

SEELEY LAKE MISSOULA COUNTY SEWER DISTRICT
Public Hearing Held at the Community Hall
March 29, 2011

Attendance:

Glen Morin	President	PRESENT	Felicity Derry	Secretary	PRESENT
Bob Skiles	Director	PRESENT			
Scott Smith	Vice-President	PRESENT			
Mike Lindemer	Director	PRESENT			
Mike Boltz	Director	PRESENT			

Sign In Sheet - Appendix A

OPENING:

The meeting was called to order at 7:20pm by President, Glen Morin at The Community Hall, located on Highway 83 N.

Glen Morin commented that Randy Gordon would not be with the District after March 31, 2011. Scott Smith added that he had resigned. Glen Morin opened the floor to the public and reminded them to limit their comments to 3 minutes.

Joe Morris requested that the Board give the information on the assessment.

Glen Morin said that after looking at the cost per customer for the bond election the Board felt that it was not feasible; however the Board would vote on that tonight. The Board would not be going forward with the Intercap loan. That also would be voted on tonight. Scott Smith explained that Missoula County had offered to loan the District \$110,000 for matching grant funds. This money would be repaid once the project was completed. The Board would be meeting with Missoula County to discuss this further.

Public: Questioned that the Board would vote against the two assessments.

Glen Morin replied that he anticipated that the Board would not vote for the Intercap loan. In the last two weeks Missoula County had offered to loan \$110,000 at no interest. The loan would not have to be paid back until there was a functioning sewer. The Board would set up a meeting with Missoula County to find out more information.

Loren Rose, Pyramid noted that the hearing tonight would only be on the assessment for operations. How did the Board plan to do their due diligence, figure out where to go from here and how to get there? Glen Morin replied that the hearing would be for the operational assessment. The Board was backing up, reviewing everything and asking for more help and input. Missoula County could help the Board. Currently the operational assessment would continue. The \$110,000 loan would enable Great West Engineering to complete the system design and discharge permit. At that point the project would be shovel-ready. This would also allow additional time to find more funding.

Scott Smith said that if the system design was complete the project would be shovel-ready and the District could apply for grants. If the project cost \$15 million, then the Board would find out how much Federal money the District could get, then the Bond election would occur based on that. The Intercap loan was to be used for matching funds to move the project to be shovel-ready. The Intercap loan may not be needed because Missoula County may potentially loan the District \$110,000 matching funds.

Loren Rose asked if Missoula County would assist in doing some of the work. Scott Smith said that Missoula County had made an offer to manage the project at a cost of \$1 per year. Missoula County wanted to be involved. The Sewer District was its own entity and Missoula County follows the Board's direction. Glen Morin added that Missoula County wanted to partner up with the District. Loren Rose asked if their official name was Seeley Lake Missoula County Sewer District and had the County not had ownership up until this point. Scott Smith said that Missoula County did not have ownership of the District; they were their own entity. Vince Chappell added that it was by name only, as it was for the Seeley Lake Missoula County Water District.

Caroline Jenkins, Pathfinder said at the last meeting some ongoing projects were outlined that would be completed July/August 2012. Those projects were ground water discharge permit, US Forest Service land acquisition, environmental analysis & report and Phase I design. Were those projects still ongoing after these with new developments? Glen Morin replied that they were ongoing.

Public: The thing that bothered him was the claim that the lake was polluted. The lake was lined completely with six inches of bentonite. There was no way that the lake could be polluted unless the waste was actually dumped in to the lake. Glen Morin said that the tests showed there was some human waste in lake. Scott Smith said that it was not just the lake but the ground water also. Bob Skiles said that Missoula County did a study in the town of Seeley Lake in 1992 to study nitrate levels. It showed an increased level of nitrates in the monitoring wells. The District had an ongoing monitoring program for both ground water and lake water. Part of the concentration of the town's ground water flow goes to the river and part to the lake. If you do not think there is pollution in the lake you need to look at the studies and draw your own conclusion. We are not here to debate if we need a sewer system. We are here to debate how to pay for the sewer system that we need.

Joe Morris said eight years ago Montana State University and the Health Department came out independently to check Seeley Lake. Both found the lake at all depths to be clear. The only place to worry about was on the flats.

Dave Guelff noted that at the last meeting the engineer had estimated the cost of a hook-up from the house to the sewer main to be between \$200-\$1,000. He thought that was way low. It would be a good idea for a contractor to come in and give an actual estimate of the cost. Glen Morin said that Gary Lewis had given the District a cost and that was the source of the estimate of \$200-\$2,000. Vince Chappell added that Gary Lewis did not usually include the cost of landscaping in the estimate.

Mike Boltz said that in his experience \$200 was a really low estimate. The septic tank had to be pumped then crushed and the lines dug in. In his opinion the starting cost would be \$1,200. Caroline Jenkins asked if there were grants available that would supplement the cost to the homeowner. Glen Morin said that there were grants through Rural Development that were dependent upon the income survey being completed. Scott Smith added that they were based on

income. The new manager would be tasked to research obtaining grants to assist people pay for the hook-ups. Glen Morin added that because the income surveys were not completed the District was not eligible for those grants. The District could try to complete the income survey again.

Diane Braach asked what percentage of people responded to the income survey. The Board replied that each phase varied but it was lower than 30%. Scott Smith said that if the income survey had been completed and the income would have been below approximately \$23,000 the District would have been eligible to apply for grants of up to 75% of the total cost of the project.

Caroline Jenkins, Pathfinder noted that the engineer had indicated that there was a sliding scale where the higher the average income the lower the percentage of grant money that could be applied for. The highest percentage of grant money that could be applied for was 75%.

Joe Morris asked why did the sewer cost so much. Glen Morin replied that there were at least one hundred lots in town that could not be used because the Missoula County Health Department would not give them septic approval. The District had been testing the ground water for almost ten years and there was a steady increase in ground water contamination. Scott Smith said that with the contamination levels in the ground water today in certain locations in the town of Seeley Lake if a septic system were to fail Missoula County could not issue a permit for a new septic system and the County would condemn the lot.

Diane Braach asked what brought about the change in charging the assessment from per lot to square footage. Glen Morin replied that the County Attorney told the District that the per lot charge was not a legal. They gave the District three different options. The Board reviewed them and this method seemed to be the easiest and most equitable to the community. Diane Braach asked what the other options were. Bob Skiles replied that one was to assess the land and improvements (the total tax bill) and pay a percentage of that. Another was you would pay what percentage of land you owned within in the District.

Diane Braach asked how the Board could justify using square footage. Bob Skiles replied that they were using land value and square footage combined. Diane Braach asked why it was not how many bathrooms. Bob Skiles replied that it had nothing to do with the house, how many times you flushed the toilet or what your water bill was. It was not based on the value of improvements on the property. It was only the square footage of the property and land value. Diane Braach asked again what the other options were and how the Board justified the square footage. Glen Morin said that the Board would check in to that.

Al Castonguay asked the difference between the \$72 per lot and the new way using square footage. His brother-in-law's bill went from \$72 to \$42. Bob Skiles replied that the old way of billing took the amount of the operating budget and divided by the number of lots in the District. People did not like that method and complained. The new way used half of the value of the property and half of the square footage.

Al Castonguay noted at \$72 per lot the total amount billed was \$40,000, with the new method what is the total amount billed. Bob Skiles replied that the total billed for the assessment was the same, the only thing that had changed with the methodology.

Si Baker noted that each property in the District would tap the sewer. Why not assess by the sewer tap? Scott Smith said that he owned approximately 30 acres. Hypothetically if the sewer system was built he could subdivide the land, potentially he would have 30 lots. Should he pay more? Al Castonguay noted if that were the case he would be selling the lots and the new owners would pay it. Scott Smith said if that were so it would lessen the cost to the others in the District.

Caroline Jenkins, Pathfinder questioned if this assessment was for administrative costs for running the District. When the sewer was built would the monthly fee be based on usage. Mike Boltz said that there would still be a nominal administrative fee and usage. Caroline Jenkins asked if usage would be used to calculate the fee. The Board agreed it would once there was a sewer. Mike Boltz noted that when talking to Missoula County the assessment would remain the same to pay for day-to-day operations.

Al Castonguay asked how many protests were received and how would they be handled. Glen Morin said that there were 5 protests, which were approximately 23.1% of the land mass and 3.62% of the value. Glen Morin said that not enough protests had been received to make a difference.

Loren Rose, Pyramid Mountain Lumber said that protests had to be more than 3.6% because Pyramid was 11.8%. After further clarification it was noted that 3.6% was of the land value and not of the total assessment, for which Pyramid was 11.8%.

Harold Sheets requested clarification on Missoula County loaning the District the money for the assessment and would it be cheaper. Glen Morin said that Missoula County had offered to loan the District the \$110,000 at no interest. This would be instead of borrowing the \$110,000 from InterCap. The Board would be meeting with Missoula County to get more details. Scott Smith added that the Board still had to vote on it, but it was the Board's belief that the \$110,000 loan assessment would not be completed.

Harold Sheets asked how that would affect the amount of money being charged if only half of it needed to be paid back. Glen Morin noted that the assessment that was charged each year for the operation of the District would still go forward, but the assessment for the InterCap loan (\$110,000) would not be charged. Bob Skiles added that after the sewer was built Missoula County would want their money back. He had calculated that if everybody in the District paid \$180 it would get \$470,000 grant to work on securing property and the design, etc.

Harold Sheets asked if everybody paid \$180 would the other assessments go away. Bob Skiles replied that they would not have to pay the assessment for the \$110,000.

Harold Sheets questioned that the US Forest Service would lease property for the treatment plant and not sell it. Glen Morin replied that the US Forest Service said that the District could buy the property. The District would be using the Town Site Act.

Diane Braach asked if \$110,000 matching funds would be repaid over 15 years. If the bond election in June passed the bond would then be paid in full at that time? Scott Smith said that the bond election was to build the system. Once the bond was funded it would pay off \$110,000 loan. The Board believed that the vote would not go ahead, but the Board still had to vote on it.

Harold Sheets questioned if it would be at least two years before the public could vote on it. Glen Morin said that hopefully by July/August 2012 the design should be done. Then the District would have to obtain a great deal of money. Scott Smith added that then the District could apply for Federal grants.

Bob Skiles said that the District would lose a grant of \$750,000 by not having a public vote. The District would apply for it again. The Board had not voted on Missoula County's offer to loan the District \$110,000. That would be discussed at the next meeting at the Barn, to which everybody was welcome and encouraged to attend. He was a little skeptical about Missoula County giving the District free money. The Board wanted to protect the lake, the ground water and the river. Before a couple of months ago the Board did not have a cost. They still did not really because the design was not complete. They were stopping because now the Board has an idea of how much it would cost.

Al Castonguay asked if their figure would add to the \$300 assessment on his tax statement. Glen Morin replied that it would not. If the assessment did not pass what would happen then? Glen Morin said that would be his cost unless the Board looked at a different way of charging the assessment.

Joan Baker asked if the District would not vote in June. If not when would there be a vote. Glen Morin said that there would not be a vote; because the funding was not in place. When the District obtained \$7-\$15 million to make the cost to the people reasonable, then it would go to a vote. Joan Baker said that in the meantime she would pay \$314 per year in her operational assessment. Scott Smith said that their goal was to get it built. Bob Skiles said that the money raised by the assessment allowed the District to operate. There was a public informational meeting March 22, 2011 that explained all of the money spent and the work that had been done to date.

Lauri Darrow asked if the financial information was online. Bob Skiles said that it was not online but the District's books were open for review. Scott Smith said that Lauri Darrow had to make a formal request at the next Board meeting, and they would be provided.

Loren Rose noted that Scott said the designed system cost approximately \$15 million. Was that still the system that was being contemplated? Before that went to a vote would there be some level of grant funding obtained to offset the cost and make it affordable? The Board agreed that was their main goal. Scott Smith said that the Board could not burden the community with that cost. That was why the vote was put on hold. Loren Rose asked if there was a number that the Board had in mind. Scott Smith said that their goal was way below \$100. Glen Morin added that \$20 was not enough and \$100 too much. Mike Lindemer said that the reason the project was to be built in phases was because the District could get more grant money. With each phase the grants could be reapplied for. The Board would not push the button until it was affordable. Scott Smith added that the Board had to convince the public that it was affordable. It was the Board's fiduciary responsibility to lower the cost as much as possible. That was why they were considering Missoula County's options to assist the District.

Mike Richards questioned that the assessment would stay at the same amount. The budget would be reduced if the District did not have to pay for a manager. Scott Smith said that the Board might opt to hire a manager if it were in the best interest of the District. If the Board accepts Missoula

County's proposal the budget in 2012 could go down. If the Board could agree to the terms and get a contract stating that, then the assessment would go down.

Harold Sheets questioned if the District received the grant money for Phase I and it was built; then what happened if the financing was not in place for Phase II? Glen Morin said that there might be a year missed, but each phase would go to a vote. Harold Sheets questioned if Phase I went ahead would everybody in the District pay for Phase I. Glen Morin said that they would pay capital cost. That was why Phase I cost so much, because everything was built in Phase I making the subsequent phases easy to add on to. Once the first phase was built and was running it would be easier to get grant money.

Dave Whitesitt said that the current Operation & Maintenance (O&M) estimate for Phase I was \$189,000. The 3/20/08 funding strategy called for 165 hook-ups in Phase I. That would be \$95.45 per hook-up, plus the cost of the hook-up, plus the capital cost. There were vacant houses in the area that would not hook-up anytime soon. Many of the lots had Missoula County approved septic systems, which would not have to hook-up until the septic failed or the property was sold. It would be more accurate to estimate 100 hook-ups in Phase I. This would mean that O&M cost per month would be \$157.50 per lot. We could not afford a sewer if there were enough grants to cover the capital costs for Phase I. There were two affordable options. Get enough grants to build the system at one time or find a lower cost alternative. Please do not put a grant-matching assessment on our tax bills at this time. He said that he appreciated that the Board would not be putting that on the tax bill at this time. Trying to operate on Phase I would be like trying to operate a car on one cylinder. It could not be done.

Lauri Darrow asked in light of the current economy how did the Board feel about grant money. Programs were being cut across the board. Did the Board have some concern about that? She operates a business on Highway 83 and there was no business. How did the Board feel about going forward now before everything was figured out in the entire country? Glen Morin said that they all ask that question but they had to go forward. Lauri Darrow said that this was a huge undertaking could we afford it? Glen Morin replied that the Board wanted to go forward, but they would not do it if it were not affordable. He heard in a recent meeting that Montana had been given \$180 million to do with what they want to. There is money out there. We have to go forward. The Board needed to win back the public's trust that this project would not be done until we could afford it. He would like to get the assessment lower. Missoula County Attorney said that it was the best method for the assessment.

Lauri Darrow said that someday the community did need a sewer, but she wondered if the time was right now, or if tomorrow was even the time. Bob Skiles said that we could not wait another nineteen years. Scott Smith said that the Board did not want to charge an assessment for twenty years without getting something done.

Mike Richards thanked the Board for looking in to the process and the method of charging the assessment. He hoped that they would find a better way of charging it than the current method.

Diane Braach questioned Dave Whitesitt's statement of many vacant houses in the area that would not hook-up until the septic system failed or the property was sold. The Board said that you had to

hook-up. Glen Morin clarified that if the main line passed your property you had to hook-up. The vacant lots would be assessed capital cost only.

Harold Sheets said at a previous meeting many people that did not live in the District stood up wanting to "save the valley". One person stood up and said he would be willing to pay his fair share. He probably would not have said that if he knew how much it was. He was concerned that these people had too much influence on the Board. Scott Smith said that Missoula County thinks we need a sewer. Bob Skiles questioned that an alternative funding mechanism for the sewer could be the resort tax. It could help pay the O&M cost. People should think about 3% tax on the commerce of the town. Caroline Jenkins noted that it would not come out of the business owners' pocket. It would be the people purchasing whatever was taxed that would pay.

Eric Chigbrow said that he had a summer place and used it for twelve weekends or less a year. Would the \$1,200 to hook-up to the system be prorated based on usage. Or was the hook-up charge a flat rate? Glen Morin said that it would depend what the footage from the house to the main line would be. Bob Skiles said that he thought that the Board could charge a rate different on season property.

Eric Chigbrow said that he supported the sewer, but was the Board taking the seasonal people into consideration. Glen Morin said that they had not got that far yet.

Vince Chappell said that would be covered once the system was operating and the policy manual was completed. At that point the Board could explore every avenue for rate structures. Scott Smith added that Randy Gordon started the policy manual. That project would have to be completed.

Doug Hadnot questioned the assessment method. He was opposed to the method that was chosen because it was blatantly unfair to those that had bigger properties. The benefit from the sewer that he received was no different than that of a person who owned a smaller lot. He requested that the Board investigate the possibility of charging the assessment the old way. Scott Smith said that there were twice as many people that were unhappy with the per lot fee.

Doug Hadnot said that he had been involved with the Sewer District for a long time. Way back there was the question of public support, could the community afford it and was it a viable option. Every year the residents of the Sewer District were told they would get to vote on it. He asked the same question of the Missoula County Commissioners who said he would get to vote on it in the spring of 2011. Now the vote had been put off for two more years. He would advocate getting all the information about cost to build a public sewer system to the homeowners and have the community vote to see if it is worth going forward from this point. Everything was pushed off each year and currently there seemed to be no end point. He asked the Board to have a public referendum to see if the sewer is viable. He believed that the Sewer District was not big enough. It was not reasonable to ask a small number of people to pay to make the water in the lake clean for everybody in Montana to use. The District needed to be expanded dramatically.

Glen Morin asked the Board to vote on the bond election for \$15 million for construction of the sewer. No motion was made and the bond election was dropped.

Glen Morin asked the Board to vote on the Intercap loan of \$110,000 to be used as matching funds for the WRDA grant. Mike Lindemer requested tabling this based upon new information provided by Missoula County. The Board agreed.

Glen Morin asked the Board to vote whether to continue with the operational assessment using the same methodology. The Board discussed this matter.

Scott Smith noted that he was not on the Board a year ago, and asked the public if they all attended the operational assessment hearing a year ago. The County Commissioner had run the meetings previously but the Board discovered that they could run the meeting and not the Commissioners.

Diane Braach said that there was a packed meeting in the Elementary School seven or eight years ago. The public was asked if they were in favor or against. They were all against. The Commissioners passed the assessment. Bob Skiles said the people were asked if they were in favor of supporting the Sewer Board with funds. Diane Braach disagreed and was concerned that nobody listened to the people, so why should they attend meetings?

Mike Richards questioned if it would be prudent to hold on the operational assessment until the Board had researched how this would be handled. The Board replied that they could not wait it had to be sent to the attorneys by Thursday (two days). Glen Morin said that the assessment should go forward but suggested looking at some other methods. If the assessment could be charged the old way per lot would people support it? Numerous people said that they would. The Board discussed this further.

Al Castonguay asked if Scott Smith was assessed the same way as everybody else. Scott Smith replied that he was and he paid approximately \$1,700 per year. Al Castonguay then suggested that he did that so he could get the sewer taps and subdivide the property. Scott Smith said that was not his goal, he paid it because he felt that as a member of the community it was his responsibility to pay his fair share.

Glen Morin suggested tabling this matter and talking to the attorneys. Other Board members said that it had to be voted on tonight and could not wait because the assessment had to be processed. Glen Morin added that if it were voted on it would be stuck at this rate. Bob Skiles said that there were only a handful of protests. Loren Rose questioned that the protests were for the Intercap loan and therefore had no bearing on the operational assessment. Could the Board pass the operational assessment, the amount, while giving the Board a couple of days to see if there was another method to charge the assessment? Dorsey & Whitney said that the per lot method was a legal way to charge the assessment. Scott Smith said that the County Attorney's office told them that they could not use the per lot method anymore. Glen Morin suggested tabling it. Scott Smith said that the dollar amount had to be voted on tonight. The other problem was that the people who object to the per lot method had not had a chance for public comment.

Doug Hadnot said he had spoken with Dori Brownlow and Jean Curtiss about the time frame for the vote. The response was the Board had lots of time; yet it was the Board's understanding that it had to be given to Dorsey & Whitney in two days. Bob Skiles said that the Commissioners had little to do with the Sewer Board so he would not expect them to have the correct information.

Dianne Braach asked how long the Board needed to come up with the other options. Glen Morin replied maybe until tomorrow.

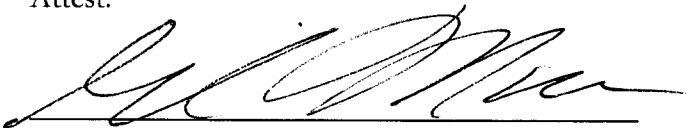
Caroline Jenkins, Pathfinder questioned if the assessing method was changed that there should be public comment. The meeting notice specified the calculation method for the assessment. If the calculation method was changed the public needed to be allowed time to make public comment or protest. Loren Rose said that in an email from Dorsey & Whitney he thought it said that the meeting was only necessary for the Inter-cap loan. The Board discussed this further.

Bob Skiles moved to accept the operational assessment, Scott Smith seconded. The motion passed unanimously.

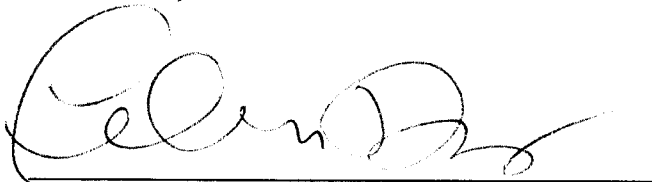
NEXT REGULAR MEETING: Scheduled for April 21, 2011

ADJOURNMENT: The meeting was adjourned by Glen Morin at 8:21pm

Attest:



Glen Morin, President



Felicity Derry, Secretary

