

BIG SKY WATER & SEWER DISTRICT NO. 363

**Regular Meeting Minutes – July 15, 2008**

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, July 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, and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Secretary Dick Fast and Director William Shropshire were not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Boyne representative Brian Wheeler, Big Sky Real Estate representative Ernie Hall, Sweetgrass Hills property owner Chad Rothacher, and Spanish Peaks representative Bryan Tate.

**PUBLIC FORUM**

With no public comment, President Cronin called the meeting to order at 8:11 AM.

**MEETING MINUTES**

*Director Daniels moved to approve the minutes of June 17, 2008, as written. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.*

**FINANCIALS**

Smith reported that there was about a 35% reduction in water usage from last year and overall that meant we took a hit in revenues. With expenses we were over budget about 11.4%. Smith asked the board to use \$100,000 in sewer operating reserves this year—this is money from past years' surplus. Smith said that some of the use reduction has been repair of leaks by customers. Smith feels that with the rate increases that should take care of about half of the problem. Smith said the Board will have to review the usages after a couple of quarters and may have to address the rates again. President Cronin asked what Smith has done to anticipate for the trend in the future. Smith responded that he has reviewed items to lower operating expenses, but did not specifically note any line items. President Cronin asked how close the District would be on the budget that was pasted in June. Smith said he has not reviewed that, but will have information for the Board at the August meeting. Smith said that staff would meet before the next meeting to come up with ways to reduce operating expenses. Director Allgood noted the sewer flows have increased from last year, but the water use has been decreased. Edwards reported that there has been increased I & I, but Burroughs has not found the source. Edwards noted that the flows have dropped off significantly in the last couple of weeks. Smith locked in the propane costs at \$2.05 a gallon.

*Director McRae moved to allow Smith to use \$100,000 of sewer operating revenues. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.*

*Director Allgood moved to approve the June financials as presented. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.*

Delinquent Accounts: Smith said there are 124 on the delinquent list totaling about \$49,000. There was not anything unusual from previous years. Smith will send a list to the counties for collection on the tax roles.

## **SEWER & WATER PERMITS**

Edwards summarized the Spanish Peaks Holdings sewer and water permit application for 154.32 SFEs with a fee of \$541,620 without the meter equipment charge. Edwards explained that the fees collected from Spanish Peaks will be reimbursed by a formula per an agreement with Spanish Peaks. Edwards said that the ordinance does not take into account the large projects and how they pay their fees. President Cronin asked if the agreement stipulates any payment delays and reimbursement to Spanish Peaks. Bryan Tate asked to partially pay the fees and to set up a payment schedule for the remainder with all fees paid in full before they use the sewer service. According to Tate they are now working on backfilling and need sub-grades so they want to make connection so that they can finish the backfilling—it will be at least a year before they need service. Tate asked the Board to approve a monthly fee schedule (installments) to pay the permit fees with all fees to be paid prior to service being used. Tate explained that there will be four points of connection for their building for sewer and water and to do it smart would be to do the connections now and backfill. Edwards noted that the Board has never allowed a permit to pay overtime, however he does not feel it is an unreasonable request. Brian Wheeler noted that for the Summit, they had requested Board approval for a similar delay in permit fees, but were denied since there was not a policy in place. Wheeler stated that he would like to see a policy to delay payment on these large-scale projects since he feels that there will be similar large projects in the community in the future. Tate estimated a 10-month fee schedule for payment of the permit fees. Edwards reviewed our current permitting system and when the fees are paid. Director Allgood noted that Spanish Peaks came in last year and received a conditional approval and started construction with the State approval and county approval based on WSD approval—subsequently they did not pay their fees then and we voided their permit, but they continued construction for the last 18 months. Director Allgood feels that there has been a delayed payment for the last 18 months. President Cronin stated that maybe our conditional letter needs revision. President Cronin noted that, for many people, trying to build a house in Big Sky is just as proportionately a hit for the smaller budget single family homes and feels that the District will receive similar requests from individual. Director Daniels suggested that maybe the District could approve a delayed payment and add an additional cost to the permit for the privilege. Tate did not know what percent of their construction costs the water/sewer permit is. Wheeler said their permit cost is about 4% of their construction costs. Wheeler said that with multi-family there is such a fixed infrastructure prior to even getting to the permit. Director McRae asked if the permit section of the ordinance needs to be amended. Edwards said that once precedence is set, then the WSD rules and regs should be amended, but questioned at what point to approve a deviation on the payment of fees. Director Olson stated that he was worried about the precedence and where is the fair point to draw the line, feeling that President Cronin made a fair point. Tate feels that rules were made for the single-family projects and are not applicable to the larger projects. Tate said they would make 10 installments. President Cronin asked if we delayed payment, should there be interest added to the fee. Edwards feels that Director Daniels' suggestion should be applied. Tate said installments with interest would be easier to pay than a lump sum. Edwards said we could delay approval of the permit and make the changes in the ordinance, or approve it with a deviation. President Cronin stated that the regulations are set up to pay the permit fees when you start construction. With any other construction business, interests are accrued for delaying payment and it would be perfectly fair to add interest to allow payment over time. Director Olson asked if there should be a limit of approving this type of

delay of payment of possibly a half million in permit fees. Edwards noted that Spanish Peaks' first application was approved in February 2007. Smith stated that the prime rate noted in the paper is 5%. Edwards said he could review all previous permits to set the cut off/threshold for allowing a deviation on payment. *President Cronin said he would like to see the District letter revised to say we are able to approve the application for capacity, but without giving the project approval. President Cronin directed Edwards to figure the fees at prime plus 1% for delaying payment.*

***Director McRae moved to conditionally approve the Spanish Peaks Holdings permit application for The Lodge at 154.32 SFEs as presented with a 10-month payment plan acceptable to Spanish Peaks with prime rate plus 1%. Director Daniels seconded the motion. President Cronin called for discussion. The Board asked that the letter spell out what penalty will apply if payments are late. Motion passed, 5 yea votes to 0 no votes with President Cronin voting. President Cronin asked that Spanish Peaks have the lines be TVed prior to service being available. Edwards will correspond with Tate on the fee schedule.***

#### **SFE REALLOCATION APPLICATION**

Edwards explained the SFE transfer request received from Brian Wheeler and discussed ownership of the parcels. Wheeler is a corporate partner in both parcels (GoBlue for Tract 9 Remainder and Meadow View 1 LLC is the tennis court parcel). Edwards stated that with the current rules this transfer would be allowed. Wheeler clarified that the corporate papers were filed a couple of years ago. Wheeler said that a boundary line adjustment would be made for the tennis court and then that will be given to the BSOA. Wheeler said they will be putting 10 SFEs on Lot 1 and then that lot will be reduced in acreage with a boundary line adjustment with adding land to the tennis courts -- only the tennis court building with the bathrooms will stay with Lot 1. The BSOA will have to come to the District for SFEs if they want water and sewer service.

***Director Olson moved to approve Boyne's reallocation permit application to transfer 10.0 SFEs from Meadow Village Tract 9 Remainder to Sweetgrass Hills Lot 1 (tennis courts) as presented. Director Allgood seconded the motion. President Cronin called for discussion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.***

#### **RATE ORDINANCE 97-1002 AMENDMENTS**

Edwards reviewed the draft amendments to Rate Ordinance 97-1002, noting all the rate charges were listed in Exhibit B. The monthly rate will go to \$26.78 per month for unmetered accounts per service. The plant investment charge of \$3,500 will not change. Bulk rate water use will change to \$10 per 1,000 gallons and less than 1,000 gallons there will be a \$10.00 charge. Edwards reviewed the \$1,000 fee per SFE, which will be new for SFE reallocations—with the 10 SFEs transfer just approved for Boyne it would have cost \$10,000. Edwards feels that this fee amount seems excessive and the stair step fee could be deleted with just a single charge. President Cronin said the District could just decide on a case-by-case basis without a per SFE fee. Edwards doesn't think the fee should be approved as written and suggested a flat rate fee of \$250 for an application. Director Allgood talked about a knee jerk SFE transfer and liked the idea of a year ownership without a transfer being punitive, but less than one year make it punitive. *Edwards will change the draft to show a \$250 transfer fee for over one-year ownership and then \$1,000 per SFE plus a \$250 application fee for transfers less than one-year ownership.*

A \$50 charge for property transfers has been added. The interest rate penalty will be changed to 12 percent. *There will be an administrative cost added to accounts where the balances have to be transferred to the county for collection.* Edwards said a 4<sup>th</sup> tier was added to the condo and residential rate per previous discussion at board meetings. Edwards reported that Bill Simkins commented this morning that the new calculations runs close to what has been previously calculated under the old SFE system and he is not opposed to the change. Edwards has not heard any negative comments on the new tiers. Brian Wheeler asked about what would be the SFEs on 1,100 sq feet condo. Edwards said the calculation would be charged at .85 SFEs. Wheeler supports the draft changes, but would like an opportunity to calculate the SFEs using the new system on the transitional projects. Edwards stated that stand-alone condos like Powder Ridge will be calculated like a single-family home. Chad Rothacher also has concerns about how it will affect his transitional project.

***Director McRae moved to waive the second reading of Ordinance 97-1002 and to approve the third reading with the changes as noted during discussion. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.***

#### **ORDINANCE 08-1001 TO RELEASE 300 SFES FOR NEW PERMITS (1st Reading Draft)**

Edwards explained that this ordinance releases an additional 300 SFEs for new sewer and water connection permits, anticipating The Lodge project. Director Allgood stated that he is opposed to releasing additional SFEs and does not feel that we should book the SFEs for The Lodge until the last payment is received. *Edwards will not book SFEs for The Lodge until the last payment is made.* The first reading of the ordinance was tabled. Director Allgood suggested that maybe the District needs to issue a conditional letter saying that the District has capacity and then when the permit does come in the money should come with it. President Cronin asked what other Districts do. Edwards said the city of Bozeman has a pretty intensive application system and aggressive fee. *Edwards will contact a few other communities to find out what they do in their permitting procedure.*

#### **SEWER OPERATIONS**

Burroughs was not available to review his report. Edwards stated that the flow reports show that the flows for May and June are up, similar to the high numbers in 93-94, but the flows are starting to decrease. This points to I & I and Burroughs has not been able to pinpoint the source. The golf course is starting to use a lot more water now that the weather has changed. Last week our flows were down and this is typically what we would see. Edwards said that the mountain flows are typically about 50% of our flows, but he will get that break down from Burroughs for the next meeting.

#### **WATER OPERATIONS**

Muscat was not available to provide a water operations report. Edwards said that the District will probably need to go to level 2 restrictions in the near future as customers are watering more. President Cronin stated that he has received comments about the District allowing water tanks being filled when we have water restrictions. Edwards said the District will cut off the hydrant use if needed, like last year. Edwards said there is a water situation in Aspen Groves as of this morning that Muscat is working on—lack of pressure and no water. This is the first time that Muscat was moving the mountain water from Aspen Groves to the meadow when the problem occurred. Edwards noted that Muscat has cut back Yellowstone Club to 3 pumps from 4 pumps. Muscat is watching their daily numbers and is shutting them off when they hit their maximum.

Edwards stated that all the homes at YC now has meter pits and Glen Wood can read them to see where the water is being used. Director McRae offered to get the number of meters that have been installed at YC. Edwards expects to hear from the State this week on getting the Mountain Well #3 back on line. Edwards said that John Warren of Micro-Com will come in at the end of the month to finish the telemetry and he will also shorten up the run time cycles on the mountain, which is needed because of the call lag.

### **MEADOW VILLAGE WATER SYSTEM PROJECT**

Mountain Meadow Pipeline Project: SMI is coming in next week to finish up and will also fix the road even though they didn't ruin it. There is some clean up stuff that will probably take 10-14 days to finish.

Meadow Village Water & Sewer System Repairs: No comments were made.

Hidden Village Water System Repairs: They are getting ready for the paving that should happen at the end of August. The District is just about done with its work. The District is working with Lauren Bough for an easement through his property.

Silverbow Water System Repairs: HKM has submitted plans to the State and we are waiting for a response.

Meadow Village Water Well Completion Project: We are working at getting State approval to use UV disinfection, which will need a deviation from the chlorination that is usually required.

Meadow Village Water Projects Costs: The contract amounts and payments were provided in the board packet.

### **CANYON AREA STUDY**

Edwards reported that the final report will be given at a meeting scheduled for July 22. Edwards would like to bring Ray Armstrong into a WSD board meeting to review his findings. Edwards feels that if anything is done, it will be phased in starting with the entry corridor. The cost for the volumes was pretty steep.

### **STORAGE POND 3 HEATING & COOLING EXCHANGER HOLD HARMLESS AGREEMENT (Draft)**

Edwards is working with Susan Swimley on a draft, which was provided in the board packet. Edwards asked the Board members to review the document and comment. Edwards will work at adding a performance bond to the agreement for potential damage.

### **SEWER PERMITS**

Edwards reported that we received three new applications and one remodel application.

### **GENERAL CORRESPONDENCE**

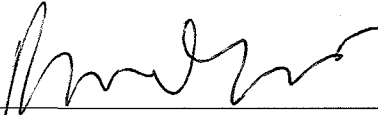
Madison County Road Reimbursement: The county commission reconsidered our request for reimbursement and has sent us a check—this is probably due to letters sent from Bill Olson and BSOA. Edwards will be meeting with Commissioner Jim Hart next week on the mountain.

**NEXT MEETING**

The next Board meeting is tentatively scheduled for Tuesday, August 19, 2008, at 8:00 AM. Olson will be gone the following week and Edwards will be gone until the 18<sup>th</sup>. Staff will check with Directors Fast and Shropshire on their availability.

**ADJOURNMENT**

*Director Olson moved to adjourn the meeting at 10:50 am. Director Allgood seconded the motion. Motion unanimously passed.*



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Dick Fast, Secretary

7-15-08. min (Board Approved 8/19/08)