

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 October 14, 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. There were no members of the public in attendance.

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 September 9, 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.

REGULAR BUSINESS

Discussion and Decision on Proposal to Increase Plant Investment Charge (PIC) for New Connections to Adjust for Cost Increase to Purchase new Wastewater Treatment Capacity

GM Matt Donnelly reviewed the staff PIC Charge Recommendation memorandum, attached to these minutes. He noted that the FCWSD General Manager had informed him in June that their Board had voted to increase their capacity fee to \$9,110 per EDU (roughly equivalent to GGWSD unit of VRU). He was further informed that if/when GGWSD requests additional capacity from FCWSD, the new rate will apply. The justification for the rate increase was primarily due to the increased construction costs, as exhibited in their bids for their current treatment plant expansion. Mr. Donnelly recommended that GGWSD raise its PIC charge to \$9,110 per VRU, effective immediately, and further recommended that the current PIC charge of \$6,000 be honored for all outstanding "will serve" recipients (equating to approximately 50 EDU). He also proposed that the GM notify all outstanding "will serve" recipients of the Board's

action and that these applicants are required to make continuous and substantive progress toward securing a permit to connect to avoid expiration of the terms of the “will serve” letter. Board comment acknowledged the reality of the costs of construction in the Gallatin Valley, noting that this would hold true whether the District purchased capacity from FCWSD, or chose to build its own facility in the future. The Board noted that it is fair to allow those currently in the application process the opportunity to pay the current price, noting, however, that the District is close to committing most of its existing capacity, so the PIC charge should be raised immediately for new applicants. Board consensus indicated this is the most fiscally responsible decision to allow growth of the District. It was noted that this topic was also discussed at the September 9, 2019 meeting at which the public was given an opportunity to comment, and no comments were received. Director Sullivan moved to accept the proposals as presented and adopt the resulting Resolution (Resolution 19-01, attached) raising the PIC fee to \$9,110 per VRU. Director Amend seconded. There was no further Board discussion. The motion carried 3-0.

REPORT OF OFFICERS, STANDING COMMITTEES, AND SPECIAL COMMITTEES

General Manager Report, Treasurer Report, Approval of Expenditures

GM Matt Donnelly provided the report. He reviewed the status of current customers with a “will serve” letter:

<u>Name</u>	<u>Property</u>	<u>Will Serve Date</u>	<u>VRU allocated</u>	<u>Status</u>
Jeffrey & Elana Wexall	404 Lynde St	6/1/2018	1.0 + 1.0 (2 structures)	GM to follow up
Johnson	76370 Gallatin Rd	6/21/2018	1.0	GM to follow up
Zinner, Helen		9/10/2018	0.5 (hotel)	GM to follow up
Diamond K Dev	77260 Gallatin Rd	1/21/2019	2.5	Have paid PIC; ready to hook-up
Superson LLC		1/28/2019	9.5 (pending external approvals)	Issue with DEQ approval and FCWSD capacity
Riverbend	475 Gateway South Rd		54 (current plans utilize ~24)	Project has been rescoped and pending reg review
Emily Gadd	101 Lynde St	2/1/2019	1.0	GM sent letter
Select Stone Inc	262 Penny Lane	4/16/2019	1.0	GM to follow up
Eco-Camp LLC	291 Axtell Anceny Rd	5/6/2019	10.5 (pending external approvals)	In DEQ approval process; GM will follow up
Slabtown Landing LLC	187 Lynde	10/7/2019	1.0	Will connect soon; Kurt to inspect
Slabtown Landing LLC	203 Lynde	10/7/2019	1.0	Will connect soon; Kurt to inspect
Mary Ann Sadowski	212 Bozeman St	12/2018	1.0	GM to follow up

Mr. Donnelly advised that JR Civil has been in town working on warranty items. He noted that the issue at the FCWSD lift station has been repaired, and he will be speaking with Kurt Thomson to determine status of other warranty items. In other activities, he advised that the GM of FCWSD has asked that the District connect to their SCADA system prior to signing off on the O&M agreement. He is still waiting for a revised quote on the SCADA system, if the District were to use a data network rather than radios in an effort to reduce the \$10K quote. He has also been working with RD on the District's "wish list" of items which would result in safety, environmental and operational improvements. RD has agreed to pay for about \$40K of these items. Mr. Donnelly will send the list to the Board, noting the District will need to hire a contractor for the work to be performed.

Mr. Donnelly reviewed the monthly O&M report, noting that flows continue to look good, with no lift station or collection system issues to report.

Treasurer Maralee Sullivan reviewed the current monthly financial package (P&L and Balance sheet) for FY starting July 1, 2019: Income in September included \$10,921 in BLC and sewer charges, as well as 1 PIC fee of \$6,000. Monthly expenses, excluding debt interest, were \$1,623. Short term liabilities continue to be at or around zero.

Ms. Sullivan reviewed the Q12020 analysis of budget to actual income/expenses for the District's 2 funds:

General Fund: Income is right at budget. Expenses are under budget by about 22%, primarily due to a lower than expected annual insurance premium.

Sewer Enterprise Fund: Income for GA/Sewer Operations and R&R are under budget by about 2.3% due to the District's re-allocation method of VRU determination, which reduced the overall monthly billing by about 5 VRU's. Expenses for G&A/Sewer Operations are under-budget by about 19%. GM services (budgeted at \$3,750) were not billed in Q1 and will be reflected in the Q2 numbers. No expenses were incurred for the FCWSD O&M services in Q1 (budgeted at \$4200) as the agreement has not gone into effect, and other O&M expense items are also under budget. R&R expenses are right on-budget, and there were no capital expenses in Q1.

President Border then asked for unanimous consent to adjourn. Seeing no objection, the meeting was adjourned at 7:12 p.m.



Secretary

TO: GGCWSD BoD
FROM: Matt Donnelly
DATE: October 14, 2019
RE: PIC Charge Recommendation

This memo offers a recommendation on addressing the District's treatment capacity costs by increasing the Plant Investment Charge for new connections.

BACKGROUND: In June of this year, the FCCWSD General Manager notified me that their Board had increased their capacity fee to \$9,110 per EDU. He further informed me that if/when GGCWSD requests additional capacity from FCCWSD, the new rate will apply. The minutes of the June 18 FCCWSD Board meeting confirm this action.

Justification for the increase was offered as follows. Bids for the FCCWSD treatment plant project had been received, and the low bid was \$11.8M for a 200,000 gpd plant. FCCWSD uses a 160gpd per EDU capacity estimate, thus making the new treatment facility capacity equal to $200,000 / 160 = 1250$ EDU-equivalent. Therefore the *actual* cost of the new plant is $\$11,800,000 / 1250 \text{ EDU} = \$9,440$ per EDU. The FCCWSD EDU is roughly equivalent to our VRU.

From my perspective, there is no reason to doubt that the *actual* cost of new wastewater treatment capacity in the rural parts of the Gallatin valley is truly over \$9,000 per VRU. This would hold true whether we purchased capacity from FCCWSD, or whether we choose to build our own facility at some time in the future.

RECOMMENDATION: For the reasons outlined above, and noting that this topic has previously been subject to public comment and has received none, I recommend the following resolution be passed:

RESOVLED, that the Plant Investment Charge be increased to \$9,110 per VRU effectively immediately; and

FURTHER RESOLVED, that the existing Plant Investment Charge of \$6,000 per VRU be honored for all outstanding "will serve" recipients; and

FURTHER RESOLVED, that the General Manager is directed to notify all outstanding "will serve" recipients of the Board's action and that these applicants are required to make continuous and substantive progress toward securing a permit to connect to the GGCWSD system to avoid expiration of the terms of the "will serve" letter.

IMPACT: The purpose of allowing existing applicants to pay existing rates is one of fairness. There are several projects that would have already connected, and therefore paid the PIC charge, had it not been for regulatory or construction delays. The impact of allowing existing applicants to pay existing fees should be weighed against the fact that all of the existing applications make use of existing capacity, i.e. capacity already purchased from FCCWSD at previous rates. The following applicants are affected:

<u>Name</u>	<u>Property</u>	<u>Will Serve Date</u>	<u>VRU allocated</u>
Jeffrey & Elana Wexall	404 Lynde St	6/1/2018	1.0 + 1.0 (2 structures)
Johnson	76370 Gallatin Rd	6/21/2018	1.0
Zinner, Helen		9/10/2018	0.5 (hotel)
Diamond K Dev	77260 Gallatin Rd	1/21/2019	2.5
Superson LLC		1/28/2019	9.5 (pending external approvals)
Riverbend	475 Gateway South Rd		54 (current plans utilize ~24)
Emily Gadd	101 Lynde St	2/1/2019	1.0
Select Stone Inc	262 Penny Lane	4/16/2019	1.0
Eco-Camp LLC	291 Axtell Anceny Rd	5/6/2019	10.5 (pending external approvals)
Slabtown Landing LLC	187 Lynde	10/7/2019	1.0
Slabtown Landing LLC	203 Lynde	10/7/2019	1.0
Mary Ann Sadowski	212 Bozeman St	12/2018	1.0
		TOTAL	85 maximum ~52.5 most likely

Gallatin Gateway County Water & Sewer District
Resolution 19-01

A Resolution Raising the Plant Investment Charge for New Connections from \$6,000 to \$9,110 per VRU

WHEREAS, section 617 of the revised Rules and Regulations of the Gallatin Gateway County Water and Sewer District (“The District”) establishes a Plant Investment Charge, whose purpose is to offset the cost of treatment capacity consumed by the applicant’s proposed development or requirement; and

WHEREAS, the Plant Investment Charge shall be based upon the estimated cost of the treatment capacity consumed by the proposed use; and

WHEREAS, the District was informed by the General Manager of Four Corners County Water and Sewer District that their Board of Directors voted to increase their capacity fee in June 2019 to \$9,110 per EDU, and has further informed the District that additional capacity requested by the District shall be charged at the new rate.

NOW THEREFORE, IT IS

RESOLVED, that the Plant Investment Charge be increased to \$9,110 per VRU effective immediately; and

FURTHER RESOLVED, that the existing Plant Investment Charge of \$6,000 per VRU be honored for all outstanding “will serve” recipients; and

FURTHER RESOLVED, that the General Manager is directed to notify all outstanding “will serve” recipients of the Board’s action and that these applicants are required to make continuous and substantive progress toward securing a permit to connect to the District’s wastewater system to avoid expiration of the terms of the “will serve” letter.

Dated this _____ day of _____, 2019

BOARD OF DIRECTORS

By: _____
President

Attest: _____
Secretary