



CITY OF GILLETTE

P.O. Box 3003 • Gillette, Wyoming 82717-3003

www.gillettewy.gov

**City of Gillette Regional Water Panel
Minutes
May 21, 2015
6:00 P.M.
City Hall – 3rd Floor Conference Room**

Members:

Present

(Yes) (No)

Dan Barks	X	
Bryan Clerkin	X	
E. Loren Crain	X	
Don Dihle		X
Duane Evenson	X	
Shaun Gee	X	
Don McKillop	X	

Staff Present:

- √ Diane Monahan-Water Services Manager
- Kendall Glover-Director of Utilities
- √ Levi Jensen-Utility Project Manager
- √ Dan Bridges-Electrical Engineering Manager
- √ Tom Pitlick-Finance Director
- √ Jill Belecky-Administrative Support

Guests:

- √ Kevin King-Director Campbell County Public Works Department
- √ Tom Gould-Vice President-HDR (By Phone)
- √ Mike Cole-Wyoming Managing Principal-HDR

I. Call Meeting to Order

Meeting was called to order at 6:08 P.M. by Chairman Duane Evenson.

II. Approval of Minutes

Chairman Evenson asked for a motion to accept the minutes from 10/2/14. E. Loren Crain made the motion to approve the minutes and Dan Barks seconded the motion. All were in favor.

III. Old Business

IV. New Business

A. Welcome – Diane

- a. Diane welcomed Dan Bridges who took over for Wayne Lindgren (Retired); and introduced our special guests: Mike Cole, Wyoming Managing Principal with HDR, and Tom Pitlick, City Finance Director. Tom Gould (HDR) will be calling in at 6:15 P.M. to join the meeting by phone.

B. Project and Construction Update - Levi

- a. Levi updated the Panel with the current Regional Madison pipeline project.
- b. Priority One District Extensions (bidding complete). Red Point Contracting, out of Tucson, AZ, will be ready to start on June 8th as soon as materials arrive.
- c. There were questions regarding additional revenue (from Capital Facilities Tax). Mike stated it is all written out, however, long story short, monies that come in should be used for the regional water project and the City controls the funds.
- d. Levi gave a current update of the project funding and where we currently stand.

C. Status of Water Service Agreements (applications to date) – Diane

- a. Diane handed out a list of everyone (15 to date) who have signed the Madison Regional Water Service Agreement.
- b. Diane stated additional letters were recently mailed out to the remaining 22 Regional Water Districts identified systems in the Designated Service Area (DSA) area.

D. Regional System Development Charge – Tom Gould (Guided by Mike Cole)

- a. Tom G. provided a presentation on the formation and development of cost-based Regional System Development Charges (SDCs). Extensive discussion took place on how to charge those districts that were identified originally in the DSA verses those that will come on after the project is complete. It was explained by Tom G. that Regional SDCs are intended to reflect the value of capacity and charge new customers connecting to the system that value or investment made by the existing customers (\$ per equivalent residential meter size). The panel's role will be to review and endorse the Regional SDC before the City Council approves it.

Mike used a 24" inch water line upgrading to a 30" to explain future system expansion/capacity versus capital replacement. The JPA identifies that the SDC may be updated to reflect large expansion projects, annually if needed.

Tom explained the three methodologies:

- 1) Buy-in approach (existing customer invest in system, new customers "buy into" the value existing capacity)
- 2) Incremental (marginal approach)
- 3) Hybrid (combined buy-in and incremental method)

The Regional SDC will likely be based upon the buy-in approach. All SDC revenues collected will remain within the regional system and may only be used for regional

capital projects (direct regional capital off-sets or capacity related regional debt service payments).

The next key discussion item concerning the Regional SDC is that these are assessed to new connections, but in the future they may be charged to all new customers connecting to the system (City and Regional) and it is up to the regional customer to determine at their local level how those charges will be assessed; directly to the developer, cost rolled into rates, etc.). In addition, Regional SDCs are for supply, treatment and transmission services associated with the regional system. A utility may also assess their customers a local distribution SDC to reflect the value of their local distribution costs. There was a discussion of the City's plant investment fee (PIF) and how that will need to be adjusted post regional SDC.

E. Future Tie-Ins to System and Fee Charges Discussion

- a. Chairman Evenson asked what if we make a policy and 15 years down the road someone wants to build a subdivision and it is cheaper to drill a new well verses paying for a regional extension line, control building and SDC payment. Could they go to the State and ask for money to drill a well?

Mike did not want to answer for the State, however he said if a developer decides to drill their own well, it turns into a land use issue and the State (State Engineers Office) may get involved which is a different agency than WWDC. Dan Barks asked if systems within the designated service would be required to use our pipeline. Mike stated the county has the authority to do so (a lot of thought went into development of areas). Kevin stated the JPA could require any new subdivision in the DSA to connect.

Shaun stated you could have potential users planning around the designated areas. Mike and Kevin said it's best to keep development tight and concentrate growth to existing City.

The Regional SDC would be for a customer who expands or adds to their system. They would pay a SDC for the difference of what they added after the pipeline is built. Dan Barks asked when do we "flip the switch" on SDC charges. This led to a discussion on how it would work within City limits. Diane stated staff is currently discussing the SDC and how it will work within the City.

Chairman Evenson asked if a system was outside City limits, but in the DSA, would they pay a SDC? Mike stated if the City annexed the area, a PIF charge would have been assessed. If Antelope Valley builds, for example, a Hilton (hotel) in the future, would they tack on a PIF charge if it affects their distribution. Yes.

Chairman Evenson asked how it would be handled if new development occurred after the project and then split a lot. Would the new half-lot have to pay the SDC. Mike said likely yes, if it results in new development and a new (additional) building; one fee split (1/2 regional SDC; 1/2 retail PIF). The SDC is related to

Regional and PIF is Distribution and will be handled through the new billing software. The City does a good job at itemizing, pretty clear what the fees are. If it's a regional charge, it will be included in the receipt.

Dan Barks asked if Westover Hills wants to expand how the City would recoup the capacity loss. The City will be burdened with the cost and will charge a SDC in the PIF payment.

Regional supply, treatment, transmission retail, local fee – need to figure it all out for billing. Dan Barks expects existing local PIF to go down (Levi stated rates would be split into two parts) when the SDC is broken out. Shaun said our rates are cheaper than Sheridan's rates.

Diane confirmed there is a lot of work ahead and we will work with the City's new Tyler software and Utility Billing.

Tom G. said there are 12 policy decisions that need to be reviewed and resolved. Staff is working on it.

Loren asked when the City would start charging SDC charges? Diane stated hopefully at the next meeting (October) staff would have the recommended Regional SDC from HDR to endorse. Diane stated however, there is no extra water until the end of 2016. If Benner Estates needs water, they will have to sign an Emergency Water Services Agreement with the City at a rate of 1.5 times the current rate. They would then go on proposed regional rates once the "switch is flipped".

Diane will take the questions back from this meeting, meet with staff and follow up with the Panel.

F. Cap Tax Discussion – Who Pays

Kevin stated there was a disagreement between the City Attorney and the County Attorney on the use of the Cap Tax. Specifically which districts (original systems identified in DSA) could use it or not. Kevin also said there has been discussion on Rock Road not being in existence when the JPA was signed and are they eligible for Cap Tax monies.

Diane stated we have \$20 million in CAP tax for 42 systems. Only 15 systems have signed to date. The question posed at this time is how long the money is held for the original identified systems in the JPA's DSA. Mike said these are policy decisions and both attorneys are heavily involved.

Loren stated if it's not one of the 42, they need to dig deep in their pockets or per Chairman Evenson, go to the State and ask for a Grant.

Chairman Evenson thanked everyone for their input. We will need to review our timeline and answer E. Loren's questions of when to issue SDC.

V. Next Proposed Meeting
October 1, 2015 (Tentative)

VII. Adjournment
Meeting adjourned at 7:55 P.M. by Chairman Evenson.

H:H/WA/Diane/Regional Water/5-21-15 RWP Minutes

A handwritten signature in dark ink, appearing to read "E. Loren". The signature is fluid and cursive, with a long horizontal stroke extending to the right.