be considered as a duplex, noting that definition best aligns with the District's current rules.

Director Sullivan moved to approve the Pittenger's petition, modified to assign 1.22 VRU to the property, and also approve the GM's recommendation that the Pittenger's account be credited the difference between what they have been invoiced and 1.22 VRU; Director Wexall seconded. There was no further discussion. The motion carried 5-0. Mr. Pittenger thanked the Board and staff for their work in bringing the sewer to the community.

Discussion and Decision on Engineer Amendment #11

GM Donnelly advised that Stahly has been invoicing JR Civil for additional inspection costs incurred due to JR's delays in the project, and they have not been paid to date. He noted that the contract states that if the contractor causes the engineer to work additional hours, then the engineer should be reimbursed through liquidated damages, and engineer amendment #11 would provide a mechanism for the District to withhold money from the contractor's pay applications in order to pay the engineer. After some discussion, the Board directed GM Donnelly to seek clarification and further advice of council before the Board continues discussion and decision on Engineer Amendment #11.

Discussion and Decision on Compensation for Board of Directors

GM Donnelly noted that the District's by-laws authorize the Directors to take \$60/month in compensation, but have not done so to date, and may once again waive the right to compensation for the year. Director Amend moved to waive the Director's right to compensation for the year; Director Wexall seconded. There was no Board discussion and no public comment. The motion carried 5-0.

Discussion and Approval of 2018/2019 Budget

Treasurer Sullivan presented the second draft of the 2018/2019 budget, noting that very little was changed since the first draft was presented in May:

General Fund: The "Year to Date Actual" was revised to include all but June 2018 (estimated). Permits, Publications & Subscriptions was increased to \$1000 to include the utility locate service.

Sewer Enterprise: The "Year to Date Actual" was revised to include all but June 2018 (estimated). Audit & Accounting was increased by \$100, with Office & Mailing Supplies and Postage and Postal Services each decreased by \$50.

Headcount: No headcount is budgeted for the year, with all required services being handled on a contractual basis.

Director Wexall moved to approve the 2018/2019 Budget as presented in Draft 2; Director Sullivan seconded. It was noted that the budget is similar to the 2017/2018 budget which worked well. The 2018/2019 budget was approved 5-0.

There was discussion regarding the July Board meeting which falls on the holiday week. The Board decided to move the regular July Board meeting to July 9, 6:30 PM.

President Border then asked for unanimous consent to adjourn. Seeing no objection, the meeting was adjourned at 8:02 p.m.



Secretary