

MINUTES OF THE CITY OF DRIGGS
SPECIAL MEETING
February 25, 2010

Pursuant to adjournment of the regular City Council meeting held February 16, 2010 and the call of the Mayor, the Driggs City Council met in special session **Thursday, February 25, 2010**, at 7:00 p.m. Mayor Dan Powers led a Pledge of Allegiance. A roll call was taken and present were Council Members George Mosher, Jay Mazalewski, Colin Dye and Mayor Dan Powers. Also present were City Attorney Stephen Zollinger, Public Works Director Jared Gunderson, Public Works Henry McCracken, and Public Works Dylan McCracken. From Victor Mayor Scott Fitzgerald, Council Members Johnny Ziem, Dave Bergart and Brent Douglas, Public Works Superintendent Scott Golden, City Engineer Rob Husvelt, City Clerk Craig Sherman. From the Development Company were Ted Hendricks and Rick Miller. State Plumbing Inspector Craig Hammond was also present along with Jamie Boos and Diane Temple from Nelson Engineering. Scott Rogers from Aqua Engineering was present and Mike Polhamus from Teton Valley News.

Current Status, including NOV's (Notice of Violation):

Scott Rogers reviewed the current status. An NOV from 2006 has recently been discovered and addressed. More recent NOV's may be due to sampling errors. The City of Rexburg is now being used for testing in an effort to improve consistency. Jared Gunderson stated that it would be a while before we hear from EPA on the NOV's. Scott Rogers explained that the high BOD's (Biological Oxygen Demand) could be because of the high inlet BOD's.

In an effort to keep from future violations, Scott Rogers recommends that we install a disk filter on the back end as a tertiary treatment. \$125K is the estimated cost of that upgrade. The filter could be sold upon installation of the plant upgrade. The new plant is designed to meet our new permit requirements. We will have 5 years to be in compliance with the new permit, which requires an ammonia discharge level of less than .84ppm. The pilot plant showed a discharge level of nearly zero ammonia.

Scott Fitzgerald asked about the work being done to identify the BOD sources. Jared Gunderson and Scott Golden indicated that the source was on the East side of Victor, but that they hadn't identified the source. Scott Rogers asked if we should design for the high BOD levels, but stated that in any case we need to identify the source and charge them appropriately for it. Scott Fitzgerald suggested that we wait for updated testing results to finalize our approach toward dealing with the high BOD levels.

Johnny Ziem asked about Phosphorus levels in the new permit. Jared Gunderson answered that the permit just requires that we test twice a year for Phosphorus, and puts no discharge limit on it. The TMDL (Total Maximum Demand Limits) showed no concern. Scott Rogers said that there is no provision for treating for phosphorus in the

new plant design, but that it could be added. Jared Gunderson cautioned both cities that we would have to spend more for testing under the new permit requirements.

Jared Gunderson talked about metering, stating that the mag meter at the south end was more accurate than the flume used by Victor. He is compiling data to see how the differences show up. Johnny Ziem stated that for the last quarter Victor had flows of 1.7m gallons, and Driggs was at 1.2m.

Amended Facilities Plan

Scott Rogers said that Willie Teuscher from DEQ (Department of Environmental Quality) recommended that we go ahead with a new Environmental Impact Document (EID), because once that is complete they can fund the design of the sewer plant upgrade. Rob Husvelt asked if that plan was finalized, and Scott Rogers replied that it was.

Procurement

Scott Fitzgerald asked what the process was. Dan Powers responded that the question was should we do an RFQ for the design of the sewer plant upgrade, or is our current procurement sufficient. He asked if Victor was okay with going forward with Aqua Engineering as the design engineer. Rob Husvelt asked if the design was just for the sewer plant upgrade, and Dan Powers replied that it was. Scott Rogers presented an executive summary of the project, noting that the site had change from North of the lagoons to the west side because this eliminated any need to fill wetlands and subsequent mitigation. He also mentioned that the City of Driggs has applied for a solar installation to mitigate the power need of the UV treatment. Dan Powers stated that the application was for a 42KW solar grid.

Dan Powers stated that they had received proposals for the upgrade in 2008, and could use that as the basis for procurement. Scott Fitzgerald stated that Victor had no problem going forward with Aqua Engineering as the design engineer.

Financing

Ted Hendricks of the Development Company/ECIPDA stated that traditional sources of funding for the cities would be different because of differing demographics. Victor has a higher income level, and thus may not qualify for USDA RD funding. Block grants may be available from the Dept. of Commerce. DEQ could receive more stimulus money, but that funding is for shovel ready projects. You need design and bonding done to qualify, but they have a high grant to loan level that makes them attractive. Communities under the gun, that is those having violations and new permits, have received significant support recently.

Scott Rogers stated that they did 5 stimulus projects this year, and that they needed to be signed by Feb. 17. Ted Hendricks said that most other funding cycles were in the fall. Scott Rogers pointed out that there were more stipulations with stimulus money, such as

the buy American requirement. Scott Rogers stated that Army Corps 595 money was available through appropriations applications. Dan Powers stated that the City had applied for 595 money through Congressman Simpson's office, but that this was primarily an attempt to get on the list for next year. A letter of intent has also been filed with DEQ. Ted Hendricks said that they could help with the EID so that it would be something we could use with all of the funding agencies. Ted also said that we would need to go through procurement to identify an entity that could administer and apply for funding.

Johnny Ziem asked about ownership of the plant. Stephen Zollinger replied that DEQ wanted the plant to have one owner. The alternative would be to create a sewer district. He explained that the Driggs/Victor improvement is essentially a 0% loan with depreciation.

Review Existing Agreement

Stephen Zollinger explained that the de-chlorination system and blowers had been added, which are the only capital improvements done since the agreement inception. These have not yet been billed to Victor. All other improvements have been financed 100% by Driggs. Moving forward you may get money back from those recent improvements if you left the system. He does not recommend selling ownership without forming a regulatory district. Johnny Ziem asked what the end user, the Victor public, would be looking at cost wise. Scott Rogers replied that the cost to run the new plant would be no greater than the existing, but that the unknown would be the level of debt service to be paid. Stephen Zollinger explained that currently we bill exactly our costs to run the plant. Upgrade to the plant will mean that Victor is buying increased capacity.

Ted Hendricks explained that we could package grants together to promote our regionalisation approach, which is what the funding agencies currently want to see. Depending upon the agreement, we can make it look more like a partnership.

Dave Bergart expressed concern that Victor was looking at 5 million in upgrades just to get to the plant, in the collection system. Rob Husvelt asked how things would change with a district. Ted replied that there would be just one application, but that you would always have separated the collection systems. Craig Hammond reminded us that politically, they tried to bring the County in to form a district, and that the district would include the county. Stephen Zollinger stated that an election could be held that just included the cities and those in the county who would hook onto the sewer. Dan Powers asked about the timeline to form a district, and Ted Hendricks stated that it would be 8-12 months. Stephen Zollinger added that it was also a drawn out process to administer. Ted stated that it was much simpler to have a memorandum of understanding, similar to what we have now.

Scott Rogers said that with a bond election you could apply for USDA RD money, whereas with judicial confirmation you can't. Dan Powers said that he preferred the bond election as it got the public behind the project. Ted Hendricks said that most bond

elections are successful if the council is behind them. You might have to do income surveys to be eligible for other funding sources. A bond election would cost 6-8K, judicial confirmation 10-15K.

Scott Fitzgerald asked what we want going forward. Dan Powers replied that Driggs thought the current agreement was fine, but we would be open to suggestions on how to improve it. He said we should also consider extending the timeline as we only have 9 years remaining and we're looking at a 20-year plant. Scott Fitzgerald said they want to move forward, but it's a tough decision. The cost of the transmission line is a big one. Johnny Ziem said that it's a ton of money, but he's not saying they should go one way or the other. If they had their own plant, it'd be simpler. Dan Powers relayed those conversations he had with funding agencies indicated Victor was unlikely to get funding for their own plant. They want to see a regional approach. Scott Fitzgerald asked what if new technology comes out, will the plant be obsolete.

Scott Rogers also said that someone needs to explain to Willie Teuscher why we need a new transmission line, since he was the project administrator for Forsgren. Ted Hendricks said that we should include the transmission line in the funding package. Rob Husvelt said that the Nelson 2007 study had an estimate of 5 million to upgrade the transmission line. Scott Rogers said that the capacity of the line is 4 times the capacity of the new plant. Rob Husvelt responded that the problem is that the gravity flow section is too flat. Steve asked what the fix is. Scott Fitzgerald said that Sunrise had estimated 2.7 million to upgrade the transmission line. Ted Hendricks said you could pressurize the line. Dave Bergart said they had been told that it was not feasible to do that. Ted Hendricks suggested that we include the line in the EID, so you could get design money. Johnny Ziem said that it was daunting to look at both the plant and transmission line, what is the best outcome, a 15 year fix? Scott Rogers answered that this is new technology, and that we're looking at a plant that will be in the forefront even 10 years from now. Existing lagoons will continue to help us for 20 to 30 years to hold any backwash. You couldn't do a new facility like this for 8.5 million.

Jay Mazalewski asked about the lifespan. Scott Rogers answered that the concrete, done right would last a lifetime. Pumps and blowers are about 5% of the project and need periodic replacement. The media should last indefinitely. If the I&I don't go up, you're looking at 20 years of capacity.

Johnny Ziem asked if we back out, where would the money come from to pay them. Stephen Zollinger answered that we would have to borrow it. He stated that we need to figure out where the BOD's are coming from in Victor. Rexburg charges one user \$60000 each month to deal with their BOD. Scott F. agreed that it must be more of a priority. George Mosher stated that we must be more diligent about testing. Scott R. stated that when we did the pilot, the BOD's were good, which gave us confidence in the testing. The testing may not be the problem.

Johnny Ziem identified three priorities going forward, testing for BOD, the financial structure of the new plant upgrade, and identifying the source of the BOD. Stephen

Zollinger said that we're looking at 50% of the cost each for the plant upgrade. Scott Rogers reminded the cities that as they collect hookup fees they need to save that money for future upgrades. Stephen Zollinger pointed out that the problem is that hookup fees are based on current costs, while future upgrades always cost more. That's why we're always in debt.

Scott Fitzgerald said that he didn't think they had any choice but to go forward with Driggs. Dan Powers pointed out that Victor most likely wouldn't be able to get their own discharge permit. Scott said that the problem is not with the plant design but with the transmission upgrade. George Mosher said that the agreement is a starting point, and that Victor should suggest changes. Scott said that sounds exactly right. Dan Powers suggested that a committee should be formed with two councilmen from each city to work forward, and Scott. Stephen Zollinger said that Sunrise needs to write an addendum to the 2007 study, which would include new transmission line studies.

Meeting adjourned at 8:45.