

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –January 15, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, January 15, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Director William Shropshire participated via telephone until 9:00 am. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Mountain Lake representative Chuck Melbur and their engineers Doug Chandler and Eric Garber from Allied Engineering, and Skip Radick representing Deer Run, Moose Ridge, and The Pines developments.

PUBLIC FORUM

President Cronin called for public comment at 8:10 am, noting that the Board is still just talking about the SFE calculations. Skip Radick stated that he was at the meeting for the SFE topic. With no further public comment, President Cronin called the meeting to order at 8:11 am.

MEETING MINUTES

Director McRae moved to approve the minutes of November 20, 2007, as written. Director Olson seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith stated that the District is right on target as to what he expected. The unanticipated water repairs of approximately \$40,000 made the water side a little over budget, but Smith expects that to turn around in the next few months. The Mountain Inn sold and they are now current on their account, the Big Sky Apartments are still behind, but they always pay before it goes to the tax roles.

Director Daniels moved to approve the December financials as presented. Director Olson seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

Delinquent Interest Penalties:

Smith reviewed a previous letter from John Brown that presented a limit of 15% and reviewed the MCA which views the late fee for user charges the same as tax collection which is a 10% limit. Smith recommended the 10% limit. Edwards felt that if the Board wants to consider a change in a late fee, then he would recommend that it be addressed at the time the Board reviews the budget. Smith stated that an additional penalty could be added--BSOA does a late fee plus interest. Smith believes that the 10% is substantial and it is a guarantee with the collection through the tax roles. Director Olson stated that since we always get paid eventually, then we probably don't need to change the interest. Smith feels that the 10% penalty is adequate but he is comfortable with raising it to 15% but he feels the legislature wants the penalty to mirror the statutes, which is 10% and Smith said that 10% is significantly higher than the prime. Director Allgood feels that since prime is a moving target, the penalty would have to be a moving target. Director Fast believes the language lets us lock in at a particular date. President Cronin stated

that if we decide to change the penalty rate, we need legal counsel review. Edwards reported that Mike Wheat has officially retired from his practice and Edwards will be talking with Susan Swimley about representing the District as that is who Wheat recommended. Director Olson asked if Smith could talk with Big Sky Apartment representatives and ask them to get their accounts paid more on time. Smith said we make 3.9-4.61% at the banks and 10% is what we charge as a late penalty. *President Cronin directed Edwards to get a legal opinion from Susan Swimley on increasing the upper limit to 15% on the penalty, or prime plus. The Board also directed Smith to talk with Big Sky Apartments about increasing late fees if the accounts are not paid on time.*

SFE SQUARE FOOTAGE METHOD—COMMENTS

Edwards stated that he emailed a short synopsis on what is being proposed in the change in SFE calculations. President Cronin stated that he received a call from Bill Simkins yesterday and he encouraged Simkins to set up a meeting with Edwards. *Edwards said he will call Simkins & set up a meeting.* Doug Bing sent an email and Bing is concerned about their build out of Black Eagle and how the SFE change will impact their plan and put them at risk at losing a building pad because they have used all the SFEs with the square footage calculations being used. Radick stated that he is also concerned about the same issue with Deer Run, Moose Ridge, and the Pines and their proposed build out for each development. Edwards said the District will need to figure out how this affects these condo projects and then to decide if we need to continue calculating their SFEs under the existing system. *Edwards will go through the exercise to figure out how it will affect these developments.* President Cronin said that the Board's intention is not to pair down the developments, we are just trying to get a system where staff do not have to decide if the space is a bedroom—the District doesn't want to get hung up on the small amounts. Director Olson stated that this should not be onerous on anybody. Radick wants to make sure that whatever the Board comes up with it doesn't penalize any of the developments that will decrease the already approved density. Director Fast felt that the tiered margins Edwards designed would have a minimal effect. Edwards said he feels the definition would be everything but the garage, even the bonus room above the garage. Edwards will be meeting with Spanish Peaks later this week and he also asked Brian Wheeler of Boyne to review the proposed SFE changes. Edwards feels this square footage calculation is on track to becoming a better system. President Cronin asked that square footage be defined, either using the inside walls or outside walls. *The Board consensus was that it would be easiest to use the outside walls as this is what the tax records use.* Edwards feels that we will get more feedback from the development interests. Radick said using the Pines, which is the remainder of the Hidden Village development; he doesn't see why the District doesn't just tie it into the number of total units that already has an approved site plan and to not use SFEs or square footage on these developments. *President Cronin directed Edwards to meet with developers and get feedback.* Edwards said that if a change is to be done, it will require a mail out notice and public hearing. Director Allgood said a notice and hearing could include the penalty rate change, irrigation rate and charges—wrapping everything up in one public hearing. *President Cronin directed staff to have this done for the April meeting.*

MOUNTAIN LAKE CONDOS LETTER—ANNEXATION REQUEST

Mountain Lake representative Chuck Melbur and Doug Chandler and Eric Garber from Allied

Engineering asked the Board to consider annexing the Mountain Lake development. Allied Engineering was hired about two months ago to get the water and wastewater systems for Mountain Lake up to snuff. An Advantex system is being used for the first building and they plan on having a total of three buildings. Chandler reviewed the history of the issues on why the development had been turned down in the past. Now the developer will agree to lower its density to 53 SFEs, they are asking the District for annexation for wastewater service in addition to water service. They would hope that the District would contemplate on how this would be a mutually beneficial system with details of the water system needing to be worked out by finalizing and improving the well and setting connection fees to make it beneficial to the District. Garber stated that basically the first building is completed and they now have an Advantex system with the drain field, which is the same as the original DEQ approval. There are six units in the first building with 36 units total proposed. The next buildings would necessitate the movement of the existing drain field. If District wastewater disposal was not available, they would use sand beds for drain fields and Advantex pods. According to Melbur, the swimming pool and hot tub are not connected to the Advantex system—the water recirculates with the salt system they use. If the water needs to be changed, it would have to be hauled away. If the development was built out with an Advantex system, a certified operator would be required but it would not be a full time operator. Director Allgood asked how many years their proposed system would last. According to Garber, 50 years is a rough estimate but he cannot guarantee it. Garber said the best thing would be for the District to take the wastewater. According to Chandler, the developer is amicable to scaling the development back to the approximate 53 SFEs that the Board originally referenced as a limitation, but the development hasn't been scaled back yet. If the developer is willing to limit the development, then Director Olson said he would support the annexation. Edwards stated that the preliminary discussions included that annexation could go out to a vote for annexation to the District property owners, or the Board could choose to annex if capacity was determined. President Cronin stated that, per previous Board discussion, if we were to move ahead with annexation, the issue would have to go to a vote to District property owners. President Cronin said the wastewater is tied to the water issue, and asked if the water rights have been obtained. According to Chandler, there are no water rights. Chandler feels that the District would have more success to go for water rights than the developer would. President Cronin would like to see a well with water rights. Chandler stated that the District would like more water rights than what would serve the development and the District should pursue the water rights. From the data previously presented, Edwards feels that we could get about 75 gpm from this well. Director Olson suggested that the District be given rights to drill an additional well on other land in the development. Edwards reported that when Mountain Lake was pump testing their well, we did see a difference in our current wells run times so this new well is producing from the same aquifer as our other wells. According to Garber, the timeline for the second building is to move ahead as quickly as possible—under construction by May-June 2008 and online by summer of 2009. When the second building is near completion the existing drain field would have to be moved. Chandler stated that the developer needs an answer from the Board soon so that they can plan for a reduced density if needed. Directors Olson and McRae feel that the developers have gone through the steps that the Board has previously discussed and would support going through the annexation voting process. Director Fast asked about implications for the future. *President Cronin stated that the District needs to come up with an overall strategy*

when asked to consider this type of annexation, as this will set precedence. The District needs to look at the process we go through every time this come up—Firelight, Canyon, and Antler Ridge--and have a policy with terms and conditions. Director Olson stated that as a water and sewer district we should be cognizant of this and be looking at preserving a very sensitive area. *Edwards suggested that the District review annexation procedure and set policy on this issue.* Chandler said it is the District's opportunity to come up what capacity is worth in dollars and then the developer can weigh that with their own system designs and decide if they want to be annexed. Director Fast asked how the District would spread out the cost of a new service area. Chandler sees it as a capital cost to offset the SFEs. *Edwards said the capacity issue of full build out vs. the capacity today needs to be decided on in addition to who pays for additional infrastructure.* Chandler said new development would need to buy in, and there is also a lot of opportunity out there for wastewater reuse. President Cronin asked if the Board is willing to move forward on this request. *Edwards said an annexation ordinance would need to be done, fees would need to be set, timeline for voting would have to be set, and the well issues would need to be cleaned up (6" to 8" casing, water rights, etc.).* Director Fast asked if we should be deciding on this prior to taking care of the bigger issue. Director Allgood feels that we need to involve legal counsel before moving forward on the issue and then possibly go through a property owner vote on this; but if our policy allows the Board to vote than maybe we should. Director Daniels supports the annexation from an environmental standpoint. Director McRae feels that the Board is knowledgeable enough to make a vote on the issue. Edwards stated that the whole issue is surplus capacity and how we define it. President Cronin said the Board will hold off on a decision, but will *proceed with the details of an agreement.*

Director Olson moved to direct Edwards to draft an annexation ordinance, set connection fees, provide details of well completion and water rights filing, have legal counsel provide a legal opinion, and set SFE development limits per the District formula. Director McRae seconded the motion. President Cronin called for discussion. Chuck Melbur assured the Board that his building plans would not exploit the loopholes with bonus rooms, no closets, etc. Motion passed 6 yea votes to 0 no votes with President Cronin voting. Director Shropshire was not present for this vote at 9:33 am.

SEWER OPERATIONS

Burroughs was not present to provide a flow report.

Moonlight Basin Compost Request: Edwards said that the volumes referenced in the Moonlight letter is similar to the District volumes. Edwards recommended tabling this issue until Burroughs has time to review the request and to also have Moonlight's engineer make a presentation to the Board. *President Cronin directed Edwards to invite the engineer to the March board meeting to present their request.*

Director Olson reported he feels that Moonlight has a problem with a drain field near the Iron Horse lift.

WATER OPERATIONS

Muscat reviewed the flows report. The snap shot shows that the MV system is up 8 million gallons over last year, which Muscat said was caused by the dry summer weather coming earlier with high demand in June & July. Once strict irrigation restrictions were in place, demand significantly decreased in August. Muscat said with the HV repairs we are now experiencing about 1 million gallon a month reduction on the long term. Water use in the Mountain Village and Yellowstone Club are up. YC is up 43% for the year so the mountain area probably isn't up—just YC use. Muscat stated that YC is still within their allowed use. Edwards said that with YC use still up since October there has to be leaks on their system. Muscat said it is a shame that they are wasting the water, but they are not over their allowed use with the well they provided the District and Bob Sumpter has told him they are within their limit. Edwards said that if they don't fix the leaks they will use up their capacity as they continue to develop. Edwards reported that they now have meters at the homes so they can calculate what is really being used for households and compare that to what we are pumping. *Director Fast would like a report at the next meeting from Glen Wood that provides the numbers of what is going to their individual services/meters.* Edwards will extend an invitation to Glen Wood to attend the meeting. The District's agreement provides for 78 million and Muscat said it will be a big issue if we have to shut them off. Director McRae feels that YC could do leak detection in May when use is low. Muscat said that, at some point, YC will realize that they need additional water supply and then they will have to do leak detection and repair, plus possibly explore an additional well. Director Fast reported that he talked with Bob Sumpter about re-routing the wastewater line past Andesite Ridge. The new YC condominiums are southeast of their Rainbow Restaurant, which is outside the District and will not impact our system. Muscat feels that we are gaining grounds in the meadow. Aspen Groves water is being provided from the mountain right now, but Muscat is running it slowly and it is working great thus far. Director Olson commented that in regards to Mountain Lake's 6" well or 8" well, we should say they have to provide a net gpm in the agreement and hold them to produce it. Muscat said with the way their pump test affected our wells; we need to be careful that we are not canceling out their increase by reducing our wells. *Director Olson wants a guaranteed net gpm with the Mountain Lake agreement.*

Edwards reported that we currently have about 4,200 SFEs on the billing database. However, the approximate 2,200 individual billing records are skewed as some of the large buildings like the Summit and Mountain Inn only have one billing account. The new Village One is a fractional ownership, but Boyne gets only one bill for the building.

Meadow Village Water System Projects:

Future New Mountain Water Tank Site: Edwards reported that the District did test pits for a new water tank site and the next step is to get an easement from Boyne. We will need to pin down Boyne on their maximum upper development prior to proceeding with selecting a water tank site. Edwards stated that the proposed site is tucked into the trees and is a good site. *President Cronin directed Edwards to start dialogue with Brian Wheeler and get the details worked on how we handle the material so it doesn't have to be hauled off site.* Edwards reviewed the Bechtle Slade drawing that shows the building envelope by the "bone yard". It looks as if the proposed tank site is above the proposed development but that needs to be verified. *Edwards will work with Brian Wheeler to get a tank site and pipeline easements.*

Hidden Village: A stop work order was given to Johnston. They will need to return in the spring to complete the small section in Pinewood Hills and that they will have 10 days to finish the work. The only change order was for additional time. The District is not involved in the road work—Hidden Village will be responsible for overseeing that work. Edwards said the project went well with help from Nic Wellenstein, Kristen Ramirez, and Mike Whilhelm. *Edwards will have a service put in on Jim Holmes lot in the spring.*

Mountain to Meadow Pipeline: SMI has is a little bit of work on the vault left, plus the installation of the telemetry. The telemetry is supposed to be installed in January. The Board approved upgrades to improving the pulling times and that will be done as the same time.

Water System Capacity Analysis: Edwards met with Mark Cunnane and Cunnane has started on the water system capacity analysis which he thought would take a couple of months.

NORTHWESTERN ENERGY SUBSTATION

Edwards met with Matt Micklewright to let Northwestern know that the substation site could not be moved and he has not heard any other further information from Northwestern. Edwards will try to press them to *get an update on their substation building to present to the Board at the February meeting.*

ORW WASTEWATER SOLUTIONS PROJECT CANYON STUDY

Edwards reported that Ray Armstrong, HKM Engineering, has finished their review of collection system alternatives and they are looking at the logistics for expanding the District's current plant, converting the SBR plant to a MBR plant, and snowmaking. DEQ will be at the next ORW meeting to comment on the alternatives. President Cronin asked about adding an additional 20% or whatever it is for exploring expansion for taking on the other projects such as Antler Ridge, Firelight, etc—we need to figure out the big picture. President Cronin said our responsibility is to present what we think can be handled for build out, which would probably result in a reduced building entitlement in the canyon. The canyon will then need to decide if they want to proceed with a central system. Edwards likes the idea of a winter drain field capacity on the golf course as a way to get rid of wastewater in the winter. We would need easements for this in addition to being smart about the location of our wells in relation to a drain field. President Cronin said we cannot take the District's system to a limit where we cannot serve our existing District commitment.

SEWER & WATER PERMITS

Edwards reported that only four permits were issued since November and the District has 174 SFEs going into the new construction season.

BOARD RETREAT

Edwards suggested having an offsite board retreat at the mountain. To formulate an agenda, *Edwards will come up with a bullet list of topic items and distribute it for board review and comment. Edwards will come up with a location and dates.* Dr Daniels offered his house. Director Fast noted early March as working well for his schedule. Edwards will contact Director Shropshire for a date that will work for him.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action. Director Allgood reported that he has tickets available for the Rotary Club Gold Rush dinner.

Edwards commented that the District is not on any inside track as to the community rumors on what is being sold and what is planned for future development. Director Fast reported that CNL will be buying out Boyne and that Boyne will still run operations.

ANNUAL DINNER

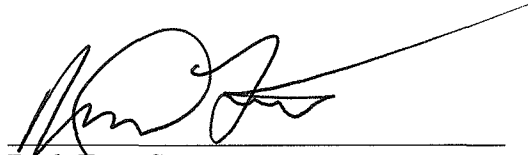
The annual dinner is this Friday at the Peaks.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, February 19, 2008, at 8:00 AM. The fourth Tuesday was requested by Shropshire but it did not work for Fast, Olson, or Edwards.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:50 AM. Director Allgood seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

1-15-08. min (Board Approved 2/19/08)