

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –March 18, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, March 18, 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 (left at 10:00 am), Bill Olson, and William Shropshire. Secretary Dick Fast was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were new District legal counsel Susan Swimley, Boyne representatives Brian Wheeler and Jamie Roberts, and Mountain Lake representatives Leonard Liston and Doug Chandler.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:10 am.

MEETING MINUTES

Director Shropshire moved to approve the minutes of February 19, 2008, as written. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith noted that the operating loss looks bad at this time, but the picture isn't as bad as it appears as he feels that most of the funds will be recouped by the end of the fiscal year.

Director McRae moved to approve the February financials as presented. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

Smith stated that the rate hearing will probably be in May.

LEGAL

Legal Counsel Contract: Susan Swimley introduced herself as the new District legal counsel and stated that she also represents the Four Corners Water & Sewer District and the River Rock Water & Sewer District for their ongoing rate structures. Swimley says she will err on the conservative side of any action the Board may take. President Cronin and Edwards signed Swimley's service agreement.

Delinquent Interest Penalties: Swimley distributed her written opinion regarding a penalty charge on late payments. She basically advised the District to stay within the statutes; which allows up to 15% but she sees no problem staying with the 10% currently charged by the District. Swimley does not recommend tying anything to prime. Directors Shropshire and Allgood agreed with Swimley in not tying the penalty to prime, which is a moving target. Swimley stated that the penalty provision is only written into the District's sewer ordinance and recommends a water ordinance amendment to incorporate the same provision equally. Smith reported that approximately 100 accounts are about 90 days past due—usually the same accounts each quarter. Smith has talked with Big Sky Apartments and they will try to get their accounts caught up. Smith doesn't believe the number of delinquent accounts will change by raising the interest rate with prime. Edwards said to change the penalty the Rate Ordinance would need to be amended and that could be done as part of the budget process. President Cronin suggested bumping up the penalty rate to 12%, thereby leaving room to bump it up to 15% in the future.

The irrigation rate and the penalty rate could be done all at the same time. *The water language will be added to the penalty rate.* Edwards said it may be too confusing to try to do one mailing with the Rate Ordinance Amendments and the Mountain Lake Annexation Ordinance.

Draft Annexation Ordinance 08-1001: Edwards explained that LDMS LLC petitioned to add land known as Mountain Lake Condominiums (formerly Silvertip) to the District for wastewater service. Swimley stated that she did not know what the Board was looking for in regards to legal input. Edwards reported that at the last meeting the Board called for a draft ordinance and he took the ordinance used for the Yellowstone Club and modeled the Mountain Lake draft ordinance after it. Swimley said the contractual items should be a separate document—a contract to enforce against if something happens. According to Swimley an election does not have to be done, but it is in within the Board’s discretion to have an election. Edwards stated that the Board wants to have an election since this sets precedence. President Cronin asked if additional information would be added as an attachment for the voters to make an informed decision. Edwards will be *talking with Charlotte Mills to find out the timing of an election*—which he anticipates would be after the June election but before the November election. Edwards does believe a mail ballot is the correct way to handle it because of the number of out of area owners. Edwards reported that a “formal” petition has not yet been submitted by Mountain Lake. *Edwards and Swimley will be working on a petition format that they will send to Mountain Lake for completion and submittal. Swimley will work on the contractual obligations agreement.* Doug Chandler asked if he could go to DEQ with the annexation agreement with the anticipation of the ballot issue passing. Swimley stated that a 40% return is required for the ballot election. Edwards wants the expense for handling an election to be born by the petitioner. According to Edwards, election costs are usually around a couple of thousand dollars, plus mailing costs—possibly costing around \$3,000. Chandler said the ballot election cost is putting a burden on small annexation. Edwards said that is consistent with the Board’s previous annexation history—where we have only annexed two other properties, but that included the ability to pump treated wastewater to Yellowstone Club. To do the election prior to July would be difficult; the timing is totally dependant on the election office setting the date. The contract could be approved in one board meeting, but the actual annexation document would not be approved until after the election. *Swimley will work with Edwards on preparing the documents for the April meeting. Edwards will send the petition form to Chandler and then Chandler will send it on to Leonard Liston.*

SEWER & WATER PERMITS

Steven Rager of MADKO Realty submitted an application for 7.34 SFEs for a new commercial building on lot 3B in the Meadow Center. The building will house Boersma’s physical therapy, Greene’s Construction office, and a massage therapy. Edwards stated that the application is within the SFE limit on the lot.

Director McRae moved to conditionally approve the permit application for SFEs as presented. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

SFE REALLOCATION

Mark Lilly of Lilly-& Lopker LLC, submitted an SFE Reallocation Application to transfer 10 SFEs from Cascade Lot 66A to Area 13A (Cascade Ridge) Edwards received the quit claim deed showing the ownership as L3, and the subsequent warranty deed documents showing the ownership transferred from L3 to Lilly & Lopker, which is compliant with the ordinance. According to Edwards, Lot 66A will have enough SFEs left on it to build a house.

Director Shropshire moved to approve Lilly's SFE reallocation application to transfer 10 SFEs from Cascade Lot 66A to Area 13A. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

TIERED IRRIGATION RATES

In response to the Board's request for setting irrigation rates, Edwards and Smith prepared data from the 3rd quarter 2007 billing on 1,750 accounts. Edwards reviewed the summary table provided in the Board packet that presented the following four rate tiers: 0-30,000 gallons, 30,000-60,000 gallons, 60,000-90,000, and greater than 90,000 gallons. In tier 4, they use approximately 50% of the total water used. The revenue would be about \$52,000 more with the proposed rate structure using these volumes. Edwards feels that a rate increase effect would reduce water use, which is the purpose for higher irrigation rates and asked if the Board wants to set a tiered irrigation rate. Edwards said that the goal should not be just to increase rates for those 41 accounts that use over 150,000 gallons in a quarter. Director Shropshire believes that this tiered system is going in the right direction. President Cronin said that one meter serving a single family house would be skewed when compared to one meter serving a multi-family parcel. President Cronin stated that the lots in South Fork are all about the same size and they should all have about the same use, but if you take a 7-acre development they will automatically be kicked to the higher tier. Smith said that he and Edwards have talked about setting a different rate for the irrigation meters. Director Allgood reported that some commercial accounts use a large amount of water that isn't going to irrigation and that would penalize these accounts. Edwards stated that there could be a different rate for commercial accounts and that is done in a lot of other places. Director Olson said the purpose is to limit irrigation, not penalize users in business, and asked about class structure rate categories--single family, multi-family, and commercial. Edwards and Smith both said it could be done—it just needs to be set up in the billing system. President Cronin said the discrepancies have to be equalized. Edwards is amazed at the amount of water being used by the largest volume tiered users. Muscat pointed out that the data on the peak months of use is skewed because of the irrigation restrictions. According to Muscat, commercial is irrelevant—he just wants to cut down in irrigation. Muscat wants to focus on the abuse—the top 12% of use. He sees that the condominium association needs to take into account the number of owners, not the acreage. Muscat doesn't want the Board to focus on commercial, just the irrigation—which is mostly condominium associations and a few single family homes. Muscat said the biggest problem is the landscaping evolution, plus the soil needs to be amended before the grass and plants are installed. Edwards noted that the irrigation accounts were pulled from the data when setting the proposed tiers and that irrigation meters could be set as a separate rate. Edwards feels that the District is on firm ground to set an irrigation rate, but feels that the rate does need to be incremental in the use. Director Olson asked if the irrigation meters could be rated with the number of units associated with the meter. Muscat feels that the difference is between use and high use and irrigation should have a

higher rate. Edwards said a rate could be set for all the irrigation accounts and he would like that in place for the summer. For the residential, Edwards suggested using two tiers. President Cronin asked if there could be a tiered rate within the irrigation accounts. Over 100,000 gallons could be the tier and the water rate could be doubled. Edwards noted that there are 43 accounts that use over 150,000 gallons. Director Allgood suggested using the average in multi-family to set up the averaging. A winter average could also be used on the single family account to calculate the irrigation rate. The Board agreed that something needs to be in place this year to avoid last year's scenario of running the Sweetgrass Hills tank dry. Muscat would like the irrigation rate to be simple, but to hit the high irrigation abusers hard. Edwards stated that the budget has to be adopted by July 1 and the timeline would require a hearing in June. *President Cronin directed Edwards to come up with the best proposal and to email the proposed rate table to board members. President Cronin also wants rain sensors required on irrigation meter pits.* Edwards said that a mock bill could be created based on a months use. (Dr Daniels left the meeting at 10:00 am.) *The irrigation rate information is to be prepared prior to next month. Director Allgood directed staff to have a notice added in the April bill about the rate ordinance change.* Muscat said the notice needs to *include information about planting in the summer and irrigation will not be allowed outside the restrictions.* Also Muscat wants the condominium irrigation meter, or meters, to be totaled in use—count it as one metered use.

ORDINANCE 97-1001 PROPOSED AMENDMENTS

Edwards reviewed the proposed changes to the proposed SFE square footage method. Edwards has been tweaking the criteria for condominiums and trying to figure out a number that works for the bigger square footage condominium units. The data is now a good representative sample of all the old and newer condominiums, with the bigger units around 3,000 sq ft. The closet fit is using .75 SFEs for the smaller units (per 1,000 sq ft), the middle group (1,000-2,150 sq ft) would use .80 SFEs, and .65 SFEs for the larger units (over 2,150 sq ft). Edwards feels that, overall, the proposed figures are a good fit. If the condominium is a stand alone structure, the single family home number would apply (i.e. Powder Ridge). *President Cronin directed Edwards to pick a number and prepare the ordinance amendments.* Brian Wheeler stated that he would want to preserve the lower margin for the smaller units as the margin for profit is narrow and these are typically employee housing. *Edwards will send information to the developers for comment on whatever number(s) he picks as the proposed change.*

SEWER OPERATIONS

Edwards stated that there was nothing unusual to report with the flows that are showing about 300,000 gallons per day.

WATER OPERATIONS

Muscat reported that, since the HV improvements, production is showing about 1.2 million gallons per month saving. The issue of pharmaceuticals in water has come to the forefront now that the labs can detect minute particles, but Edwards feels that we are fine. Edwards did note that there could be a problem if we over irrigated with treated wastewater. Muscat explained that the increase in the mountain flows is because of the YC and Aspen Groves use, plus there are probably leaks on the mountain. The bad new is that most of the pipe on the mountain is plastic and it is hard to detect water leaks, but Muscat will be doing leak detection this summer. Based on the YC use, they are still within their limit. Muscat reported that YC has leak detection scheduled for a week this summer.

MEADOW VILLAGE WATER SYSTEM PROJECT

The District's RFP advertising for the engineering design and construction inspection services to complete the two new wells drilled last year, plus to deal with the chlorination issue, received proposals from the following eight engineering firms: Allied, Gaston, Engineering Inc, HKM, Morrison & Maierle, Stahly, TD&H, and Thomas Graham Civil Design Group. Edwards said there are extra copies of the proposals if any Board members want to review them. Edwards, Muscat, and Wellenstein will *review the proposals and make a selection*. If there are a couple of firms with equal proposals, then Edwards will interview them prior to making a selection. Edwards said the chlorination experience of the engineers will be a deciding factor since this will be such a big issue for the District. In Muscat's opinion, all the firms are capable regarding piping design, but the issue is the chlorination and picking the firm with the best ideas and most experience on this is important.

DEVELOPMENTS & SUBDIVISIONS

Yellowstone Club Water Service Area: Edwards commented on his meeting with the Crossharbor Group that will be buying the YC. Edwards also received a letter and exhibit map from Morrison & Maierle that shows the area is a little less than what our agreement lines out.

SEWER AND WATER PERMITS

One permit was issued for a single family home in South Fork.

2008-2009 RESORT TAX APPLICATIONS

Edwards reported that the applications are due April 16, 2008, and that he is not aware of applications other than from the fire department. The Question and Answer Forum will be held at the Chapel at 1:00m on May 14. The Appropriations Meeting will be June 4 at 1:00 pm. Staff have not discussed applications, but Edwards feels that \$200,000 for debt service would be a good request. Smith would like to submit an application for funding more water improvements. . Edwards suggested a \$150,000 request. Edwards would like to ask for money on aerial work and having it digitized. There will be a rollover on the lining work and the debt service on the bonds. Edwards and Smith will work on the request for \$150,000 for water improvements and debt service.

OTHER BUSINESS

Smith stated that the sewer rates will be addressed at the next meeting as we need an increase. According to Smith, the operating costs are not going down and we have been subsidizing this by about \$18,000 a month. Smith feels that we have to look at a new rate or continue to reduce our reserves by subsidizing, which would deplete the reserves. Smith isn't concerned about the water rates other than the irrigation rates. *Smith and Edwards will work on the sewer rates to present at the April meeting.*

GENERAL CORRESPONDENCE

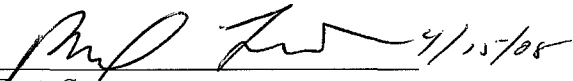
There was no general correspondence for the Board to address.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, April 15, 2008, at 8:00 AM.

ADJOURNMENT

Director Olson moved to adjourn the meeting at 11:00 AM. Director Shropshire seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

3-18-08. min (Board Approved 4/15/08)