

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes –April 15, 2008

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, April 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 (left at 10:00 am), Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Director William Shropshire participated via telephone starting at 9:00 am. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Mountain Lake representative Eric Graber from Allied Engineering was present for the discussion regarding annexation.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:15 AM.

MEETING MINUTES

Director Fast moved to approve the minutes of March 18, 2008, as written. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith reported that revenues came in at about what he expected. On an operating basis, the water and sewer expenses do not look as bright. However, Smith noted that if the expense items that were not expected were backed out it doesn't look as bad. Boyne's annual payment has been received.

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

MOUNTAIN LAKE CONDOMINIUMS PETITION FOR ANNEXATION

Edwards distributed the Mountain Lake petition that he received by email. Mountain Lake used the petition format that was developed by Swimley and Edwards. The first step would be to accept the petition. Swimley stated that the District needs to wait for a decision from the Gallatin County Commissioners on their jail bond election before the election department can set an election date. The election date is completely at the discretion of the election department and Swimley doesn't know if the election can be in the summer, or later in the year. Swimley noted that there was no reason why the petition could not be accepted as written. If the election was delayed until late fall and the Mountain Lake development asked for connection without an election, President Cronin asked if the Board would want to do that. Edwards stated that the Board has previously wanted this issue to go through an election, but the Board can annex in the property without an election. Swimley said an election is one more way to involve the community and have the annex decision articulated and endorsed by the community. Swimley added that the Board may be opening the gates for other annexation requests without an election if the Mountain Lake request is approved without an election. It was noted that the Mountain Lake development already has a treatment system in place and the developers were told over a year ago that the Board would only consider annexation with an election. President Cronin stated that it will be a united approach to have an election. Edwards stated that *Swimley will prepare a separate agreement for the contractual items*. Mountain Lake representative, Eric Graber, said the developers will be held up on the future phases until an agreement is made with the District to resolve the environmental issues with DEQ. Director McRae stated that he does

not believe the District's stance will slow down any of the construction. Director Fast asked how the ballot will be explained with pros and cons. Edwards said the District will control what the ballot itself says and, in the past, we have provided narrative to explain the issue. A simple majority of the eligible respondents is required to respond to the election for the petition for annexation. It was clarified that if not enough ballots are received, the issue will fail because the threshold of 40% was not received. Edwards stated that the Board could then decide to annex, or could decide to hold another election.

Director McRae moved to acknowledge receipt of the annexation petition from the Mountain Lake Partners LLC, to follow through with an election according to District Ordinance, to work with Gallatin County to set an election date, and to direct staff to bring back an annexation agreement for contractual items. Director Daniels seconded the motion. President Cronin called for discussion. The annexation agreement will call for well improvements, cost per SFE, bond debt recoupment to the beginning of the bond debt, and reimbursement to the District for all of the election costs. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

PROPOSED WATER & SEWER RATES

Water Rates: Edwards presented a proposed tiered rate system that would become the basis for the new budget after it goes to a public hearing and is adopted. The proposal is for a three-tier rate system with the following charges per 1,000 gallons: 0-60,000 gallons at \$2.42, 60,000-90,000 gallons at \$3.63, and over 90,000 gallons at \$4.84. Director Daniels asked if letters will be sent to the top users explaining the rate increase and selling the idea of conserving water for the better of the community. According to Smith, the marginal increase is factored into the variable base rate. President Cronin said the District needs to be able to defend the rate increase. Muscat would like the District to use a "Robin Hood" approach by encouraging conservation, possibly with a rebate for the low end users, and really increase the charge to the very high users. Edwards reported that the proposed Big Sky rate is modeled from the Red Lodge community and, like that model, he would like to use one rate hearing to carry through the next five years but with a 3% inflation used per year. For now, the proposal is to charge all the accounts the same base rate; but to separate the accounts into residential, commercial, and irrigation for future rate considerations. Muscat said that most of the high users appear to be single family homes that are just using a tremendous amount of water to irrigate and that the multi family, park areas, etc. could be put into a different category; but that the high use water abusers need to be charge. However, there does need to be an allotment for multi-family complexes as compared to a single-family home. Director Fast commented that the proposed rate structure builds in a set rate increase that the District will have to evaluate annually. Director Allgood stated that he is not in favor of going out five years with escalated rates. He would like to set a rate that would be good for only a couple of years. Additionally, if the District used the proposed escalated rate and decided an increase was needed, a rate hearing would still be required. Smith feels that the proposed rates cover the estimated the 2008-2009 budget. According to Smith the rates are consistent with what the Board has wanted in the past by covering the general expenses with the base rate and the variable rate covering the rest—it is approximately a 60-40 split. No change was proposed for the vacant lot charge. The monthly average combining all water use is at 12 million gallons. Edwards noted that, on the sewer side, the District has been subsidizing the operating budget through the use of reserves and the proposed rate phases out subsidizing. Edwards reviewed the Red Lodge proposed rates noting that they have a 5-year inflationary

factor and they have also set their base charge according to meter size. Their base rate includes 3,000 gallons of water per month. President Cronin said the District should charge by the use not the meter. Muscat explained that a larger meter is an unwritten commitment from the District that it will supply a larger volume of water per minute. Edwards asked how far out does the Board want to go with setting a rate—a two-year plan as proposed by Director Allgood. The Board liked the idea of setting a rate with the anticipation of using it for two years. Director Allgood asked about the single meters for buildings such as the Huntley, Golden Eagle, etc. and questioned whether these multi-use one customer accounts are contributing enough of the general charges and are we being fair to all the other rate payers when they can serve/use so much more with only one base charge. Director Allgood thinks the base rate should be adjusted for these types of accounts. Edwards explained that these types of accounts will go into the higher water user rate and will end up paying more due to their use. Director Fast asked if there should be a multi-room rate, not a commercial designation. *Edwards said that staff can review the history of use from businesses like Golden Eagle, River Rock, Huntley, etc and calculate revenues based on the proposed rates to present to the Board.*

Sewer Rates: Edwards reviewed the proposed sewer rates with a base charge of \$23.03 for 2008-2009 and \$23.91 in 2009-2010 and a variable rate of \$4.81 in 2008-2009 and \$5.82 in 2009-2010. Smith stated that the sewer usage averages about 8 million gallons per month and that the first increase will get us halfway there in recouping costs and that the second increase will get us there. A single-family home averages 3,200 gallons a month and will see about a 4% increase in water rates and 11.9% increase in sewer rates.

Director Olson moved to have staff develop a Rate Ordinance for FY 2008-2009 and FY 2009-2010 per the rate presentation and to proceed to a public hearing next month. Director Daniels seconded the motion. Motion passed, 7 yea votes to 0 no votes with Director Shropshire participating via telephone.

Director McRae left the meeting at 10:00 am.

SEWER OPERATIONS

Edwards reported that the filters in the plants have been having problems and they will be updated by In Control. Edwards doesn't believe that there is anything unusual in the flow reports.

WATER OPERATIONS

Muscat reviewed the production reports, noting that one to two million gallons seems to be saved per month since the Hidden Village repair. The Powder Ridge Cabins fixed last year did not freeze up this year, but cabin #121 froze this year. The Silverbow water line replacement needs to be done and Muscat will be working with Ray Armstrong on a proposal. The District is working with Mark Cunnane on the water system source capacity plan. Muscat reported that the water running across the road on the mountain is a culvert problem and, as far as we know, we do not have a water leak. Edwards sent a letter to Madison County requesting reimbursement for clearing the culvert, but has not yet received a response. Director Olson commented that he has never seen that amount of water in the area before. Muscat said the problem is the storm drainage system and it has failed. Director Fast stated that drainage patterns change from year to year and that they experienced that problem at Aspen Groves.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: Edwards noted that a letter was received from HKM stating that they have merged with DOWL. The merge should not affect our projects according to HKM. SMI will be coming back to finish the SCADA—possibly in May, weather permitting. Director Fast reported that owners in Aspen Groves are pleased with the new water system serving their subdivision.

Hidden Village Water System Repairs: Johnston will also return to finish their work when weather permits.

Meadow Village Water Well Completion Project: Eight submittals were received and Edwards, Muscat, and Wellenstein selected TD&H Engineering. Edwards distributed a scope of services with a fee of \$20,000. Edwards will recommend an estimate instead of a lump sum and to be billed according to hours of work. Edwards stated there are advantages to both, but he would feel better working with an estimate. Director Allgood asked if the District could counter offer for a lump sum at \$18,000. *The Board directed Edwards to make a decision on the amount with a total expense up to \$20,000 allowed.*

Meadow Village Water Projects Costs: The project costs were provided in the manager's report.

WATER SYSTEM SOURCE CAPACITY PLAN

There was a draft report from Mark Cunnane, Western Groundwater Resources, in the packet with a recommendation of finding more source water on the mountain. *Edwards will have Cunnane attend the next meeting to present his findings.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Lone Moose Meadows Overall Development Plan: Edwards explained that the proposed development area is basically the "Thumb" area that has been presented previously. Edwards said they will petition for annexation and he has told them that they will have to use their previous total allotment of 900 SFEs for Lone Moose. It will be a bit more complicated since it is tied into the Yellowstone Club agreement. President Cronin noted that the District has always contemplated spray irrigating on their Spanish Peaks golf course and it did not include giving them additional SFEs. Edwards said if the SFEs are calculated by square footage, the SFE allotment wouldn't change. Muscat reported that he has been told that Spanish Peaks' current wells are not producing enough water to serve their development and golf course.

LEGAL

Incorporation: A copy of Mona Jamison's legal opinion was provided in the board packet. The potential affect of incorporation on the District's bond debt would put a hole in the resort tax district area and a resort community could be formed to offset the hole and then no difference would be seem. However, they could come up with something different, but at the end of the day the District has the ability to levy a tax to cover the debt service. Director Fast reported that the infrastructure legal counsel asked the Attorney General what could be done to cover this type of situation and believes that an agreement could be made for the two areas to work together. *Director Fast asked Edwards to attend the meeting this Thursday to request that the two groups work together at coming up with a solution.* Edwards doesn't know if the inter-local agreement would be a binding agreement if incorporation was done. Director Fast feels that the Attorney General's decision will be the real answer and he will provide Edwards a copy of the questions that their legal counsel has presented for an opinion.

CANYON AREA STUDY

Edwards reported that their meeting is at 1:00 pm tomorrow. They have been focusing on snow making. The cost of taking on the canyon is becoming big numbers and Edwards doesn't see anyone stepping up to make a central system happen. Edwards noted that the main stem of the Gallatin is not listed as impaired so there is no cause and effect being stated. Edwards feels that at the end of the day that there would be a lot of support to just serve the area right at the commercial corner of Hwy 191 and Hwy 64 by putting in a lift station. President Cronin asked, "If we take a resource that we have to dispose of wastewater, are we then running afoul by giving it away to someone that is currently out of the District when there are people in the District that would like additional SFE capacity?" The Board discussed the fact that there has to be a net gain for the District to consider serving additional property. Edwards reported that the ORW has been taken off the table for now. The study will be wrapped up in May, but for it to keep going someone in the Canyon would have to spear head a project.

DISTRICT ORDINANCE 97-1001 AMENDMENTS—SFE Square Footage Method

Edwards stated that for the small units that would typically be employee housing it would be a deterrent as originally proposed at the higher 1.1 SFEs. Edwards will rework the figures to possibly .9 or no higher than 1.0 for the smaller units up to 1,000 sq ft. Edwards has not received feedback on any other calculations. Edwards needs feedback from the Simkins on the larger units.

SPANISH PEAKS RESORT, PHASE 7

Edwards received a submittal for Phase 7 of the resort that subdivides the land around their big lodge that they are presently working on. The Phase 7 is in the District service area of Spanish Peaks. Edwards reported that he sent a letter of approval for their permit application on the lodge, but Spanish Peaks didn't submit a check so he rescinded the permit & they will have to reapply even though they are under construction. *President Cronin directed staff to review Spanish Peaks' lodge plans on the SFE square footage method to see the comparison of total SFEs.*

SEWER & WATER PERMITS

Edwards reported that permitting is slow with only one new permit for remodel and one new permit for a single family home. With Edwards cleaning up the spreadsheet total, there are about 190 SFEs for permitting.

RESORT TAX APPLICATION – 2008-2009

The resort tax applications are due tomorrow. Edwards will submit applications for \$100,000 for water, \$100,000 for sewer, and \$50,000 for GIS aerial updating. Rollover for the pond liner is about \$30,000 plus we have about \$800,000 from the bonds for additional work. Edwards said from a cost standpoint, we should reconsider the depth of the liner and only cover about 40% of the edge since it is covered in the winter with snow and the water levels come up in the spring. Director Shropshire agreed with the suggestion that the rock liner be shortened. Edwards said that a section of the highway side will be done this year. Edwards and Smith feel that we should be asking for more funds for water improvements that the District has done. Smith feels that this year a water funding request will be different because the water bond will be on this year's tax levy and suggested that an additional \$100,000 separate request be submitted. Director Fast

asked if the District should be looking at a water plant investment charge. President Cronin stated that there is a problem with that, in that only the new people would be paying it. Edwards noted that areas like the Town Center currently pay no sewer impact fees, and only minimal connection and meter equipment fees. *Director Allgood suggested that the District look at water impact fees.*

GENERAL CORRESPONDENCE

Edwards noted that there was one comment on the current water and sewer rates. Edwards sent a letter to Madison County about reimbursement for unplugging the culvert on the mountain. Edwards hasn't heard whether they will reimburse.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, May 13, 2008, at 8:00 AM. The Board *directed Edwards to also have the public hearing on the rate ordinance and budget*

ADJOURNMENT

Director Fast moved to adjourn the meeting at 11:17 am. Director Daniels seconded the motion. Motion unanimously passed.

A handwritten signature in black ink, appearing to read 'Dick Fast', is written over a horizontal line.

Dick Fast, Secretary

4-15-08.min (Board approved 5/13/08)