

MCA 2-3-212. Minutes of meetings. Minutes must include without limitation: (a) the date, time, and place of the meeting; (b) a list of the individual members of the public body, agency, or organization who were in attendance; (c) the substance of all matters proposed, discussed, or decided; and (d) at the request of any member, a record of votes by individual members for any votes taken.

APPROVED MINUTES

The Libby City Council held a Special Council meeting on Thursday, February 5, 2026, in the Council Chamber at Libby City Hall.

Call to Order:

The meeting was called to order at 6:30 pm by Mayor Taylor.

Present were Mayor Taylor, Councilors Brooke Bolin, Gail Burger, Brian Crompton, Ethan Kolp, Erica Schaefer, Administrator Sam Sikes, and Clerk/Treasurer Leann Monigold. Councilor Zimmerman was not in attendance.

New Business:

Approve requesting emergency flood recovery funding alternative – USDA Rural Development Emergency Community Water Assistance Grant Program:

Administrator Sikes presented information on USDA Rural Development Emergency Community Water Assistance Grant Program funding. Reviewed conversations held with USDA the previous day. The original plan required borrowing \$500,000 with no repayment, but after USDA reviewed the City's cash reports and water revenues, requirements changed significantly. USDA now wants the city to spend \$1.5 million before they come in, and the city would still need to borrow approximately \$125,000. Mr. Sikes is seeking authorization to pursue this as a second or third option while also working with Montana DES for funding and along with ER Assist consultant Vanessa are working to brief Montana DES and escalate to the Governor if needed.

Administrator Sikes explained how to read the cash report showing the City's financial position. In September 2020 the City had \$5.5 million; currently over \$11 million due to improved budgeting practices. If FEMA, DES, or USDA don't provide funding, the City can write checks for everything but prefers not to due to other large upcoming projects. He reviewed key funds and USDA's position on them: General Fund (\$741,000 with recommended 50% reserve) – USDA suggested spending down to 25%. Government Study Commission funds are restricted and cannot be touched. IP Settlement Fund pays 8,000 gallons per year for four months for every user with a goal to build to \$4 million as an endowment. Lighting Maintenance and Street Maintenance are tax levies restricted to those purposes. Community Development Fund (\$1.6 million) is council's discretionary fund. Capital Improvement Plans were explained for City Hall (\$179,745), Police (\$110,000), Fire Department (\$220,000), and Streets (\$40,000) with various earmarked projects.

For Water Fund, USDA wants to spend down the 50% reserve to 25% which would reduce it by \$700,000. Customer deposits (\$42,150) cannot be touched. The City has multiple water loans with required reserves – if the City lost financial stability the state could step in as they did with Columbus and Cut Bank where the state mandated rate increases. Drawing down reserves would require increasing minimum payments until refilled, potentially requiring rate analysis and increases which Mr. Sikes and Mayor Taylor believe is unacceptable. Water Capital Improvement Plan (CIP) has \$400,000 earmarked for catastrophic filter failure at the plant. For this approximately \$3 million project, USDA wants the City to pay half (\$1.5 million) up front including \$441,000 already spent on the coffer dam. USDA would then provide funding considered a loan with 75% forgiven after a \$500,000 grant. Mr. Sikes will meet with attorneys tomorrow for clarification. The city is also pursuing Montana DES funding (potential \$1-1.5 million) and awaiting President Trump's signature on the Disaster Response Declaration which would reimburse everything. The allocation deadline is May. The City has spent \$1.33 million from CIP funds in the last four years.

Councilor Burger asked where the IP funds play into this. Mr. Sikes explained they are trying not to use IP funds which can only be spent on water. As a last resort they could take water fund down to \$700,000, pull \$500,000 from short-lived assets, pull \$250,000 from another line, and potentially reach into the IP fund. However, they are waiting on President Trump for the Disaster Response Declaration and pursuing Montana DES funding. The city can't double dip or come out ahead on funding sources.

Councilor Burger stated this would save IP money for later down the road for other things. Mr. Sikes confirmed the goal for IP funds is huge projects and building an endowment to sustain the \$8,000 gallon subsidy perpetually after IP settlement money stops.

Councilor Bolin inquired if the city anticipates investing into an endowment. Mr. Sikes explained it's just earning bank interest currently as the city is restricted on investments except for the Community Development Fund. Endowment means bringing in enough to self-sustain for future generations. The general fund can support water or sewer, but water and sewer cannot support each other or the general fund.

Councilor Burger asked about an outstanding loan starting payments soon. Mr. Sikes confirmed the VFW loan will start repayment in 2027 going to the Community Development Fund.

Councilor Crompton asked if approving this could shoot the city in the foot regarding federal or state funding. Mr. Sikes confirmed the city can unwind and walk away at any time – council would have to approve the Mayor signing anything costly.

Councilor Crompton stated he didn't want to push Washington DC and state funding avenues to the side if they chose to go down the USDA road. Mr. Sikes explained Montana DES is very interested as this is one of their first times with a municipal water system. They are already getting concerned about how the city is being treated by USDA. In a couple

weeks he may not like the USDA option but needs to keep it open – even getting just \$1 million from USDA is better than not getting it.

Councilor Burger inquired if this is just the city's last resort. Mr. Sikes confirmed it is the last resort.

Councilor Kolp inquired if ER Assist recommended this approach. Mr. Sikes confirmed Vanessa from ER Assist attends all meetings.

Mayor Taylor added that the City applied for a grant for the First/Montana lift station upgrade (\$400,000 needed from sewer fund) that they've always received but didn't get it this time. USDA isn't looking at those other projects or employee safety concerns. That lift station must be done just like the lower reservoir. Mr. Sikes stated if it doesn't move forward, he will work with City Engineer Andy on Monday to potentially engineer a solution to only replace the dry portion on top rather than the wet bottom portion.

Councilor Crompton asked for clarification that the City has to pay \$1.5 million before USDA comes in. Mr. Sikes explained USDA looked at the City's money and earmarked projects and said the city needs to spend \$1.5 million first. The \$441,000 already spent on the coffer dam would go toward that. Basically, it's a \$3 million project and USDA wants the city to pay half up front because the city has money. Then USDA would come in and provide funding considered a loan with 75% forgiven off the top after a \$500,000 grant.

Mayor Taylor explained the reason for tonight's special meeting instead of waiting for the next regular meeting is the deadline to apply. The city wants to get its name in and can always back out or stop. If they get the loan and federal reimbursement comes through, they can pay the loan off early. Mr. Sikes confirmed there is a deadline and he has to let USDA know by phone tomorrow.

Administrator Sikes also noted FEMA sent an email asking how much sediment was in the lower reservoir before the storm versus after – impossible to determine exactly so he will negotiate percentages. Dredging all sediment now while the coffer dam is being built saves the city money as they won't have to dredge again in 2-3 years as previously planned. Absorbing a few hundred thousand dollars of cost because some sediment was from construction of the main dam years ago when a snowstorm and warm-up caused the upper reservoir to empty in two days instead of two weeks creating a blowout. Now working with a Forest Service hydrologist to determine the percentage of sedimentation from the recent storm.

Councilor Burger **MADE A MOTION** to approve the request for the emergency flood recovery funding alternative USDA Rural Development Emergency Community Water Assistance Program, Councilor Kolp **SECONDED**.

Council Discussion: None.

Public Comment: None.

Councilors Bolin, Burger, Crompton, Kolp, and Schaefer voted **FOR**.

MOTION PASSED.

General Comments from Council:

ADJOURNMENT:

Councilor Burger **MADE A MOTION** to adjourn, Councilor Kolp **SECONDED**.

Councilors Bolin, Burger, Crompton, Kolp, and Schaefer voted **FOR**.

MOTION PASSED.

Mayor Taylor adjourned the meeting at 6:35 pm.

Mayor Hugh Taylor

Attest: _____
Clerk/Treasurer Leann Monigold