

**SEELEY LAKE MISSOULA COUNTY SEWER DISTRICT**  
**Board of Directors Meeting**  
**December 16, 2010**

**Attendance:**

|              |                |         |                        |                |         |
|--------------|----------------|---------|------------------------|----------------|---------|
| Glen Morin   | President      | PRESENT | Mike Lindemer          | Director       | PRESENT |
| Scott Smith  | Vice-President | ABSENT  | Randy Gordon           | Consultant     | PRESENT |
| Bob Skiles   | Director       | PRESENT | Felicity Derry         | Secretary      | PRESENT |
| Tom Morris   | Director       | ABSENT  | Dave Whitesitt         | Public         | PRESENT |
| Craig Pozega | Engineer       | PRESENT | Patrick Constantinides | Public         | PRESENT |
| Bruce Freide | Advisor        | PRESENT | Bruce Reiman           | CRC            | PRESENT |
| Andy Short   | NW Water Syst. | PRESENT | Terry Hooge            | NW Water Syst. | PRESENT |

**OPENING**

The meeting was called to order at 6:09 pm by President, Glen Morin at The Barn, located on Highway 83 N.

**PUBLIC COMMENTS:**

Bruce Reiman of Clearwater Resource Council introduced himself and then noted that after talking to Randy Gordon there might have been some confusion over what was being learnt from the lake study. The clarity study showed that the clarity had not changed much in the last 30 years. The nutrient monitoring was being performed in Seeley Lake and the lakes to the north this year. The nutrient levels in the south end of Seeley Lake were elevated and higher than most of the other sites to the north. Oxygen sampling was also being performed in Seeley and Salmon lakes. The theory being that the dissolved oxygen would be consumed when there were elevated nutrient levels in the water. There were dramatic oxygen declines in Salmon Lake and the south end of Seeley Lake, also a slight decline in the north end of Seeley Lake. Historically a study showed that Seeley Lake was nitrogen limited. None of the information proved that failing septic systems were the cause of this. The lakes were showing some stress, there were elevated nutrients at times, and a strong oxygen deficit had started to show up in Salmon Lake.

Bill Bogardus noted that Bruce Reiman said that it was not conclusive that these results were caused by septic systems. In Randy Gordon's newspaper article that was one of the primary needs for a sewer system. Bruce Reiman replied that looking at the big picture it was common to have elevated nutrients with septic systems close to water. It would be something that you would expect to happen. Studies have been done using dye to pinpoint the source. The evidence showed that there was almost certain to be some nutrient loading because of that. The question was how much. He would expect the most significant nutrient loading to be down basin at the south end of Seeley Lake or in the river basin. Logic and experience would say that it would be a problem. The lakes were already stressed and you would not want to add to the problem.

Bill Bogardus asked if the south end of Seeley Lake was already stagnant because of the placement of the outlet. Bruce Reiman noted that the outlet being in the middle of the lake was a problem that did prevent the natural flushing. Bill Bogardus asked if they sampled the Clearwater River also. Bruce Reiman replied that some limited nutrient monitoring was done on Clearwater River also. Bill Bogardus concluded that the problem could be intensified by septic systems. Bruce Reiman agreed with that.

Glen Morin questioned if Bill Bogardus wanted to wait until the lake was really polluted, put the sewer system in and then the problem could not be corrected at all. Bill Bogardus replied that \$18 million was a lot of money. Glen Morin said that if it could have been done many years ago it would not have been \$18 million. Bill Bogardus said that it would be just like the water treatment plant and a whole lot more. Glen Morin asked how the ground water and the lakes and streams should be kept clean. Dave Whitesitt said that between the Sewer District and Salmon Lake there were a lot of houses on the riverbank. Morrell Creek and Owl Creek dump in to it. It would be hard to tie that to the Sewer District. Bruce Reiman replied that you could not; however a solution should be worked on. The problem was bigger than the Sewer District. There were a lot of people that used the lakes beyond the Sewer District that would be interested to help pay for the sewer.

Randy Gordon said he had been looking at creating a water quality district. That way everybody in the water quality district would help pay to clean the water up. Bruce Reiman said those funds could be used to defray some of the cost for the people. Glen Morin said that the question was not if a sewer was needed but how to put it in and how to pay for it. That was what had been happening for the last ten years.

Bill Bogardus asked how much grant money the District had if the project started tomorrow. Randy Gordon replied there was \$1.7 million State Tribal Assistance Grant (STAG) grant and \$750,000 Treasure State Endowment Program (TSEP) grant. When the current project was completed the design would be done and they would be \$600,000 ahead of where the District was two years ago. The Water Resources Development Act (WRDA) grant was paying for the design work. STAG and WRDA grants had also been applied for this year. The only other grants available to the District would be from Rural Development (RD), but we need people to send in their income surveys before the District qualified for that. There was \$450,000 Community Development Block Grant (CDBG) grant that could be applied for if the income survey was completed. Sending in the income survey did not mean you were in favor of the sewer; it just gave the District the ability to find other ways to pay for it.

Patrick Constantinides asked for the District's assets and expenditures. Randy Gordon said that the only income that the District had was the annual \$46,650 fee assessment. Patrick Constantinides asked how much money the Sewer District currently had at its disposal. Randy Gordon said that would be covered in the financial reports. Patrick Constantinides said that the gentleman had asked how much money District had and what the expenditures were. Randy Gordon asked if he was talking about operations or the project. Patrick Constantinides said that people had heard that the District needed funding. What did the District have at the moment? Randy Gordon said that he had told him that the District had \$1.7 million STAG grant. Patrick Constantinides said that he just wanted to know what the total assets were and what the total expenditure was. Randy Gordon said that the District did not have the grant money yet. Start up requirements had to be met in order to get that money. Patrick Constantinides asked to take it step by step as he was just a dumb banker. How much money do you need today to do what? Randy Gordon said that the project in the Preliminary Engineering Report (PER) was approximately \$18 million. Patrick Constantinides said no, how much did they need today? Randy Gordon replied \$18 million. Glen Morin said that was the frustration of the entire thing. The District needed \$18 million, maybe less. They were trying to build a sewer system on 90% grant money. Patrick Constantinides asked how much the design cost. Randy Gordon replied that project cost \$700,000. That included the first PER in 2004, the second PER in 2008 and up to the project now. All of that money was grant money and not a penny came from the people of Seeley Lake. Patrick Constantinides noted that Phase I cost \$700,000. Randy Gordon replied no that was the design of Phase I. Patrick Constantinides said assuming that you were coming to him as a banker how much money would you need now and how much you would have. Randy Gordon replied that the District

would need \$8 million for Phase I and had approximately \$2 million. Patrick Constantinides asked Bill Bogardus if that answered his question. Bill Bogardus said that it did. Randy Gordon said that he had sent him all of that information after the last meeting.

Bob Skiles said that the \$18 million figure would go down because it included a lot of other facts such as inflation and interest. Mike Lindemer added that it was the worst-case scenario. Randy Gordon explained that in the PER the worst-case scenario was used for the funding. Then you go in to design and the value design. That figure had been cut tremendously. If the property on the north end of town could be bought from the US Forest Service and used it would save the community several \$100,000. They were always trying to lower the amount of the project. Hopefully by April or May, 2011 they would have a good honest engineer's budget that would show what Phase I will cost. That was why the District was getting ready to send out the request for proposals (RFP). All of that cost money and the District did not have money until they received the WRDA grant last October. The Request for Proposals (RFP) would prompt different vendors to try to sell the District their process, either an SBR or an MBR plant. It was not necessarily the vendor with the lowest cost, but how long the plant would last and what the operating costs would be. Hopefully the RFP would go out January 1<sup>st</sup>, 2011. By the end of January the submittals from vendors from all over the world should have been received. The Board would then sit down with the engineer and decide which vendor should be used. Then the system would be designed around that vendor. The project cost would be a moving target until there was enough money to get the design completed.

Patrick Constantinides asked how much money was needed today. Randy Gordon replied that the District was currently \$100,000 short for the \$700,000 project. That was the \$100,000 they were asking the town to pay. Bill Bogardus said that Randy Gordon was not asking the town, but telling the town they were going to pay it. Randy Gordon said that the District was doing everything by the law. If he wanted to change the law then he should write to his congressman, but until then he was going to follow the current law. Bill Bogardus questioned if he was asking or telling. Randy Gordon replied that the District was asking the County Commissioners to their job, which they were voted to do. You voted for this Board to do their job, you voted for the County Commissioners to do their job. Does your opinion count on the budget for the entire country? No it does not. Bill Bogardus asked Randy Gordon if he was going to tell the town they were going to pay that or ask them. Randy Gordon said that he had had articles in the newspaper since June asking people to come to a Board meeting or to call him. You were the only two that had asked. What about the other 510 people? Bob Skiles said that the short answer was that the Board was going to tell you that you had to pay it. Bill Bogardus asked if the \$100,000 was a bond or if the money would be borrowed. Randy Gordon said that the District would most likely have a debt election in May 2011. The \$100,000 would be a loan from the Intercap Program. The current interest rate was 1.95%. It was not a bond so there did not have to be a debt election for it. Bill Bogardus said that after the last meeting he was under the impression that it was a bond. Randy Gordon replied that it had always been a loan. Bob Skiles said that it was actually a line of credit, which would be used, as it was needed. If the County Commissioners agreed with that then every property within the District would be assessed for 15 years to pay the loan back. Bill Bogardus asked why they did not do a one-time assessment and raise the money all at once. Randy Gordon said that he had to know how much the project was going to cost before he could ask for a bond. Bob Skiles said that they were trying to figure out how much the sewer would cost. As soon as they knew the exact figure in spring 2011 the Board would say how much it would cost, how much money they needed and how much everybody would have to pay. Everything was so up in the air they do not know how much it would cost.

Randy Gordon said that for 18 years the Sewer District had been fighting with people to get a sewer built. Bob Skiles explained that they needed the income surveys so that they knew what kind of funding the

District could get. The District boundary had to be expanded because it was a logical thing to do. The Board would really like to build the entire project at one time and fund the entire thing.

Bill Bogardus asked if cost of Phase I, \$6 million would that be distributed to the entire District or would Phase I alone pay for it. Randy Gordon replied that the treatment plant, pumps, etc., the general facility charges, would be divided up and paid for by the entire District. The collection system for Phase I would be paid for by the properties in Phase I. Anybody that came to town would have to pay their proportionate share of the general facility charges. If a business came to town and they used the equivalent of 10 homes they would have to pay 10 times what the general facility charge would be. The sewer was not being built for businesses. It was being built for the community. If businesses did come to town it would benefit the town because they would pay their fair share. Bill Bogardus said that would make it expensive for businesses to locate in Seeley Lake if it was being done to attract businesses. Bob Skiles said that it was that way everywhere.

Patrick Constantinides asked if the general facility charge was paid wherever you were or only within the District. Randy Gordon said that the general facility charge would be paid within the District. Patrick Constantinides said if he came to town and put a business outside of the Sewer District would he have to pay the general facility charge. Randy Gordon said that for example if the sewer ran to the motel and a business went in next-door, out of the District, then the District would make that business construct the collection system and tie it in to the sewer. That business would pay 100% of that cost and turn it over to the District once the District had accepted it. They would also pay the general facility charge. Patrick Constantinides asked if the business was built outside of the District would they pay the general facility charge. Randy Gordon said that they would pay the general facility charge plus they would have to construct the sewer. Patrick Constantinides questioned even though he lived was outside of the District he would have to pay the general facility charge. Randy Gordon said that if a business came to town that was outside of the District it would have to pay to link up with the sewer. Glen Morin said that the business would have to if it wanted the sewer system. Patrick Constantinides asked what if the business did not want to hook up to the sewer. Randy Gordon said then the business would have to deal with Missoula County and not the Sewer District. Patrick Constantinides noted that businesses that would be coming in from an economic development point of view could establish a business outside of the Sewer District and not pay the general facility charge. Randy Gordon replied that they could. However Missoula County would not allow that to happen unless they were going to build their own treatment facility or they qualified for a septic system. The District's responsibility was to the people within the District. If there was sufficient capacity in the plant then the District would let somebody else hook up because it would benefit everybody within the District.

Randy Gordon said that the people in town had to pay their share. They would be lucky to get 35% Federal or State funding. It had to be looked at as an investment on their property. Once there was public sewer the property value would increase. It was the same as the power company. They were not doing anything different than anywhere else in the country. He did not understand the thinking of Seeley Lake where they thought that the whole world should pay for their sewer. Glen Morin said that it had been so difficult to get grant money and get it started. Randy Gordon said that the District had been there 18 years and everybody in the room knew that it was the anti-sewer Board. That was the problem that had to be overcome with the funding agencies. All the way back to Washington DC they knew that the people of Seeley Lake did not want to pay for anything. That was the truth, he had lobbyists call and tell him that the government agencies were not going to fund the project because the people in town did not want to pay their fair share. Bill Bogardus said that was not true the community donated \$30,000. Did Randy Gordon tell them that? Randy Gordon said that he told them. All of that information was in the PER. Two years ago the lobbyist called him because one of the Board members called DC to say that they did not want the sewer in Seeley Lake.

He did not know who it was. How can the District get funding when there was a Board member against the sewer?

## MINUTES OF NOVEMBER MEETING

The minutes of the November 18, 2010 meeting were presented to the Board.

Bob Skiles moved to accept the minutes for the November 18, 2010, Mike Lindemer seconded. The motion passed.

## CORRESPONDENCE:

Randy Gordon said that he had received correspondence from the funding agencies.

## FINANCIAL REPORT

### November 2010 Financial Statements

Randy Gordon reviewed the financial statements.

Bob Skiles moved to approve the November financial statements, Mike Lindemer seconded. The motion passed.

### Bills

Randy Gordon presented the bills to the Board.

#### District Bills

|    |  |        |          |
|----|--|--------|----------|
| 1. | Gordon Professional Services             | \$     | 2,020.20 |
| 2. | Secretary Felicity Derry                 | \$     | 150.00   |
| 3. | Seeley Lake Water District – Bookkeeping | Inv#52 | \$ 45.00 |
| 4. | Pathfinder                               | \$     | 32.50    |
| 5. | Post Office                              | \$     | 40.00    |

Total \$2,287.70

#### Project Bills

|    |                              |    |           |
|----|------------------------------|----|-----------|
| 1. | Great West Engineering       | \$ | 14,681.82 |
| 2. | Gordon Professional Services | \$ | 2,145.00  |
| 3. | Heritage Office              | \$ | 34.86     |
| 4. | USDA Forest Service          | \$ | 112.00    |

Total \$16,973.68

Mike Lindemer moved to approve all of the bills, Bob Skiles seconded. The motion passed.

## **OLD BUSINESS:**

### **Update Inter Cap Loan Process**

Randy Gordon said that they were waiting to hear back from the County Commissioners on a hearing date. Once there was a date the proper notification would be done by advertising and sending a notice to everybody in the District. Then there would be a public meeting.

### **Plant RFP Approval**

Randy Gordon said that Craig Pozega, Great West Engineering had the RFP ready to go. It had been circulated to the Board. Scott Smith had approved it on the stipulation that the attorney review it. All of the funding agencies and Dorsey and Whitney, the bond counsel, would review it. Craig Pozega said that he would answer any questions. There are a couple of subjective parts. The most subjective part was the scoring criteria. Randy Gordon said that Great West had quite a bit of experience with that. He had compared them with other RFPs. They felt they had a good system for ranking the SBR or MBR. The cost was the big thing. The evaluation process was general information, manufacturers experience in installation, list of deviations, warranty and performance guarantee, technical service and support, process design and analysis, implementation and O&M and a proposal for Phase II. That was basically the point system. Glen Morin asked that the parts for the plant be the newest and not an obsolete part. Randy Gordon said that they were required to have a current year production for the part.

### **Resolution #121610 Relating to Financing of Certain Proposed Projects**

Last month Mae Nan Ellingson sent out the resolution. If the District spent District funds now to help the process along when the project was built the District would be reimbursed for that money. For example if the District spent \$25,000, then that money would go back in to the O&M fund, whereby lowering the rates to the people. It did not cost the District anything. It was just a good thing to do.

Bob Skiles moved to pass the resolution relating to financing of certain proposed projects, Mike Lindemer seconded. The motion then passed unanimously.

Randy Gordon said that Craig Pozega had been working with him on the application for purchasing the property from the US Forest Service. This application to purchase the 22.5 acres was the first step of a very long process. The US Forest Service had 90 days to accept the application or request more information. If the US Forest Service accepts the application then the environmental review process would begin. Then Great West would begin the National Environment Policy Act (NEPA) process. If there were no problems there would be a finding of no significant impact (FONSI). All of this was to make sure that we are not contaminating the environment. There would be public hearings and notifications during all of this. There would be a Federal evaluation of the property. If everything goes right then they tell us what the property would cost. Normally they give you a year to come up with the money. The reason that the District was purchasing the property was that the US Forest Service does not want the liability of a sewer treatment plant.

Mike Lindemer moved to approve the application, Bob Skiles seconded. The motion passed.

Randy Gordon said that the District had to meet start up conditions for the TSEP grant by June, 2011 or they would lose \$750,000. The District had to submit a management plan and a project budget. The management plan says who would do what and the budget comes straight from the PER. Then the District would have to have a bond election to meet the rest of the obligations for the project. This should happen in May, 2011. He would submit that to TSEP to get the process started so the District did not lose the money.

The project would not be able to go out to bid until 2012. The only way to do it is to move forward with the vote. If the vote passes we would be ready to send bids out spring 2012 and start construction 2012.

Craig Pozega noted that this was a great deal of information so he would answer any questions. Reviewing the bids would be a long detailed process. They had been working hard on the discharge permit. Randy Gordon said that if the property worked out it would save a lot of money for the community. The treatment plant could not be put on the south end of town due to the ground water. The discharge coming from the plant would meet surface water regulations so a mixing zone was not required. The quality of the effluent was so high that it had been used to put back in to streams to bring the water quality up. This technology was being used in the effort to clean up Chesapeake Bay.

Bill Bogardus asked if the treatment plant could be put in the south end of town. Randy Gordon said that putting the effluent straight back in the ground would not be ideal. At the proposed sight you would get a better quality of effluent for less money. Craig Pozega elaborated on this point.

Randy Gordon noted that Dave Whitesitt and Bill Bogardus had both been Board members. Was it their intent to fight the Board so a sewer could not be built? Would they put a roadblock on everything? Bill Bogardus replied that it was an interesting question. Randy Gordon said that they were trying to better the community. Bill Bogardus questioned if he was trying to put roadblock in front of what he was doing. The sewer was going to be awfully expensive. Randy Gordon said that it was no more expensive than to anybody else in the world. That was what had to be done to exist in a town. If you do not want to pay the cost go buy property outside of the District. Bill Bogardus replied that he said that at every meeting. Randy Gordon said that he did not want anybody to have to move, but that was the solution. Bill Bogardus said that rather than move, he wanted to look at it really close before we spent \$750,000. Randy Gordon said that 18 years had not been a short process. Bill Bogardus said that they were spending \$750,000 and there had not been a vote. Randy Gordon replied that there was a vote every two years. Bill Bogardus said that there had not been a vote for expenditure of funds. Randy Gordon replied that was not how it worked. Officials were voted in to work for the people. Every year in the spring there is a hearing for expenditures for the assessment. Bill Bogardus noted that was a hearing but not a vote. Randy Gordon said that if he wanted to get the constitution changed to go ahead. Until then they had to abide by the current laws.

Bob Skiles said that there would be a vote. Bill Bogardus said that the manager was telling people to pay it or move out of town. That was very divisive to the whole process. Glen Morin said that it was very frustrating trying to move forward. Dave Whitesitt said that with regard to the operating fund for Phase I there were numerous vacant lots, empty houses and houses for sale. There were also numerous people that had County approved septic permits that would not have to hook up for a while. The remaining people that did hook up would have very expensive operating costs. Bob Skiles said that once the sewer was built, even if you did not hook up you would still have to pay. Other Board members agreed that they would have to pay the operating costs even if not hooked up. Glen Morin said that they would pay the capital cost but not the operation and maintenance cost. Randy Gordon said that there were 100 lots that had to pay a monthly water bill that could not develop until the sewer is built.

Patrick Constantinides questioned if septic systems that were not functioning properly on less than ½ acre were being allowed to continue. Randy Gordon said that a many a blind eye was being turned in the hopes that a sewer would be built. Patrick Constantinides asked if at the end of the day it would be possible for the EPA to say that a system had to be put in and it would cost a great deal more than \$18 million. That would be the alternative to not moving out. Randy Gordon said that the County could put a moratorium on building permits. If a neighbor's lot were to contaminate your lot they could fine that person every day until

it is fixed. This was what the EPA and DEQ has been trying not to do. The town had been contaminating the ground water forever. If the Water District had not made their improvements they would be fined every day, so they had to do it. The ground water is a health issue. High nitrates caused blue baby syndrome. There were people that pumped the water from the lake and river and drink it. If the Sewer District failed somebody else would come in and they would not give you the opportunity to work with them.

**NEXT REGULAR MEETING:**

Scheduled for January 20, 2010

**ADJOURNMENT:**

The meeting was adjourned by Glen Morin 7:19pm

Attest:



Glen Morin, President



Felicity Derry, Secretary