

Memorandum

REPORT TO: City Commission

FROM: Kellen Gamradt, Engineer II
Shawn Kohtz, Director of Utilities
Greg Sullivan, City Attorney

SUBJECT: Resolution 5647, Intent to Create Special Improvement District (SID) 789 for Wastewater Improvements to Annexed Properties of the Riverside Community

MEETING DATE: November 19, 2024

AGENDA ITEM TYPE: Resolution

RECOMMENDATION: Approve and Authorize the City Manager to Sign Resolution 5647, a Resolution Declaring it to be the City's Intention to Create Special Improvement District (SID) 789 for the Purposes of Wastewater Improvements to Annexed Properties of the Riverside Community

STRATEGIC PLAN: 3.1 Public Safety: Support high quality public safety programs, emergency preparedness, facilities, and leadership.

BACKGROUND: The Riverside County Water and Sewer District owns and operates facilities and systems that provide water supply, wastewater treatment and disposal for residents of Riverside Manor Subdivision, Riverside Greens Subdivision, and also the Riverside Country Club. In December 2011, the Montana Department of Environmental Quality (Department) inspected the Riverside County Water and Sewer District 310 (District) wastewater facilities. The Department found deficiencies and directed their correction. The District has explored the costs and benefits of upgrading its facilities or alternatively, entering into an agreement with the City whereby the City would treat and dispose of the wastewater collected in the district. In 2014, the City Commission considered a request from the District to enter into an interlocal agreement for the District to connect to the City's wastewater system. The City Commission determined that annexation was a necessary part of any such agreement.

In 2018, the District and the City renewed discussions regarding an interlocal agreement and on January 28, 2019, The City Commission adopted [Resolution 4972](#) providing a framework for annexation of the Riverside properties to enable the City to assist the Riverside properties in the treatment of its wastewater effluent. The Resolution further provided that should the residents of the Riverside properties request annexation and the City's assistance in treating its wastewater effluent, the City would take all

steps to create a special improvement district to finance the costs of and construct infrastructure to connect the Riverside properties to the City's Water Reclamation Facility.

On December 14, 2021, the City Commission acknowledged receipt of [petitions](#) for annexation from the Riverside Property Owners and authorized signature of an [interlocal agreement](#) between Riverside and the City through a Commission Consent Item, and on April 5, 2022, the City Commission adopted [Resolution 5355](#) and provisional adoption of [Ordinance 2096](#) "The Riverside Annexation and Zone Map Amendment" annexing approximately 57.9 acres of the Riverside Community into the City of Bozeman and establishing initial zoning designations.

As described in more detail in the Fiscal Effects section below, the total cost of the proposed construction project, including engineering design, inspection, and securing financing is estimated to be \$3,791,320.

Proposed Resolution 5647, a Resolution of Intent to Create SID 789, is the first step in the process of creating a SID pursuant to the City's authority under the Montana Code Annotated (MCA), Chapter 7-12, part 41. The purpose of the Resolution of Intent to Create the SID is to inform the public and property owners of the City's intention to create a SID to raise funds from adjacent property owners through special assessments to pay for the proposed improvements and provide for an opportunity to comment. This resolution does not create the SID. Should this resolution be approved, notice of passage of the resolution will be published and mailed to the property owners pursuant to state law. The City Commission will then hold a public hearing to pass upon any protest received and determine whether to adopt a resolution creating the proposed District.

Waivers of right to protest: As described above, a majority of properties within the proposed district have signed petitions for annexation of their property and a waiver of right to protest creation of a Special Improvements District.

District Boundaries: The proposed SID will encompass the properties shown on the map attached to the Resolution of Intent as Exhibit A, "Riverside Special Improvements District Boundary." The total number of properties included in the proposed district is 131.

Assessment Methodology: Section 7 of the Resolution details the proposed methodology. Montana law provides several methods for assessing properties in a SID. These include street frontage, area, assessed value, equal assessment, or a combination of the above. The proposed assessment methodology is to allocate the SID's share of costs based on equal assessment with the exception of the Country Club Properties. The County Club will be assessed a multiple of the equal assessment method per property based on an estimate of the wastewater generation from the

County Club, relative to other properties in the district. The assessment methodology and proposed estimated principal amount of the assessments are shown on Exhibit B to the resolution of intent.

Section 7.05 of the Resolution states the Commission determines that this method of assessment is equitable and in proportion to and does not exceed the special benefits to each lot derived from the improvements.

The current proposal is to sell bonds to pay for the construction and assess properties over 20 years. As such, should the District be created, property owners will have 20 years to pay the principal and interest amounts of the assessments.

PROPOSED FINDINGS: Should the Commission move to adopt Resolution 5647, staff suggests incorporating the following findings in addition to any oral findings entered into the record by the Commission during the public hearing at a future commission meeting:

1. The Riverside County Water and Sewer District owns and operates facilities and systems that provide water supply, wastewater treatment and disposal for residents of Riverside Manor Subdivision, Riverside Greens Subdivision, and also the Riverside Country Club.
2. In December 2011, the Montana Department of Environmental Quality (Department) inspected the Riverside County Water and Sewer District 310 (District) wastewater facilities. The Department found deficiencies and directed their correction.
3. In 2014, the City Commission considered a request from the District to enter into an interlocal agreement for the District to connect to the City's wastewater system. The City Commission determined that annexation was a necessary part of any such agreement.
4. on January 28, 2019 The City Commission adopted [Resolution 4972](#) providing a framework for annexation of the Riverside properties to enable the City to assist the Riverside properties in the treatment of its wastewater effluent. The Resolution further provided that should the residents of the Riverside properties request annexation and the City's assistance in treating its wastewater effluent, the City would take all steps to create a special improvement district to finance the costs of and construct infrastructure to connect the Riverside properties to the City's Water Reclamation Facility.
5. On December 14, 2021, the City Commission acknowledged receipt of [petitions](#) for annexation from the Riverside Property Owners through a Commission Consent Item.
6. on April 5, 2022, the City Commission adopted [Resolution 5355](#) and provisional adoption of [Ordinance 2096](#) "The Riverside Annexation and Zone Map Amendment" annexing approximately 57.9 acres of the Riverside Community into the City of Bozeman and establishing initial zoning designations.
7. The City is in possession of waivers of right to protest creation of a special improvements district from a majority of the properties in the

proposed district.

8. In 2022, the City of Bozeman advertised a request for proposals for qualified engineering firms to design a wastewater connection from the proposed district to the City's existing wastewater treatment plant and DOWL subsequently was selected as the most qualified firm to complete the work.

9. Beginning in 2023, DOWL began design of the necessary improvements to make a wastewater connection from the proposed district to the City's Water Reclamation Facility.

10. By October of 2024, DOWL had progressed the project design to the point where a detailed engineer's estimate could be used to initiate creation of a special improvements district to fund construction of the project.

11. On November 1, 2024, the City and DOWL met with residents of the Riverside community at a public meeting at City Hall to discuss the project and creation of the proposed SID.

12. It is the City's intention to advertise the proposed project for construction bids in early 2025 and proceed with construction of the necessary improvements.

13. All properties in the District specially benefit from the improvements to be assessed by the SID. The benefits include benefits to every property through the treatment of wastewater generated from properties within the proposed district. Any undeveloped lots within the proposed district will benefit by having sewer service available for the property.

14. The assessments to be levied on property within the District are proportional to the benefits received by the properties.

UNRESOLVED ISSUES: None

ALTERNATIVES:

1. Re-prioritize City funds to buy down the cost of the SID. This will require the City's capital improvements program to be amended
2. As determined by City Commission

FISCAL EFFECTS: The project total cost is \$3,791,320 which includes construction of wastewater improvements to transport wastewater from district properties to the City's Water Reclamation Facility, engineering and administrative fees. See the attached Exhibit C to the Resolution of Intent, "Engineer's Probable Construction Cost Estimate." Assessments to each developed or developable property are identified in Exhibit B to the Resolution of Intent, "Lot, Parcels, and Tracts Included with the District/Assessment."

The City will need to finance the project by selling bonds pursuant to its authority under MCA chapter 7-12, part 42. The proposed repayment on the bonds is 20 years.

Attachments:

[Resolution of intention to create district v5.docx](#)

[Exhibit A SID No 789 Boundary.pdf](#)

[Exhibit B Riverside_PropertyLists v2.pdf](#)

Exhibit C Riverside LS & FM_Budget_10_30_2024.pdf
Notice of Intention to Create SID and Public Hearing.docx

Report compiled on: October 8, 2024