

BIG SKY WATER & SEWER DISTRICT NO. 363
Public Hearing & Regular Meeting Minutes –May 13, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a public hearing and a regular meeting for 8:00 am on Tuesday, May 13, 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 the meeting a 10:00 am), Bill Olson, and William Shropshire. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Country Store representatives Lynne Anderson, Sloan Bauer, and Bayliss Ward; Boyne representative Jamie Roberts; and District property owners Alan McClain and Randy VanHorn.

**PUBLIC HEARING – FY 2007/2008 BUDGET
& PROPOSED SEWER & WATER RATES**

President Cronin called the public hearing to order at 8:12 am on the draft budget. Smith reviewed the increases in the sewer and water operating budget and the decreases in the revenues. The proposed base sewer rate will have an increase of 4%, going from \$25.75 per month to \$26.78 in 2008-2009 and then to \$27.85 in 2009-2010. Smith reviewed the line items for funding and their sources for funding. For water, the base rate will be \$19.00 per month for both fiscal years. The water operations have various water projects that are covered under the SRF loan. Director Olson asked about the propane expenses where the increase was about 100%. Smith responded that the increase was a result of the projected actual. Director Olson asked if there is an annual contract on the service. Smith reported that all the propane supply will be switched to Montana Energy Alliance and he anticipates that the supply will be cheaper than it has been. Smith is currently working with Montana Energy Alliance to get the best price we can, noting that we can lock in our propane price but that he has left it up to the company. *Smith didn't know if the price would be set annually, but will let the Board know.* The total operating expenses will increase 7.9%. The biggest change has been the reduced PIC as a result of the decline in new building projects in the last year. There is an increase in the water operating revenues with the request of resort tax funds. However, this is subject to change depending on the resort tax appropriations. If not funded as requested from resort tax, the expenses will be shifted to the tax roles. The summary showed an estimated operating loss of approx \$100,000, on the sewer side. Edwards noted that the operating loss has been covered from the sewer reserve fund in the past and that the loss will continue to be subsidized with the anticipation that the proposed two-year increase will cover the expenses with the subsidy being phased out. The final budget will be presented at the June Board meeting with minor changes. The Board will need to have three readings to adopt the new rates. The biggest change is with the water variable rate going to a four-tiered rate, ranging from \$2.42 per 1,000 gallons to \$4.84 per 1,000 gallons with the charge increasing with the increase in gallons used. There are no proposed changes in the vacant lot charge of \$7.50 per month per service. *Edwards will add bulk rate water charges to the fee schedule with an increase in the bulk rate.* Smith noted that the excess revenues that were collected during the SFE flat rate period have now been returned to the customers through subsidizing sewer. Smith noted the penalty rates and that he has talked with Big Sky Apartments about their delinquent accounts. Edwards said the ordinance needs to be cleaned up and then it could be passed at the next meeting, but the budget could be passed.

Smith noted that there are minor changes needed in the budget and, depending on the resort tax allocations, the revenues could change. The Board reviewed the public comments included in the packet, noting *a response to Melville is needed regarding the shortage of water available in the summer*. Smith and Edwards noted that the meter pits that are shared would pay the tiered rate, with multi-family units given an allowance multiplied by the number of units. *Director Fast directed Edwards to respond to the customers that sent comments.*

Director Fast moved approve the first reading of the amended Rate Ordinance 97-1002. Director Shropshire seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

Director McRae moved to close the public hearing at 8:55 am. Director Olson seconded the motion. Motion unanimously passed.

REGULAR MEETING

President Cronin called the regular meeting to order at 8:55 am.

Director McRae moved to amend the agenda to address the Country Store permit application. Director Allgood seconded the motion. Motion unanimously passed.

SEWER & WATER PERMIT

A remodeling application from Michael Guglielmino (Country Market), for Lot 1A-1 in Minor Sub 91 was submitted for 3.56 SFEs. The Country Market lot has 6.89 SFE's allocated and is currently using 5.49 SFEs, which leaves only 1.40 SFEs available. Bayliss Ward noted that the expansion includes 3 studio apartments for employee housing. Ward reported that the zoning allows the expansion as proposed. Lynn Anderson noted that there are no density parking regulations, there are no assigned spaces in Meadow Village Center, and the Meadow Association has their own parking regulations. President Cronin noted that zoning does address parking. Ward reported that he believes parking is one parking spot per studio unit, but Gallatin County has not mentioned anything about parking. Ward said they could eliminate the existing bathroom at .20 SFEs since it does not meet ADA standards. Edwards reported that the allocations have a long history and noted that there are some SFEs that are unused from the old Tract 6. *President Cronin directed Smith to have the new SFE calculations used to recalculate the SFEs for this remodel application.* Ward offered to work with the District at calculating square footages. Director Olson asked what we do on SFE allocations when people come in for remodeling. Edwards would ultimately like to use the SFE allocation (Table 3.0-1) as a guidance tool only, and then use zoning, but the problem with that is there is no zoning in Madison County. Edwards explained the SFE capacity issue in regards to planning. Director Daniels believes that employee housing is an important issue to the community and the Board should consider approving the application with the 3 apartments. Director McRae stated that he would support the application. Ward reported that the remodel has received a state permit, approval from BSOA, and approval from the meadow village center. Director Allgood stated that he does not want to deny the application. President Cronin noted that there is one more

vacant lot in the meadow village and if we throw out the SFE allocation limit we may be opening the doors. Director Fast asked what will happen when others approach the Board to approve additional SFEs. Lynn Anderson asked what could be built for the zoning allowed additional 3,000 square feet and still stay within the SFE limitation. Anderson also reported that they are being charged by BSOA as if they could have the additional 3,000 square feet. Edwards suggested that staff re-compute the application's SFEs based on the proposed changes. President Cronin stated that this is a bigger issue for the District than the applicants can imagine and the Board needs to delay action on the application to try to satisfy the SFE recalculation and to also decide where the Board wants to go with this issue. The District needs to look at where they are going with this type of request, as they are sympathetic to what the applicant wants to do. Director Allgood stated that the applicant could move forward with the store expansion now if they wanted to, and then wait for the Board to make a decision on the studio apartments. Randy VanHorn suggested that the Board help the small businesses by writing something into the regulations that limited the size. Anderson noted that they are following newly adopted county regulations on employee housing. Anderson said that the apartments make the difference in attracting employees in their lower wage jobs and that they cannot afford to expand without the apartments. Bayliss offered to change the use of the square footage designated office space to retail, which would reduce the SFEs. Bayliss will look at different scenarios of use and the way the studios are designed to reduce the SFEs. President Cronin said that the Board needs time to think it through on approving this application. *The Board directed staff to work on the numbers and different scenarios and to email information to the Board.* Edwards said for very small units 500 sq feet and less there should probably be another category in the proposed square footage SFE calculations. *President Cronin directed Edwards to review the new county regulations in regards to this application and the District's proposed changes.* Director Fast asked if the District should make more SFEs available for employee housing that ties in with the new county regulations – similar to the few SFEs that we have available for civic efforts. Edwards noted that the SFEs for Table 3.0-1 were originally calculated with higher flows per SFEs than what is currently being generated. Edwards also suggested going to the resort tax to get a subsidy for employee housing to keep the housing affordable. President Cronin feels that if an application fits within the Gallatin County employee housing regulations then we should consider it and apply the same regulations to the Madison County area. *The Board directed Edwards and Smith to look at employee housing regulations and tie it into this application and to work with Bayliss Ward on the SFE calculations.* Director Fast asked if the District could institute a waiver on transferring of SFEs if it is for employee housing. Director Shropshire doesn't feel it is up to the District to set zoning or to decide what is more socially acceptable of what is allowed. Director Shropshire wanted to know what the District will do if we have done social waivers allowing more SFEs and then when someone comes in that has been paying vacant lot fees and we don't have capacity--if our resource is exceeded then we have a problem. Director Shropshire stated that it is the Board's responsibility to make sure that we have capacity for water and sewer for full build out. (Dr Daniels left the meeting a 10:00 am). Director Olson likes Director Fast's idea of the waiver where it keeps the capacity intact, but allows the transfer of SFEs for things like employee housing without meeting the strict ownership requirements. Edwards reported that there are about 30 SFEs in our community/civic use pool. *The Board directed staff to reevaluate the SFEs, reevaluate the SFEs under the proposed square footage SFE calculations, to work with Bayliss Ward on the SFEs and usage, and to allow staff to approve the permit up to the 6.89 SFE allocated for the parcel.*

MEETING MINUTES

Director Shropshire moved to approve the minutes of April 15, 2008, as written. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith quickly reviewed the April financials, asking for Board approval to submit mills to the counties in May at 15.34 on water and 24.27 on the sewer. An ordinance is not needed; Smith just needs authorization from the Board to send the mill estimates, which will change if we do not get the resort tax funding.

Director Shropshire moved to authorize Smith to submit the water and sewer mill rates to the county as presented. Director Olson seconded the motion. Motion passed, 4 yea votes to 0 no votes without President Cronin and Director Fast present for this motion.

Director Olson moved to approve the April financials as presented. Director Shropshire seconded the motion. Motion passed 5 yea votes to 0 no votes without President Cronin present.

SEWER OPERATIONS

Grant Burroughs was not available to present flow reports.

WATER OPERATIONS

Muscat reported that with the decline in meadow village water use, he can only attribute it to the repairs at Hidden Village. The mountain water use is high with the demand from Yellowstone Club. YC has been notified that they were using 65% of their allotment in April. Muscat feels that the repairs to be done at Silverbow will result in even more of a dramatic reduction in water use than the HV repairs. Muscat reported that the pump to well #7 on the mountain failed and Mark Cunnane will be taking a look at it in regards to the capacity plan. The District needs to do the last DEQ required groundwater sampling on the mountain wells and, hopefully, the District will be allowed to reconnect well #3. Edwards noted that the staff of DEQ has changed, which may be an advantage in renegotiating at getting well #3 back on line. Muscat published the required consumer confidence report in the Lone Peak Lookout last week and Edwards will add the report to the WSD website. Edwards reported that the contract with TD&H for up to \$20,000 on the MV water well completion has been signed. Edwards noted that the water rights on wells #5 and #6 (both have sulphur) can be reallocated to other water resources. Muscat encouraged the Board to make a required GPM if the District proceeds with an agreement with Mountain Lake Development—Muscat suggested 275-300 gpm.

MOUNTAIN TO MEADOW PIPELINE PROJECT

Edwards reported that SMI will finish up their work when weather permits.

MEADOW VILLAGE WATER SYSTEM REPAIRS

Hidden Village: Edwards reported that Johnston should be here within the month, or as weather permits, to finish the project. The roadwork is the responsibility of Hidden Village.

Silverbow: Edwards reported that with the HV project costs below engineers' estimates, we are going to bid out the Silverbow project in July for the work to be done with four phases over two summers. The overall estimate is \$700,000 and any sewer replacement will come out of existing sewer funds. Funding for the water improvement project will be from SRF and resort tax.

MEADOW VILLAGE WATER PROJECTS COSTS

The manager's report included the water project costs.

WATER SYTEM SOURCE CAPACITY PLAN

Edwards reported that Mark Cunnane is finishing up his report and *Cunnane will present his findings at the June meeting.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Spanish Peaks Resort Phase 7: Edwards reported that this area is by the Spanish Peaks Lodge and there was a capacity letter included in the board packet.

Mountain Lake Annexation Election: Edwards reported that the county will not be able to do an election until probably December 2008, due to the primary, jail bond, and general elections. Leonard Listen, et al have been harassing Peggy Katz of Madison County Election Dept to run the election. Madison County cannot run the election due to regulations. According the Liston, the delay in the election puts them in a bind. Edwards said the District can annex in the development by ordinance since it is contiguous land. The Board could also do a mail ballot "survey" of constituents and use this result in deciding on annexation. Director Shropshire asked, if the ballot "survey" came back negative, then could Liston ask for a county election. Edwards said the Board does not have to do another election. Director Shropshire is not opposed to annexing the property—he would actually like to keep it off an onsite drain field. According to Edwards, the District could set its ballot survey ground rules, i.e. if 51% of the ballot survey respondents are positive then the Board could approve it.

Director Allgood moved to do a mail ballot "survey" to constituents. Director McRae seconded the motion. President Cronin called for discussion. The Board wants the agreement of all stipulations signed prior to going ahead with a ballot "survey". Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

RESORT TAX APPLICATIONS

Edwards reported that there are about \$3.4 million in requests. In addition to the \$500,000 inter-local agreement for the bond payment and \$30,495 rollover, Edwards submitted applications for \$200,000 for existing water and sewer project debt service cost sharing, \$100,000 for new water facilities project debt service cost sharing, and \$50,000 for updating GIS aerial photographs of the Big Sky area. Edwards will attend the Resort Tax Q & A meeting on Wednesday, May 14, at 1:00 pm at the Big Sky Chapel.

CANYON AREA STUDY

Edwards reported that Canyon Study group will meet next week on the feasibility of expansion

SEWER & WATER PERMITS

Edwards reported that there are approximately 189 SFEs left for permitting.

GENERAL CORRESPONDENCE

Edwards pointed out Madison County's denial letter for reimbursement to the District on the culvert work that the District did. Edwards and the Board were disappointed with Madison County's decision. Edwards noted that the drainage from the pump house will be diverted from the culvert and that any future problems with the culvert will be directed to Madison County.

Edwards reported the he has met with Northwestern Energy and the Big Sky Search and Rescue on both their plans to build in the area next to the treatment plant. According to Edwards, it sounds like Northwestern Energy will be making a hard push to get the roads in this summer. *Edwards will write a letter to Steve/Big Sky Search and Rescue for their rollover resort tax request.*


Edwards reported that the Spanish Peaks Resort flume meter is in, but does not know if Grant Burroughs is taking readings. There is a five-year warranty on their system, but Edwards doesn't feel the language is sufficient to take us out to a ten-year warranty. *The five years started about 2 years ago, and Edwards will find out what extension work is under what time line.*

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, June 17, 2008, at 8:00 am.

ADJOURNMENT

Director Allgood moved to adjourn the meeting at 9:57 am. Director Fast seconded the motion. Motion unanimously passed.



Dick Fast, Secretary