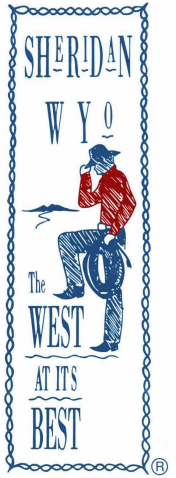




Sheridan Area Water Supply Joint Powers Board

MEETING MINUTES

February 14, 2007



A meeting of the Sheridan Area Water Supply - Joint Powers Board (SAWS-JPB) was called to order at the Sheridan County Commissioners' Board Room at the Sheridan County Courthouse at 5:00 pm. Chairman David Kinskey presided. A quorum of board members was present including: Vice Chairman Stephen Maier, Secretary Marc Ketchum, Commissioner Terry Cram, Commissioner Robert Rolston, and Councilor Robert Webster. Others present were: SAWS Administrator Jay Stender, Mike Cole (City of Sheridan), Tony Wendtland (Wendtland & Wendtland), members of the media and the public. Dayton Alsaker (HKM) arrived after the start of the meeting.

I. CALL TO ORDER

- A. Chairman David Kinskey called the meeting to order at 5:00 pm.
- B. The meeting was recorded for transcription purposes.

II. APPROVAL OF AGENDA

Motion made to approve the meeting agenda as presented.

Motion made by: Marc Ketchum

Motion seconded by: Stephen Maier

Vote for approval: 6-0, motion carries

Discussion: None.

III. REVIEW AND APPROVE MEETING MINUTES

Motion made to approve the January 10, 2007 meeting minutes as written.

Motion made by: Robert Rolston

Motion seconded by: Stephen Maier

Vote for approval: 6-0, motion carries

Discussion: None.

IV. TREASURER'S REPORT

Motion made to accept treasurer's report as presented.

Motion made by: Marc Ketchum

Motion seconded by: Robert Rolston

Vote for approval: 6-0, motion carries

Discussion: Jay Stender pointed out the significant expenses represented in the board packet for the month of February. Stender began with the quarterly payment to the City of Sheridan for the prorata costs. Dr. Stephen Maier asked Stender what quarter the SAWS board was paying for at this time. Stender told the board that this payment was for the first quarter, July 1, 2006 – September 30, 2006. Maier asked if there was a reason why the City of Sheridan was so far behind. Stender said it could be the year end that delayed the bill. Maier asked if the second quarter had arrived yet. Stender said it had not and that the third and fourth quarter bills usually arrive much quicker than the first and second. Maier asked if Jay thought it was a problem to be getting the bills so late. Stender said no, but SAWS does have to watch their operating cash so the monies delegated for the prorata costs do not get spent elsewhere. Chairman Kinskey said that the City is working on their billing system, and that, hopefully, by July 1, 2007, the City should be much more efficient and able to provide SAWS with their prorata cost bill earlier.

Jay Stender went on to point out the other major expenses for the month. He highlighted the payment to Prestfeldt Surveying for the annual monitoring at Twin Lakes. Jay told the board to expect another outlay payment for Twin Lakes monitoring later in the year, and it will be much higher than this bill. Stender also pointed out the two payments to Vista West Engineering and Western Municipal Construction. The third payment request from Western Municipal Construction is with significant completion of the Airport Extension, though he does expect that there will be one more bill from Western Municipal for the final reclamation and receding at the business park. The line is up and running. Stephen Maier asked if SAWS was within their budget for the Airport Extension. Stender said that he expects they will be within the agreed budget and that will include construction management costs for Vista West. As one final note, Jay pointed out that the payment to Daily Grind was for office furniture and not coffee.

V. PUBLIC COMMENTS

N/A

VI. OLD BUSINESS

Administrator's Report

#1 Financial: Jay Stender began his monthly report by highlighting the dwindling funds in the capital construction checking account. He told the board that this is not a pressing concern, but he would like the board to be aware of it. Mr. Stender also had the board take note that he has asked the SAWS attorney, Tony Wendtland, to divide any bill he sends to SAWS between the capital construction account and the regular operating account. Mr. Stender once again mentioned the first quarter prorata costs due to the City. He told the board that at any time the entire packet for the prorata costs is available to the board members. Jay also told them that Mike Cole is in attendance, and if any of the board members would like more clarification on the City's prorata costs, then they could

ask him. The last financial update Jay had for the board was the payment to the Department of the Interior-USGS for monitoring at Twin Lakes.

#2 20" Line Project Update: Jay Stender provided the board with the contract for the 20" project and the construction update as Dayton Alsaker had not arrived yet. The construction site is now 7.2 miles west of town at Owl Creek, and HKM Engineering is the owner's construction manager. On the accounting side, Stender told the board that the issues with billing discrepancies associated with SRF payment request #11 is resolved. Chairman Kinskey asked Stender what were the issues with the SRF payments. Jay told him that there were some math errors with SRF #11 that were tracked down and they have been corrected. SRF #11 is now at a point where SAWS will accept it and pay it. Stender went on with his update stating that there have been some landowner issues and there will be more before the pipeline is complete, but SAWS and HKM Engineering are doing all they can to preserve the relationship with the landowners as construction continues.

Commissioner Terry Cram asked Stender if there was someone who could shed light on the gravel pit issue that occurred Sunday. Mike Cole told the board that it was a supplier issue. The contractor receives gravel from a supplier, and the supplier was unaware that the contractor was out of gravel on Sunday. It was a miscommunication with the contractor. Terry Cram asked if they were stockpiling gravel at the pit or backfilling the pit. Mike Cole said it was a combination of both and they have been working weekends. He continued saying that he believes it was truly unintentional, and it has since been resolved.

Dayton Alsaker, HKM Engineering, arrived at the SAWS meeting, and responded to any questions the board had for him about the 20" line construction. Chairman Kinskey asked him if he could give the board a percentage of completion. Mr. Alsaker said that the project has just crossed the half way mark for laying pipe, but that is well under half way complete for total work involved. Terry Cram asked Dayton about weekend work, and if HKM was out there inspecting on the weekends. Mr. Alsaker said that in the beginning they were inspecting construction on the weekends, but since they are no longer laying pipe on the weekends an HKM representative is not there. He went on to explain that the construction crew is supposed to ask permission to work weekends and holidays. In the case of hauling gravel on Sunday, he guessed that the construction crew did not see that as work and that they didn't understand the rules at the quarry.

Stephen Maier asked Dayton if there was any penalty if the construction is not finished by the deadline. Dayton told the board that the deadline is June 5th. If the waterline is not in operation by then the construction company will have to pay a daily penalty. There is a bond and HKM also has progress payments. They are retaining 10% of the progress payments to maintain leverage on the contractor. In his opinion, Mr. Alsaker told the board that the contractor is going to have a tough time meeting the deadline. Chairman Kinskey stated that the contractor could bring up ground issues and such to delay the assessment of the penalty. Mr. Alsaker said that so far no issues like that have been brought forward by the contractor, and they have 30 days to report any such issues.

#3 Board Objectives: Mr. Stender provided the board with copies of the board's objectives and Chairman Kinskey went over them with the board. Chairman Kinskey said that he tried his best to put together the board objectives from memory after the January 31 board workshop. Chairman Kinskey went over the short term and long term objectives. He noted and clarified the potential rate increase options to cover the increase in SAWS operating costs and depreciation. The board had read the objectives prior to the meeting, so Chairman Kinskey entertained a motion to adopt the objectives as the administrator's primary objectives for the coming year.

Workshop Detail and Actions

Motion made to adopt the objectives as presented as the administrator's primary goals for the coming year.

Motion made by: Robert Rolston

Motion seconded by: Marc Ketchum

Vote for approval: 6-0, motion carries

Discussion: Stephen Maier asked if the objectives were also for the board. Chairman Kinskey told him that, yes, these objectives were for the board, though it will be the administrator's duty to keep the board in line and make sure the goals are met. Terry Cram asked for insight on what needs to be streamlined in the SAWS operating agreement. Chairman Kinskey said that there were a number of places in the operating agreement and bylaws that call for the board to make a formal action. The board agreed that some of those duties can now be shifted to the SAWS administrator. One example might be a minor change in tap use or a decision to write off or send a delinquent user to collections. Jay Stender told the board that he thought a list of current actions driven by the board should be written out and then the board can dictate which ones are appropriate to defer to the administrator. Robert Rolston asked Stender if there would be an effort to prioritize the changes in the bylaws and operating agreement or if all the changes would be on even footing. Chairman Kinskey said that as Jay goes through the bylaws and operating agreement he can choose which actions he thinks he can take on himself and give that list to the board for approval. Stender said that the board will have to have a final acceptance of the new board bylaws and operating agreement, and that they will need the assistance of Tony Wendtland to write the new operating agreement correctly.

Contingent Water Service Agreements – Arab Acres

Jay Stender explained the items provided on Arab Acres in the board's packet. They have a copy of the contingent water service agreement, and a cover letter with a recommendation from the administrator. The four items on the cover letter, which relate to the box highlighted on the CWSA, have been addressed. Mr. Stender said that all the engineering drawings have been received, and all that is left is the full hydraulic report. Chairman Kinskey asked who checks the legal side of this agreement. Jay Stender said that he goes through the recorded deed for legality.

Chairman Kinskey said that he didn't want to hold up Mr. Diefenderfer any further, but he does have some questions for the administrator. He asked Mr. Stender if maybe this document should go back to Mr. Wendtland and add that the water service will be for

domestic, non-irrigation use only and that there may not be adequate water for fire protection. Dr. Maier and Commissioner Cram told the chairman there already was a statement in the current contingent water service agreement about fire protection. Tony Wendtland told Chairman Kinskey that there was a statement about fire protection, but it is not exactly how the chairman phrased it. Mr. Wendtland said that it could be easily fixed in the morning. Chairman Kinskey asked the board whether they should add the disclaimer in this agreement or approve the current Arab Acres CWSA and separately direct that there is not adequate water pressure for fire protection.

Motion made to approve the Contingent Water Service Agreement for the Arab Acres Subdivision (Tyler Diefenderfer).

Motion made by: Stephen Maier

Motion seconded by: Robert Rolston

Vote for approval: 6-0, motion carries

Discussion: Terry Cram wanted to discuss the possible easement through Arab Acres. Jay Stender said that there was no way to hook a waterline to another close by pipe. Arab Acres is oriented north and south, the SAWS-JPB service lines are located to the north. They would have to make a six mile loop to hook the line back in, and it isn't worth the trouble. Chairman Kinskey said that he was confused about the easement. He (Kinskey) thought that there was a general easement for utilities in case the city sprawls out that far. Mike Cole said that that a utility easement was in place, and that Mr. Cram is talking about an additional water line easement to create a loop back to the main line which would go through the subdivision. Loops and redundancy are appropriate for the system. He told the board that Mr. Stender made the conclusion that it is not needed. Stender provided the board with an aerial view of the property orientation to better explain. Again, the Arab Acres line extension is to the south and away from any adjoining SAWS-JPB service lines.

Chairman Kinskey asked the board if they have formally adopted the contingent water service agreement as a procedure for getting SAWS water. Tony Wendtland said that the document has been used three times since the last round of edits. For clarification, chairman Kinskey stated that since the board is now approving water service agreements on a case by case basis, they should not have to formally adopt the contingent water service agreement as a board procedure since it will change with every case. Commissioner Cram asked if they were going to add the fire disclaimer or not. Chairman Kinskey said that they were going to have a separate document with the disclaimer because they want to approve this CWSA tonight. Mr. Wendtland stated that fire protection or other features will be addressed in the document. Marc Ketchum suggested and requested that, in the future, a disclaimer or comment related to fire protection be added to the CWSA template so there wouldn't have to be a separate document. Tony Wendtland said that he could alter it in the morning.

Mr. Stender said that they will have two issues with future contingent water service agreements. 1) A subdivision could come forward that may have enough pressure for fire protection, so the disclaimer in the template needs to read both positively and negatively for fire protection. 2) So far all the subdivisions have been on irrigated land and the board needs to think about what they will do when one comes forward that does not have

irrigation. Chairman Kinskey said that he thinks a template with separate sections for subdivision description, alternative irrigation, and so on would suffice. Jay asked if chairman Kinskey would like a short workshop to go over the future template. Kinskey said that wouldn't be necessary. Jay asked if there should be boxes like the first one. Chairman Kinskey told Jay that any design for the template would work as long as it was easy to use. Chairman Kinskey called for a vote of approval for the motion mentioned above.

VII. NEW BUSINESS

Rate Adjustments for SAWS-JPB System

Chairman Kinskey opened discussion on the potential rate adjustment for the SAWS system. He asked Jay Stender if there was any supporting information in the board packets. Jay told the board that this discussion is merely to put the item on the table to see if they board would like to raise rates. Chairman Kinskey indicated that the board should have an understanding of options and needs to discuss prior to entering into rate hikes. In addition, Mr. Wendtland offered that rate increases, to meet statutes, have to be supported by evidence of need. Chairman Kinskey indicated that rate changes should be a priority and it needs to be brought forward to the board for consideration. Stender committed to have some information available for discussion at the March 14 board meeting. Wendtland indicated that rate changes will need to follow procedures and public disclosure prior to implementation.

VIII. EXECUTIVE SESSION

N/A

IX. ADJOURNMENT

A. The meeting was adjourned at 6:01 pm by Chairman Kinskey.

APPROVED BY: _____

ATTESTED BY: _____