

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- December 17, 2002, 8:00 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, December 17, 2002, in the WSD Community Room. Board members present were President Skip Radick, Vice President Dick Wiggins, Director Wendell Ingraham, and Director Gary McRae. Secretary Dee Rothschilder and Directors William Shropshire, Packy Cronin were not present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, Terry Smith, Grant Burroughs, and Jim Muscat; Lone Peak Lookout writer Marcus Hibdon; HKM engineer Carl Anderson; and BSOA Representative Bill Olsen.

With no public comment, President Radick called the meeting to order at 8 : 16 AM.

APPROVAL OF MINUTES

Director McRae moved to approve the regular meeting minutes of November 21, 2002, as written. Director Wiggins seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Radick voting.

FINANCIAL REPORT

Smith reviewed the financials, noting that the District is on target in all operating categories. Smith reported that the health insurance renewal premium increased about 30 % , or 10 % over what was budgeted. The Board was not alarmed by the increase due to what is happening in the country. The Board recommended not doing anything with the insurance until after the legislature meets, as the legislature may possibly address the rate issue. Smith has not received asset insurance renewal prices yet. *Director Ingraham suggested that Smith look into increasing co-insurance.* The Department of Commerce was sent the audit report.

Director McRae moved to accept the unaudited November financial reports as presented. Director Wiggins seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Radick voting.

AMEND AGENDA

To accommodate Bill Olsen, the Board amended the agenda to address the land acquisition.

LTCWP--LAND ACQUISITION

From Edwards' perspective, the land acquisition has been moving quickly. The only issue is Westland/TM leaving 10 SFEs on the Section 31 property. Bill Simkins does not recollect agreeing to leaving the 10 SFEs, as discussed at the meeting in October. The Board does not think this should be an issue as the minutes reflect what was discussed and the agreement needs to include the SFEs. Edwards noted that the District can create SFEs for its use if it benefits the District. Edwards reminded the Board that by acquiring the property, the construction costs for the two bridges are deleted.

Director Ingraham moved to accept the draft agreement with the inclusion of the 10 SFEs as discussed at the October meeting. Director Wiggins seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting.

Edwards stated that the land acquisition could be financed through a loan or with the Boyne payment. The Board agreed to use the Boyne annual payment to purchase the property.

Director Ingraham moved to take the money out of the Boyne annual settlement payment to purchase the land. Director Wiggins seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting.

Bill Olsen reported that their group will be mailing out a newsletter to their members in the next month, but will hold off until the District's deal is done. *Edwards will let Olsen know when the agreement is approved by Westland/TM.* Director Ingraham commented that Westland/TM may want to close before the end of the year for a tax advantage.

OPERATORS REPORTS

Sewer Operations: Burroughs reported that the flows are down, as to be expected with the lack of people in the area. According to previous flow reports, December is typically the peak flow time and Burroughs expects flows will climb during the end of December.

SFE Allocations: Edwards reviewed Armstrong's letter addressing the release of additional SFEs for permitting. Armstrong recommended limiting additional permitting to an additional 250 SFEs for the next year. The District currently has 74 SFEs for permitting. To anticipate the future needs of when the District gets to the maximum SFEs, *the Board will have Armstrong re-analyze capacity of the system in 2003. Director Ingraham requested that the rate structure be re-analyzed at the same time.*

Water Operations: Muscat reported that a leak was found in Silverbow and it is being repaired. Since that line was constructed in 1972, Muscat asked that the Board not lose sight of the possibility of line replacement in the near future. Edwards asked Muscat what the chances would be for resort tax funding of that line replacement. President Radick noted an article that was printed in the Bozeman Chronicle about what the West Yellowstone community uses their resort tax monies for, i.e. roads, sewer, snow plowing--infrastructure. *The Board asked Marcus Hibdon if the Lone Peak Lookout could write an article on the comparisons of how Big Sky and West Yellowstone have allocated their resort tax monies.* Hibdon commented that \$500,000 of the resort tax does go straight to the District.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Construction Status Report: Edwards reported that week-by-week summaries are provided in the board packet and invited Board members to tour the construction site after the meeting.

Army Corp Permit Correspondence & Application: Edwards has not received a response from his letter to the U.S. Army Corp of Engineers that clarifies that the project is the District's project, not the Yellowstone Club's project. Edwards stated that the District may need to do some more wetlands delineation in the spring.

Engineering Contract Change Order No. 1: Edwards reviewed the letter from Ray Armstrong requesting an engineers change order for moving the alignment on the pipeline.

Director Ingraham moved to approve Change Order No. 1 as submitted for \$30,000 for design and construction engineering services. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting.

Dispute Review Board: Edwards reported that the two chosen Dispute Review Board members picked Leland Walker as the third member.

Director McRae moved to approve Leland Walker as the third member of the Dispute Review Board. Director Ingraham seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting.

Project Easement: Edwards reported that, during the Board meeting, he received a faxed copy of the agreement from legal counsel John Brown.

Director Ingraham moved to approve the easement document "Temporary License to Install Utilities Across Westland/TM's Real Property" as presented to the Board. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting.

After Board discussion, Edwards recommended giving the Big E-Z a deadline to respond to the District's request for an easement through their property for the pipeline easement. Carl Anderson stated that getting an easement would reduce the feet of pipe needed, as using the Big E-Z would provide the District with the shortest pipeline route. *The Board directed Edwards to come up with a resolution with the Big E-Z by the next meeting. Edwards and Armstrong will prepare a letter on addressing the pipeline easement requirements and what benefits to the community will come out of it along with positive press coverage. If the Big E-Z doesn't provide an easement, that information should be publicly shared.*

LTCWP Grant Applications Status Report: Edwards reported that the District received letters from DNRC and the TSEP. The District was rated 50 out of 55 applicants on TSEP. For this session, it is a dead issue. Edwards may possibly recommend resubmitting, with additional reporting, for the next session in two years. Anderson reported that he has heard that the Governor is planning on taking half of the TSEP program funding, about \$8,000,000, and giving it to schools. This funding cut will reduce the total dollars available for these community projects. Edwards reported that he applied through Baucus' office for \$600,000, but he has not heard anything. *Edwards will follow up on that funding request.*

WATER METERING STATUS REPORT

Edwards reported that the Fry Brothers have not been back and he is not sure when they will return.

PARKING LOT EASEMENT

Edwards has discussed the easement document with Jerry Scott and Scott suggested adding the word "invitee" to the document, which the Board agreed to. *The Board directed Edwards to prepare a hold harmless agreement as an addendum to the easement agreement. The agreement will need to be amended to include a reference to a hold harmless agreement.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Powder Ridge: The District received the warranty funds for the Powder Ridge development and water service has been turned on to a couple of cabins.

Lone Moose Meadows: The District has met with Lone Moose Meadows and they have a punch list of items to work on before their sewer and water system is transferred to the District. Gary McRae reported that they will be moving very slowly to make sure that everything is done properly. McRae will keep the Board informed on the development.

Meadow Village Tract 11: Edwards received a letter from Dave Rasmussen, dated December 12, 2002, that withdrew his application for reallocating SFEs to his project. There were no documents to take action on.

SEWER RATE DEVELOPMENT

Carl Anderson, HKM, reviewed his sewer rate memorandum dated December 2, 2002. Anderson prepared the rate alternatives as a discussion guide and to get input from the Board prior to making a single recommendation to the Board. Using the overall philosophy that the higher users should pay their fare share and the lower users should not have to fund the high users, Anderson presented 5 different rate alternatives that supported this philosophy of the more water you use the more you would pay for the sewer. The rates were prepared using the base of 3,000 gallons of water use a month and the average winter time water use of 96 customers, which eliminated irrigation waters in setting the sewer rates. Also, the rate has to cover operating expenses with depreciation. Edwards noted that over time, as water meter data is available, we will know when people are here. Anderson recommended that the variable sewer rate be evaluated on an annual basis and adjusted if needed. Anderson did not recalculate the vacant lot charge, but noted that the Board could revisit this charge at any time. *Director Ingraham would like the Board to review this vacant lot charge to make it equitable to the customer who gets the 9,000 gallons of capacity for the base rate.* Anderson feels that the vacant lot charge is warranted as the District has depreciation expense and operator expense because of the lines. Edwards noted that the revenue projections in Anderson's report are not for current operations, they reflect operating costs for the new treatment plant which will not be on line for 3 years. Alternative 5 was the only rate structure that kept the charges at current rates. *Anderson will prepare a table that shows future rate and current rate. Edwards is to provide Anderson the annual grow projections to assist him in preparing a new table with figures based on the current budget that is based the current facilities.*

SEWER & WATER PERMITS

No sewer permits required board actions.

GENERAL CORRESPONDENCE

Board action was not required on the general correspondence.

NEXT MEETING

A Holiday Open House will be held at the District on Thursday, December 19, 4:00-6:00 PM, for the public and construction crew. The Board/Staff dinner will be held at the Rainbow Ranch on Monday, January 6, 2003, beginning at 6: 00 PM.

The next Board meeting will be scheduled for Tuesday, January 21, or Tuesday, January 28, 2003, at 8:00 AM in the WSD office. President Radick will be out of town from mid January to mid February.

ADJOURNMENT

Director Wiggins moved to adjourn the meeting at 10:39 AM.


Dee Rothschiller, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- November 21, 2002, 8:00 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Thursday, November 21, 2002, in the WSD Community Room. Vice President Dick Wiggins chaired the meeting with Secretary Dee Rothschiller and Directors Packy Cronin, Gary McRae, and Wendell Ingraham (arrived 8:14 AM) present. Director William Shropshire participated via telephone until 9:00 AM. President Skip Radick was not present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, Terry Smith, and Grant Burroughs; and Lone Peak Lookout writer Marcus Hibdon.

With no public comment, Vice President Wiggins called the meeting to order at 8:07 AM.

APPROVAL OF MINUTES

Director Shrophshire moved to approve the regular meeting minutes of November 21, 2002, as written. Director Rothschiller seconded the motion. Motion carried, 5 yea votes to 0 no votes with Vice President Wiggins voting.

FINANCIAL REPORT

Smith reviewed the financials, noting that both revenues and expenses are on target and the change he has made in booking the SRF loan. Smith is working on the earthquake insurance renewal that is due in February. Last year the cost was \$27,000 for \$15 million in coverage. *Smith will discuss other insurance issues with Wiggins later.* A copy of the final audit report was provided in the board packet.

Director Rothschiller moved to accept the unaudited October financial reports as presented. Director McRae seconded the motion. Motion carried, 5 yea votes to 0 no votes with Vice President Wiggins voting.

OPERATORS REPORTS

Sewer Operations: Grant Burroughs distributed the flow reports which showed that the mountain and meadow October flows were down from last year. There have not been any problems.

Water Operations: Edwards distributed the production report prepared by Jim Muscat. Year-to-date production is up from last year. Edwards noted that the weekly water meter list of users over 200 gallons a day is down to only 1 page from the 4 pages through the summer. Fry Brothers will return for a short time in December to finish a couple of metering projects and then return again in the spring to complete the metering project.

LONG TERM COMPLIANCE WORK PLAN

Construction Status Report: Edwards reported that, overall, construction is going well and there have not been any problems with the contractor, or the project. The force main project will start in the spring.

Compliance Order Amendment No. 5: The amendment changes the completion date to September 30, 2004. DEQ plans on lifting the compliance order after construction is complete. The lawsuit on the discharge permit has not been dropped and, with no action, the discharge permit will expire in 2003. Edwards does not recommend withdrawing our permit at this time, but would like the District to do so when all permits and easements are final.

Army Corn Permit Application: Edwards discussed the Army Corp of Engineers' letter which notified the District that they are withholding review of the District's stream crossing permit application until YC complies with their EPA violations. The two issues are not related and *Edwards and Armstrong will be working together to comment on the letter and also get DEQ involved to make sure that the Army Corp understands the necessity of having the stream crossing permit.* Until this issue is resolved, Edwards does not recommend withdrawing the stream discharge permit.

Project Easements: Brian Gallik is obtaining signatures from Westland TM parties and if the Board approves the license and easements in the board packet, President Radick can sign the documents when they are sent to the District. The Board discussed the insurance requirements and Director Ingraham requested that, during the course of construction, Westland be named as an additional insured under the contractors' insurance. *Edwards is to ask the contractor to include the names of any entity that is providing an easement for construction on their insurance.*

Director Ingraham moved to approve the easement documents as prepared and conditional on legal counsel review. Director Cronin seconded the motion. Motion passed, 6 yea to 0 no votes with Vice President Wiggins voting.

Land Acquisition & Bridge Cost Sharing: The board packet included a memo from Larry Holle concerning the land sale. Holle and Brown both expressed favorable opinions about the land sale. Westland TM now needs to decide if it works from their perspective. Director Rothschiller reported that BSOA will probably pass a resolution on Friday to ballot their membership for the acquisition of the Westland property west of the treatment plant. *Edwards is to contact Westland TM and request that a decision be made on moving forward with a land sale by year end.*

WATER FACILITIES PLAN

Edwards and Scott Smith, Allied Engineering, met with McMeekins-Ryans last week to walk the pipeline alignment. Edwards feels we are close to signing the easement document and past the fire hydrant location issue. At the McMeekins-Ryans request, *Edwards plans to meet with the homeowners association in December to explain the plan.*

LOW DOG ROAD SEWER/WATER REPLACEMENT PROJECT

Edwards reported that the contractor is finishing up for the season with only a few clean up items remaining. *Edwards will send a letter to the homeowners on the project status.*

WATER METERING PROJECT

The Mountain Lodge and Black Bear will be finished in December, but it is getting too cold to be pulling wire to finish all the metering. Silverbow, Yellowstone, and a few Gray Wolf condos, along with a few homes, need to be done next year.

Carl Anderson has been given all the meter flow data and is working on sewer rates based on six months of non-irrigation water use. This information should be ready soon and will be presented to the Board at their next meeting.

PARKING LOT EASEMENT

John Brown was asked to add the insurance language that the Board requested in easement agreement. Edwards is waiting on the final document for Board approval.

SEWER & WATER PERMITS

Powder Ridge Phase II, Units 14, 15, 16, 17, 18, 20, & 21: Director *Cronin moved to approve the Powder Ridge Phase II sewer permit application for 12.80 SFEs as submitted and fees as noted by District staff. Director Rothschiller seconded the motion. Motion passed, 6 yeas votes to 0 no votes with Vice President Wiggins voting.*

Director McRae noted that there may be necessary clean up in the Powder Ridge area as it may have been used as a disposal site for the demolished Deer Lodge Condominium debris. Director McRae said it could possibly affect water and sewer lines.

Ray Armstrong's letter addressing SFE capacity was provided in the board packet. With the 2002 construction season ending, Edwards did not feel the Board needed to release additional SFEs at this time.

SFE REALLOCATION APPLICATIONS

Edwards discussed 3 SFE reallocation applications submitted by Boyne Inc. Under the 1997 settlement agreement, Boyne is allowed to move SFEs into a Boyne SFE pool. Boyne also requested to move SFEs to the Bare Back 2-Lot Minor Subdivision, but they no longer own the land and therefore cannot transfer SFEs to it. The Board wants to make sure that surcharge SFEs remain surcharge SFEs and *directed Edwards to have legal counsel review the settlement agreement and ordinance as the settlement had a dollar value when originally approved by the Board. The Board wants Boyne's SFE pool defined and the ordinance to specifically state that the surcharge stays with the SFEs. Edwards is to have legal counsel clarify that if Westland TM reallocates SFEs to other land outside of Sections 1 and 31 that the SFEs will be subject to a plant investment charge.* The Board expressed its concern over keeping SFEs from becoming a commodity. *Edwards will have legal counsel prepare a document or ordinance amendment for Board review at the next meeting.*

Mountain Village and Skycrest: Reallocate a total of 849.05 SFE from 8 mountain area lots to the Boyne pool.

Area 13 of Block 2 Cascade: Reallocate 5.6 SFEs from Area 13 of Cascade Block 2 to the Boyne pool. There will be 44.0 SFEs remaining for Area 13.

Tract 2 of Sweetgrass Hills: Reallocate 2 SFEs from Tract 2 of Sweetgrass Hills to the District for the BSOA Park, Lot 2, Tract 1A of Sweetgrass Hills.

Director Rothschiller moved to approve the SFE Reallocation Applications as presented. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Wiggins voting.

LEGAL

Hall Litigation: Steve Barrett is working on a letter outlining a settlement to present to the Board.

TABLE 3.0-1 SFE COMMITMENTS

Edwards has been cleaning up and revising the SFEs on Exhibit A (Table 3.01), taking into account the agreement with Yellowstone Club, new plat amendments, and construction activity. A significant change is in the Cascade and Lake lots with the excess SFEs going into the pool. *Edwards and Nick Salmon will meet next week to review the table one more time. Edwards will present the final table for the next board meeting.*

GENERAL CORRESPONDENCE

There was no general correspondence that needed board action.

CHRISTMAS PARTY

The Board tentatively selected December 30 at the Rainbow Ranch for an appreciation dinner. The Board also selected January 6 as the alternate date and Moonlight Lodge as the alternate location.

NEXT MEETING

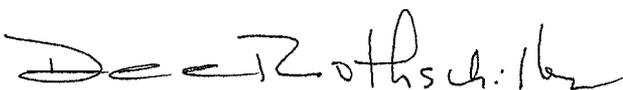
The next Board meeting is tentatively scheduled for Tuesday, December 17, 2002, at 8:00 AM in the WSD office.

HOLIDAY

The Board approved November 28 and 29 as holidays for staff.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 9:40 A.M. Director Ingraham seconded the motion. Motion passed, 5 yea votes to 0 no votes.



Dee Rothschiller, Secretary

**Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716**

Acceptance of Monthly Financial Statements

Date 11/12/2002

The Board of Directors at its 11/21/2002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	10/31/2002
Assets:	<u>\$ 27,147,779</u>
Liabilities	<u>\$ 8,187,727</u>
Equity	<u>\$ 18,960,052</u>

2 Income Statement as of	10/31/2002
Total Revenues	<u>\$ 1,026,671</u>
Total Expenses	<u>\$ (479,794)</u>
Net Revenues	<u><u>\$ 546,877</u></u>



Dick Wiggins, Vice President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- October 22, 2002, 8:00 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, October 22, 2002, in the WSD Community Room. President Skip Radick, Secretary Dee Rothschiller, and Directors Packy Cronin and Gary McRae were present. Director William Shropshire participated via telephone. Director Wendell Ingraham and Vice President Dick Wiggins were not present.

Others present were WSD staff Kon Edwards, Marlene Kennedy, Terry Smith, Jim Muscat and Grant Burroughs; auditor Marjorie Knaub; legal counsel John Brown; Lone Peak Lookout writer Marcus Hibdon; HKM inspector Larry Wyman; HKM engineer Ray Armstrong participated via telephone in the LTCWP discussion beginning at 8:20 AM; and Simkins/Taylor representatives Tom Simkins and Bill Simkins arrived at 8:45 AM to participate in the bridge and property discussions.

With no public comment, President Radick called the meeting to order at 8:06 AM.

APPROVAL OF MINUTES

Director McRae moved to approve the regular meeting minutes of September 24, 2002, as written. Director Cronin seconded the motion. Motion carried, 5 yeas votes to 0 no votes with President Radick voting.

Director McRae moved to approve the special meeting minutes of October 4, 2002, as written. Director Cronin seconded the motion. Motion carried, 5 yeas votes to 0 no votes with President Radick voting.

FINANCIAL REPORT

September Financial Reports: Smith reported that the District closed on the SRF loans at the end of September. Both operating & non-operating revenues were reported as favorable. *Director Cronin moved to accept the unaudited September financial reports as presented. Director McRae seconded the motion. Motion carried, 5 yeas votes to 0 no votes with President Radick voting.*

Accounts Payable Policy: The amended policy raises the capitalization amount from \$500 to \$5,000 as recommended by the auditor.

Director McRae moved to adopt the revised accounts payable policy as presented. Director Rothschiller seconded the motion. Motion carried, 5 yeas votes to 0 no votes with President Radick voting.

Draft Audit Report: Marjorie Knaub, Knaub & Company, reviewed the highlights of the draft audit report, noting that there was one accounting change this year as required by GASBE, but the bottom line is the same. In addition, Smith will need to reconcile a few amounts, but there was nothing significant to report or procedure changes recommended. The report needs to be in to the Department of Commerce by October 31, 2002.

Director Rothschiller moved to accept the financial audit report as presented by Marjorie Knaub, Knaub & Co. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting. Director Shropshire abstained as he did not receive the audit report to review.

OPERATORS REPORTS

Sewer Operations: Burroughs reported that the flows are way down, the filter building was shut in last week with the big pond down to 5", and the golf course irrigation has been blown out. October 1 is the target date for Bode11 for next year.

Water Operations: Muscat reported that the flow reports have dropped drastically now that irrigation is shut down and he doesn't believe that there are any substantial water leaks in the meadow system. The volume of water used in the summer was way up due to irrigation and people are now paying for what they used. Some of the highest water users were metered at about 9,000 gallons of water a day. However, the average monthly charge was \$95 for water. Edwards reported that, so far, the meter billing is covering our expenses, but it will be closely monitored. Well #7 has been pot holed and it is in good shape to tie in when the District needs it. All four of the original mountain wells are working for the first time since the District took over the water system. Fry Brothers are metering commercial and condominium complexes and may finish the metering this year. *Edwards will have Carl Anderson propose a sewer rate based on the water use at the next board meeting.*

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Edwards' managers report provided a week by week synopsis of the construction activity. Armstrong reported that the first concrete pours were made last week with Bode11 trying to get some of the large pours done before winter. Bode11 planned on working on the bridge through the winter. However, if that gets deleted, then Armstrong is not sure if Bode11 will continue construction through the winter. Bode11 sent the resume for their selection of an individual for the Dispute Review Board. *Armstrong will send a letter to Bode11 indicating that their selection meets with District Board approval.* SMI does not need to select a member, but Armstrong has asked SMI to send him a letter indicating that they approve of Bodell's selection.

The Big E-Z easement discussion has come to a stalemate. Edwards has had a number of meetings with Bob Sumpter, Yellowstone Club, for a new alignment through Sections 8 & 9, shifting everything to the north and eliminating the need to go through the Big E-Z property. The contractor, SMI, likes the new alignment better and it saves about 5,100 feet of pipe. With the unit price at \$46 per foot, that is about a \$234,000 savings, but there will be additional engineer costs. Edwards recommended changing the alignment as the contractor is satisfied with the new alignment and Yellowstone Club has been very cooperative. *Larry Wyman, HKM inspector, will set up a meeting with Sumpter, SMI, and everyone involved to have everyone sign off on the new alignment.* Armstrong stated that

there will have to be a road or access put in to the pump station. Wyman reported that the locations will be made today, and then they will have a better idea of costs. The Board expressed their disappointment with the Big E-Z not providing an easement. Edwards noted that he felt the Big E-Z did make an effort to work with the District, but that their requested considerations from YC could not be worked out.

With Bill and Tom Simkins at the meeting, Edwards distributed Ray Armstrong's letter dated October 21, 2002, concerning potential costs and/or cost savings related to deleting the bridge from Bodell's contract. Armstrong presented the worst case scenario as a \$25,000-\$30,000 cost, via verbal conversation with Bodell, but Armstrong has not received anything in writing yet. About 2,000 yards of dirt needs to be moved within the next few days to allow work to continue. Bode11 quoted a price of \$3.44 per cubic yard. Armstrong recommended that the Board approve the change order to move the material and prefers that the District try to identify the final location. Wyman reported that Bode11 has held off as long as they can on digging the foundation for the compost building footings as the dirt has been in the way, but now they need to move the dirt. If the approximate 2,000 yard pile is moved now, that will allow Bode11 to continue its work and give the Board time to work on the land acquisition and delete the bridge from the contract.

Director Cronin moved to approve a change order for Bodell to move approximately 2,000 yards of material, at an estimated cost of \$6,880, and with a unit price of \$3.44 per cubic yard. Director Rothschilder seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

Armstrong recommended payment of the \$5,000 to Bode11 for the work they have already done on building forms for the bridge. The Board said the District will go ahead and pay the amount as part of the contract. The District has not given Bode11 a formal written notice to stop work on the bridge, but a verbal request has been made and Bode11 has stopped bridge construction. Bode11 has been asked for the impact of delaying the bridge building and they have said that the digester used the bridge forms and there would be costs for reworking the forms plus another week, or week and a half, for form construction. The road change would not be a significant change. Wyman reported that the rebar has been fabricated for the bridge and shipment has been held. Neither Armstrong or Wyman knew the cost for possible restocking of this. Edwards asked if there was anything else in the next couple of months that would cost the District by stopping work on the bridge. Armstrong was not aware of any additional costs and Bode11 has not reported any other costs. Wyman also reported that he has not received any indication of additional costs. President Radick said the Board will be making a decision by the Board's self-imposed February deadline.

Edwards and President Radick reported that they met with Bill Simkins and James Taylor on October 10 to look at ways for the District to acquire the land to the east of the new plant and to delete the bridge. Follow up correspondence from Simkins and Taylor was provided in the board packet. Edwards reported that the price will be \$450,000, and that the District does not want to purchase the land with a conservation easement. There may be a problem with the District qualifying as a non-profit entity and Edwards asked Brown to look into it

and report on what he found out. President Radick said both sides are trying to do what they can to make this happen. Brown met with Larry Holle, a tax attorney, and Holle will be preparing a report on different ways it could work. Holle said there are two ways to go, either by selling the property directly to the District or to do the transaction through a non-profit corporation. According to Holle there could be a way to work it out as a tax benefit to Simkins/Taylor and he will be preparing a memo. As long as it doesn't enhance, or they don't benefit from the donation, they may qualify for a deduction. Also, there are only certain 501(c) (3) entities that can be used as a third party. Holle will also address the allowed land uses. For the District to use bond money, the land must be connected with the use of the treatment plant. Brown believes that by using the land for additional storage or spray irrigation it should then qualify. According to Tom Simkins, it seems that there would be some benefit just for the District to acquire the land for some future use. Bill Simkins said there would probably have to be some deed restriction that states the District could not sell the property. Brown will work with the Simkins/Taylor legal counsel, possibly next week, to determine if the property transfer can be done without going through a third party. The Board agreed, in principal, to the concept if the parties can work out the details. President Radick said, financially, the land transfer plan is beneficial to the District. Edwards noted that Simkins will want to transfer/reallocate the SFEs from Section 31 to the Town Center. Edwards, however, would like to keep about 10 SFEs for future community need on the property and Simkins agreed to Edwards' request. Tom Simkins stated that, conceptually, the parties have come to an agreement and everyone is working toward this win-win situation. Edwards explained that the money could come from reserve PIC funds. **John Brown will look into using the PIC funds for the land acquisition.** Edwards noted that the District should get something in writing from the BSOA, State, County Commissioners, and Fire District as documentation that these entities approve of the treatment plant's one access without the bridge. Once the District has received input from the legal counsel, the issue will be discussed further. The BSOA land acquisition is totally separate and the District does not have any responsibility with that acquisition. **Edwards will send the Board Holle's letter.**

WATER FACILITIES PLAN

Edwards reported that he has a meeting later today with Allied and they will be staking the pipeline route at McMeekins-Ryans. There are only two issues at this point, the ingress and egress access easement and the fire hydrant location. The revised easements have been sent to the McMeekins-Ryans for signing. The hydrant location could be a costly issue and could require a fairly substantial booster station & pump house if the hydrant is located at the top of the road. Edwards has told the McMeekins-Ryans that the District has never contemplated locating a hydrant by the road. Edwards does not see the access issue as a big problem. The Tract D booster station and the access easement paperwork has been sent to Boyne for review and approval. The access will have to come off Looking Glass as the DOT will not allow another access from the Spur Road.

LOW DOG SEWER/WATER MAIN REPLACEMENT STATUS REPORT

Edwards reported that, at this point, the contractor is shutting down. Larry Wyman reported that the new water line portion is being pressure tested and chlorinated and once that is done, they will close up, clean up and gravel the road for the season. Wyman estimated, depending on passing the pressure test, that Big X should be getting the road work done next week. Edwards said the next step is to prepare a change order. Wyman reported that Big X will dispute the liquidated damages and will submit a letter for a contract extension.

LEGAL ISSUES

Tract 4/Sarah Hall: Edwards reviewed the draft proposal presented at the last board meeting that did not meet with board acceptance. Brown commented on his discussion with Keith Strong, who is representing Boyne in this action, and his conversation with Steve Barrett. Brown reviewed the SFE Reallocation provision of the Ordinance and noted that the limitation on transferring SFEs was put in the ordinance to prevent the SFEs from becoming a commodity. Hall & Boyne have negotiated and Boyne will pay the surcharge by taking the 64.1 SFEs and encumber the SFEs to a portion of the Skycrest SFEs. Edwards proposed that the 64.1 SFEs with a surcharge could be attached to the Boyne mountain area development that is otherwise exempt from surcharges. According to Director Cronin, the essence of the agreement was that when the property was built on, the surcharge was to be paid. President Radick believes that the District does not have to do anything to accommodate the Hall-Kircher divorce settlement, but the Board does need to follow the ordinance. In Brown's opinion, and as he understands the ordinance, he doesn't feel the SFEs are being transferred, just the surcharge encumbrance. President Radick stated if they are presenting an agreement that follows the ordinance, then the District should consider approving it, being fair to all parties. Edwards suggested that if the District agreed to transfer the SFE surcharge to the mountain area, add language that specifics which development it would apply to. President Radick suggested that there could also be a specified time period for payment. The Board agreed that if a proposal is presented that is acceptable by the Ordinance, then it will be considered. *Brown will talk to Barrett and get something in writing that he will translate into an agreement to be presented at the next board meeting.* President Radick reiterated Cronin's concern that the surcharge could become floating and very delayed in paying. *Brown is to relay the Board's concern about this delay in his correspondence.*

PARKING LOT EASEMENT

Edwards included a draft easement in the board packet and, as far as he is concerned, it is ready for Board approval conditional on the \$6,650 payment for paving cost share. The Board asked that the agreement include the change of hold harmless/additional insured, as discussed in the September board meeting. *The insurance information will be included and the document will be presented for Board approval at the next meeting.*

PROPOSED SUBDIVISIONS & DEVELOPMENTS

Edwards reviewed the proposed develop in the Skycrest Area and Cascade Block 2 and a copy of his correspondence on the developments was provided in the board packet.

SEWER & WATER PERMITS STATUS REPORT

No permit applications required board action.

GENERAL CORRESPONDENCE

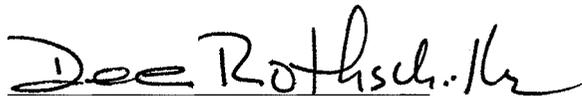
There was no general correspondence that required board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Thursday, November 21, 2002, at 8:00 AM in the WSD office. President Radick and Director Shropshire will be available via phone.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 10:05 AM. Director Rothschiller seconded the motion. Motion passed, 5 yea votes to 0 no votes.



Dee Rothschiller, Secretary

**Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716**

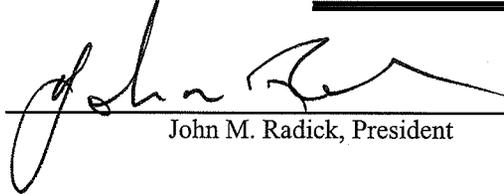
Acceptance of Monthly Financial Statements

Date 10/17/2002

The Board of Directors at its 10/22/2002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	9/30/2002
Assets:	<u>\$ 33,184,814</u>
Liabilities	<u>\$ 14,429,456</u>
Equity	<u>\$ 18,755,358</u>

2 Income Statement as of	9/30/2002
Total Revenues	<u>\$ 8 14,002</u>
Total Expenses	<u>\$ (470,892)</u>
Net Revenues	<u>\$ 343,110</u>



John M. Radick, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Special Meeting -- October 4, 2002, 8:00 AM WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a special meeting for 8:00 AM on Friday, October 4, 2002, in the WSD Community Room. President Skip Radick, Secretary Dee Rothschiller, and Directors Packy Cronin, Wendell Ingraham, and Gary McRae were present. Vice President Dick Wiggins and Director William Shropshire (called in at 8:30) participated via telephone.

Others present were WSD staff Ron Edwards, Marlene Kennedy, and Grant Burroughs; HKM Engineer Ray Armstrong; HKM Inspector Larry Wyman; BSOA/Big Sky Community Corporation representative Bill Olson; Sin&ins-Taylor representative James Taylor (arrived at 8:25) and Lone Peak Lookout writer Marcus Hibdon.

President Radick called for public comment at 8:07 AM.

PUBLIC FORUM

Speaking in support of the District's plan to negotiate with Sin&ins/Taylor for acquiring the land east of the treatment plant, Bill Olson asked the Board to also do what they could to help with the transfer of the property west of the treatment plant for increasing the park area.

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

LONG TERM COMPLIANCE WORK PLAN -- BRIDGE CONSTRUCTION

Edwards, engineers and board members, discussed the implications of stopping the bridge construction. Edwards reported that he e-mailed the Fire District and Gallatin County Planning Office on October 3, asking for their input on the proposal to eliminate the bridge access if the Simkins-Taylor property east of the treatment plant is acquired by the District and not developed into a residential area. Although the District has not yet received a response, Edwards believes there should not be any problems with the proposal. Ray Armstrong believes deleting the bridge looks favorable as the contract will allow it, and Todd Teegarden, Montana DEQ, does not have a problem with eliminating the bridge access. Teegarden has said that the only requirement is year-round access to the treatment plant and the Little Coyote Road access serves that need. In addition, Armstrong has let the contractor, Bodell, know that the District is considering eliminating the bridge. Bodell can make a claim for the work they have already done, plus overhead fixed costs. Using certified pay reports, Armstrong provided a conservative bridge labor estimate of \$5,000-\$7,500, to date, with an estimate of \$15,000-\$20,000 for all claims. The additional cost of improving the Little Coyote Road access would probably be a wash with the existing contract road access cost at \$100,000. If the bridge is eliminated, Armstrong said the contractor will start improving the now emergency access. A firm easement for access off Little Coyote Road needs to be completed and Armstrong said the easement could be set up for treatment plant access only. The Board suggested that the road follow close to the water pipeline. The bridge cost was \$500,000 in the contract. Director Ingraham expressed his concerns about the big unknowns without having a prior agreement with Sin&ins/Taylor as the land may not transfer and then Sin&ins-Taylor will still need bridges for access. Director Ingraham advised the District to make a deal on whatever property is in the District's best interest and to remain independent in the event for the need for bonding for purchasing property. The

Board would like the contractor to stop bridge construction until spring, allowing the Board time to negotiate with Simkins. Armstrong will discuss this with the contractor and the contractor will need to talk with their sub-contractor for the micro-piles drilling. If only a month delay, it probably would not be a big deal. However, a delay for 4-5 months may cause problems with the driller's schedule as bridge construction probably could not occur in the spring. Also, the contractor had planned to build the bridge this winter. President Radick voiced the Board's desire to give the contractor a delay parameter to the end of February for negotiating time with Simkins-Taylor. If the District has a deal with Simkins-Taylor by the deadline, the bridge portion of the contract goes away. Armstrong didn't see the February deadline delay as an issue in the treatment plant construction. Larry Wyman reported that the contractor plans to work through the winter and would probably work in areas that would be less costly to heat. However, if the bridge is not built, there will be a tremendous excess of dirt and storage is already becoming a problem and there are potential extra costs for disposal of the fill. Board members suggested the District could advertise to sell the dirt. James Taylor said they haven't given up the right to the dirt. President Radick stated that Simkins-Taylor would be given first option on the dirt. President Radick noted the huge unknown with BSOA's land purchase proposal if they do not come up with the funds. Speaking on behalf of the BSOA, Director Rothschiller was positive that they can raise the \$500,000 for the 22.8 acres and WSD does not have to be involved in that land acquisition. According to James Taylor, their goal is to work out the 3-year option with BSOA. Director Radick invited James Taylor to give a price on the land. Taylor commented that they are a for-profit company, however, on a conceptual basis, there is something good for the whole community with the transfer of their property and they feel that they can create a situation that benefits them, WSD, and BSOA/Community Corporation. Taylor spoke of the potential community and government opposition to building two bridges for access to the property and that they would want WSD to build the bridges if they do develop their land. Taylor reported that the land east of the plant was appraised at \$3.7 million, and suggested WSD buy the land for \$1 million with the condition of a conservation easement. According to Taylor, it would be easier to donate the land to a nonprofit entity and take a tax credit on the donation than it would be to sell it for developing purposes. President Radick explained, if the asking price is \$1 million dollars, the District does not have that much money. The District has about \$450,000-\$500,000 to make the deal work and negotiations must be close to that amount for basis of discussion. President Radick also pointed out that Simkins-Taylor would not have to spend \$450,000-\$500,000 to build the two bridges if the District acquired the property. Taylor felt that a deal could be worked out with President Radick's noted financial parameters and Taylor will call the District on Monday to set up a negotiation meeting for next week with President Radick, Director Cronin, Ron Edwards, Bill Simkins and Taylor. President Radick reiterated that the negotiation deal will have a deadline of the end of February as long as the contractor approves it. The Board does not want conservation easement contingencies attached to the purchase of the 24.5 acres as it may limit WSD's ability to use the land. The Board directed Edwards to look into limits of a conservation easement. Director Ingraham wants BSOA to give something to WSD in writing that guarantees Little Coyote Road as the sole access. He also wants something similar from the Fire District and the County. Director Rothschiller stated that BSOA can go out to the membership with a mail ballot in 30-days. President Radick said the negotiations are important at this time and we need to proceed with getting

an agreement in principal with Simkins-Taylor. The Board asked Ray Armstrong to get close estimates of the bond money, less incurred expenses, that the District has to work with for the purchase of the land to Edwards by Monday. Armstrong will get the information from Bodell, but for now will prepare conservative estimates. Director Ingraham asked that Edwards and Smith look into the WSD budget for funding the land purchase. Prior to next weeks meetings, the Board directed Edwards to check with Mae Nan Ellingson on the appropriateness of using the bond money for the land purchase and to also find out how much money is available. The Board directed Edwards to check with legal counsel on tax deduction eligibility/option for Simkins-Taylor if the land is donated to the District. Director McRae asked that the Board be able to justify the purchase of the land as a benefit to District use. President Radick asked if other board members, or Bill Olson, had any concerns, to please talk to either he or Cronin before the meeting next week. Edwards also noted that Simkins-Taylor could relinquish the SFEs designated in Section 31 if they are not needed, which would be a benefit to the District. In closing the discussion, President Radick clarified that, according to the contract with Simkins-Taylor, the District is obligated to cost share on both of the bridges. He also feels it is obvious that Simkins-Taylor is trying to do the right thing for the community. Edwards, Director Cronin and President Radick will meet prior to the negotiation meetings with Simkins-Taylor.

SECTION 31 ACCESS & WATER PIPELINE EASEMENT

Edwards asked the Board if the draft easement agreement with Simkins/Taylor as presented at the September 24 board meeting was acceptable. According to Edwards and Armstrong the only issue is the condition for the lift station that would potentially cost the District \$15,000-\$20,000 if the land west of the treatment plant is developed by Simkins-Taylor.

Director Cronin moved to accept the easement agreement with the lift station language as presented. Director Ingraham seconded the motion. Motion passed, 7 yeas votes to 0 no votes with President Radick voting.

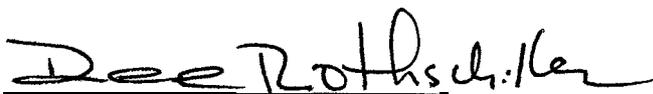
Armstrong reported that he is waiting for additional information on the force main easement alignment. James Taylor responded that they will be getting the information, along with exhibits, to the District as requested and there is no problem with the access as outlined.

NEXT MEETING

The next Board meeting is tentatively scheduled for the third Tuesday of the month, October 15, 2002, at 7:30 AM in the WSD office.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 9:30 AM.



Dee Rothschiller, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- September 24, 2002, 7:30 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 AM on Tuesday, September 24, 2002, in the WSD Community Room. President Skip Radick, Vice President Dick Wiggins, Secretary Dee Rothschiller (arrived at 8: 15 AM), and Directors Packy Cronin, Wendell Ingraham (arrived at 8:25 AM), Gary McRae, and William Shropshire were present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, Terry Smith, Grant Burroughs, and Jim Muscat; Lone Peak Lookout writer Marcus Hibdon; and HKM Engineer Ray Armstrong via phone during the LTCWP Status Report.

President Radick called for public comment at 7:37 AM.

PUBLIC FORUM

With no public comment, President Radick called the meeting to order at 7:37 AM.

APPROVAL OF MINUTES

Director Cronin moved to approve the regular meeting minutes of September 24, 2002, as written. Director Wiggins seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

FINANCIAL REPORT

Smith briefly reviewed the financials, stating that the District is on target with both revenues and expenses. Last month the delinquent accounts receivables were turned over to the counties for collection. The auditor recommended increasing the cost of assets to capitalize so that small items would not have to be capitalized. *Smith will update the policy and the Board will act on the revised policy at the next meeting.*

Director Shropshire moved to accept the unaudited August financial reports as presented. Director Cronin seconded the motion. Motion carried, 6 yea votes to 0 no votes with President Radick voting.

OPERATORS REPORTS

Sewer Operations: Burroughs stated that irrigation will be blown out on October 15 and the treated wastewater should be emptied out of the ponds this week. A new flow switch will be needed to turn off the jockey pump. The flows are up a little, which reflects growth, but Burroughs will get the pond down to about 6 inches before shutting down the irrigation.

Water Operations: The Board did not have any questions on the flow report which was in the board packet.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Project Status Report: Edwards reported that Bodell was given a contract to proceed and they have already started. Bode11 will work through the winter if they can get the foundation poured soon. If the foundation is not done, Bode11 will shut down for the winter. The pipeline materials have been ordered and SMI will start working next spring. Edwards has met with LMR about the cross country ski trail that was on the treatment plant site. After the treatment plant is done, LMR may put in a trail on the south side.

Dispute Review Board Representative Selection: Resumes for Richard Bondy and Leland Walker were presented with Edwards recommending Bondy as he appears to have the most experience and appears to be the best qualified for our project.

Director Wiggins moved to select Bondy as first choice for Design Review Board. Director Rothschilder seconded the motion. Motion passed, 6 yea votes to 0 no votes.

Armstrong will contact Bode11 and let them know that the District's first choice for contract dispute is Bondy .

Project Financing: The bond financing for the treatment plant, forcemain, and water improvements will close today. The District still needs to supply a few election documents to Mae Nan Ellingson once the district receives them from Gallatin County.

Project Easements: Westland/TM easement documents were in the board packet for review. Westland/TM is requesting a lift station for Section 31 be designed and built by the District and Edwards doesn't feel that is a big item (about \$15,000) in consideration for the easement. If the land is purchased for park land by BSOA, then the lift station requirement will go away. Since Westland/TM does not know how much development they will have or where the development will be, there is not enough information to do any design at this point, but a stub out can be put in for now. If the easement isn't given, it will affect pipeline location in a couple of locations. When the original agreement was put together, the lift station was not part of the agreement, it has evolved. The Board delayed action until reviewing Westland/TM's request proposal for cost sharing of the bridge.

The BSOA Easement has been signed and will be sent to the county for recording.

BSOA Option & Bridge Cost Sharing: The Board reviewed Gallatin Peaks' letter of September 19, 2002, regarding their proposal for the bridge cost share. Edwards noted that the District's agreement does not call for any cost share of a second bridge, or approach; and it is not a given that the county will approve a second access off the Spur Road. Edwards feels that there is a high probability that the resort tax will help fund the purchase of the park area from Westland/TM. Edwards proposed a cost share of \$895.52 per SFE for Westland/TM by factoring in Bodell's bid price of \$600,000, Westland's cost share of \$300,000, and 335.00 SFE total allocation to Section 31. Director Cronin asked if the District needs the bridge. Edwards doesn't believe the District needs a bridge, but a bridge

will be needed if Westland develops the land. If the development on both sides of the treatment plant site went away, then the bridge probably isn't needed. The Board would like Edwards to propose to Westland that the bridge construction would be delayed until Westland decides to build a bridge and then the District would cost share. Edwards will check with the engineers and state to see if the bridge construction can be delayed. Armstrong was asked what kind of impact it would have on the contractor if the bridge was not constructed. Armstrong reported that they may be able to may a claim for lost cost or overhead. The engineers will need to ask Bode11 for a response to the request, hopefully with only small costs involved. The Board directed Armstrong to find out what the District will need to do to discontinue the bridge portion of the contract. Edwards will provide Armstrong some background information regarding the Westland situation. Director McRae asked if a temporary construction bridge could be built and then reclaimed when construction was complete. Armstrong will ask for a quick response cost. Edwards asked Armstrong if the State would have a problem with only one access, using Little Coyote. Edwards will get back to Armstrong after the meeting and then Armstrong is to get the wheels in motion today. Director Ingraham doesn't believe that the public wants Little Coyote Road as a main access to the plant and that BSOA membership approved emergency access only. Director Rothschilder feels that the BSOA membership would approve full access without other development using the area and asked if the District could buy the remaining 24.5 acres. Edwards suggested deleting the bridge and riprapping the existing ponds. The Board suggested buying the land to the east and have BSOA purchase the 22.8 acres to the west. President Radick asked if the money isn't used to build the bridge, could it be used to purchase the 24.5 acres. *Edwards will check with the State on the allowable use of the funds. The first step is to find if the bridge can be taken out of the construction contract, which Edwards and Armstrong will work on. Edwards is to call a special meeting if the Board needs to address the issue prior to the next regular board meeting.*

WATER FACILITIES PLAN

The engineers have done some new line alignment for the new water facilities plan. The easement with Cronin will be done in the next couple of weeks. McMeekins-Ryan had a question about the location of the hydrant and Edwards will be sending them information with the new exhibits from Allied. The booster station easement in Tract B, MV 25-lot addition, is still being worked on and Allied is working on a new exhibit.

LOW DOG SEWER & WATER MAIN REPLACEMENT PROJECT

Big X/Dave Hough is an easy month behind schedule on the Low Dog project and Edwards doesn't see that improving. Big X will be looking at about a month of liquidated damages. Edwards reported that Big X does do a good job, but the problem is that we have temporary water service that is now freezing up with the dropping temperatures. Edwards has suggested to Big X to hire a subcontractor to get the water line in, and it is up to Big X if he wants to do it. Muscat reported that contractor employee's moral is low, but the quality of the job is not being compromised and Muscat feels that the 60-day contract was underestimated by the engineers. Muscat recommended to the Board to do what they can to mitigate liquidated damages. Edwards reported that, at the end of the day, he feels that the

inspection costs could be reduced since the engineers grossly underestimated the construction schedule. President Radick would like Edwards to encourage Big X to get another crew to get the work done so that the Low Dog Rd property owners are not further inconvenienced with construction. *The Board would like the contractor to work on closing it down properly before winter if they cannot get it done in a reasonable time. Muscat will talk with Big X about the Board's concerns and try to get the job closed in if it cannot be finished quickly.*

WATER METERING PROJECT STATUS REPORT

Fry Brothers are still metering, and currently working at Glacier. They are trying to get keys for Silverbow and have Yellowstone, Stillwater, Spruce and some Gray Wolf units in addition to commercial metering to do.

LEGAL ISSUES

Silvertip/West Berlin: Edwards noted that he sent a letter to Berlin and received a certified return receipt, but the District has not heard a response from Berlin. The Board has two years to move the water line and has to have water running through the existing line on Berlin's property for the two years. *Edwards will have Brown draft an abstract to file at the county. The Board asked Edwards to delay any design work until next spring and the Board will revisit the issue then.*

Tract 4/Sarah Hall: To settle the Hall lawsuit, Edwards had District legal counsel draft an agreement that transfers Boyne's Skycrest unincumbered SFEs to Tract 4 so that Tract 4 would not have to pay the surcharge. Edwards said that District attorneys state that the Board can allow the transfer of SFEs even if that is contrary to District Ordinance.

President Radick called for a motion to accept agreement for the transfer of SFE obligations. For a lack of a motion, the agreement consideration died. Board members agreed that they will not make an exception on transferring SFEs to property that is not owned by the party transferring the SFEs, which would be contrary to District Ordinance. By not approving the agreement, the Board wants to avoid making SFEs a commodity and the District does not want to open the flood gates for future requests of this nature.

DISTRICT PARKING LOT EASEMENT

Edwards revisited the history of the meadow center use of the District parking lot and said that the easement document in the board packet was a first draft. Edwards reported that the District still has not received the cost share easement consideration of \$6,650. The Board would like to add a hold harmless clause to the agreement so that the District does not assume the liability of someone slipping and suing the District when using the parking lot for matters other than District business. *Edwards will have legal counsel review the document and add the hold harmless clause.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Tamarack Court: The District will be commenting on the engineer's design for a water main extension. As presented in the engineers report, water pressure is fine for Phase I, but without the new water improvements, Phase II would not have enough water pressure for fire protection.

ORDINANCE 02-1002: RELEASE 100 SFES

Without engineers review and approval the Board recommended releasing only 75 SFES for permitting, which would fall under the original engineers' estimates.

Director Cronin moved to waive the three readings of Ordinance 02-1002 and to approve the release of an additional 75 SFES for sewer permitting. Director Ingraham seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

SEWER & WATER PERMITS

Blue Grouse Development Co: As part of the Blue Grouse commercial development in Westfork Meadows, Cronin applied for 5.59 sewer SFES and 5.00 water SFES for a new commercial building #5 on Lot 2/3, Block 1.

Director McRae moved to approve Blue Grouse Development Co. permit for 5.59 sewer SFES as submitted and fees as noted by District staff. Director Wiggins seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting and Director Cronin abstaining.

GENERAL CORRESPONDENCE

There was no general correspondence for board action.

NEXT MEETING Edwards will schedule a special meeting on the Westland/TM bridge issue if needed and the next regular Board meeting is tentatively scheduled for Tuesday, October 15, 2002, at 7:30 AM in the WSD office. Director Shropshire and Vice President Wiggins will be out of town, but will be available by telephone. President Radick will not be available on the 15th as he will be out of town for four days.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 9:51 AM.


Dee Rothschiller, Secretary

**Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716**

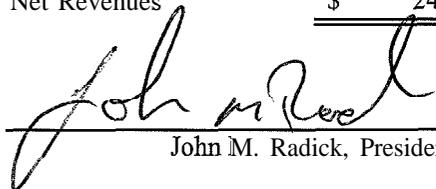
Acceptance of Monthly Financial Statements

Date 9/17/2002

The Board of Directors at its 9/24/2002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	8/31/2002
Assets:	<u>\$ 25,525,138</u>
Liabilities	<u>\$ 6,864,581</u>
Equity	<u>\$ 18,660,557</u>

2 Income Statement as of	8/31/2002
Total Revenues	<u>\$ 472,166</u>
Total Expenses	<u>\$ (223,857)</u>
Net Revenues	<u>\$ 248,309</u>



John M. Radick, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- August 29, 2002, 7:30 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 AM on Thursday, August 29, 2002, in the WSD Community Room. Vice President Dick Wiggins chaired the meeting with Secretary Dee Rothschiller (left at 10:00 AM) and Directors Packy Cronin and Gary McRae present. Director Wendell Ingraham participated via telephone on Resolutions 02-07 and 02-08. President Skip Radick and Director William Shropshire were not present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, and Jim Muscat; and HKM engineer Ray Armstrong. Dorsey & Whitney bond counsel representative Mae Nan Ellingson participated via phone on Resolutions 02-07 and 02-08. A presentation on Section 31 development plans was made by BSOA/Big Sky Community Corp representative Bill Olson and Gallatin Peaks representative James Taylor.

With no public comment, Vice President Wiggins called the meeting to order at 8:00 AM.

Director Rothschiller moved to amend the agenda to allow Bill Olson and Jim Taylor make a presentation regarding Section 31. Director Cronin seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President Wiggins voting.

SECTION 31: BIG SKY COMMUNITY CORPORATION & GALLATIN PEAKS: Bill Olson and James Taylor presented their Section 31 development plans that depend on the BSOA/Big Sky Community Corporation exercising an option for purchasing the 22.8 acres from Gallatin Peaks for a \$500,000 purchase price and Gallatin Peaks' donation of an additional 13.8 acres of land along the river. In consideration of the land, BSOA would grant Gallatin Peaks an emergency access route. Olson reported that the BSOA board has voted on and approved the agreement with Gallatin Peaks. It will be presented to the membership at the annual meeting on Friday, and then will go out to BSOA membership vote. Since the 22.8 acre area is proposed to be incorporated into the park area and not to be developed by Gallatin Peaks, *Olson asked that the WSD Board relieve Gallatin Peaks from paying for half of the bridge construction costs to facilitate the option as written into an agreement between WSD and Gallatin Peaks.* Edwards reported that Gallatin Peaks' current obligation is to pay for half of the bridge. The agreement does not specifically state that the obligation is transferred to a successor of the land. In addition, the entire bridge construction cost was included in the bond funding request and project finances are not dependent on the contribution from Gallatin Peaks,

James Taylor stated that the land is valued at over a million dollars and they would like for the District to relieve them of the approximately \$500,000 obligation of cost sharing the bridge, making it possible for them to sell the land to BSOA/Big Sky Community Corp for \$500,000. *Taylor also asked that the District dismiss, reduce, or defer Gallatin Peak's cost share commitment,* or they will be forced to sell the 22.8 acre (proposed park area) property for housing development. Taylor also reported that Gallatin Peaks will market the remaining 24.5 acres in section 31 to the east of the treatment plant site as river front single family

with zoning allowing approximately 6.7 dwellings per acre. However, due to topography, he noted that development will probably be limited to 9 or 10 sites which is a drastic reduction from original development plans for all the section 31 acreage. At a minimum, *Taylor would like the WSD to reduce and postpone the bridge funding commitment until, or if, the remaining 24.5 acres is developed into a certain density.* Taylor also asked for a speedy board decision as the District will be building the bridge in the near future and they need to know if they have to cost share in the construction, which would necessitate the sale of the land.

Director Rothschiller stated that the community is in desperate need of additional park space as they are out of room. According to Olson, the 22.8 acres would make a great asset for the community and the Big Sky Community Corporation has three years to raise the money for the purchase of the land. They will seek funding from resort tax, grants, and submit a \$100,000 application to Gallatin County that Olson feels will have a good chance of being funded if the regional park is not funded.

Vice President Wiggins stated that the WSD Board would like to help facilitate the expansion of the park area with this land acquisition, and also have it work for the community, Gallatin Peaks, and WSD363. However, Vice President Wiggins delayed board action until the full board could address this commitment issue. Director Cronin asked if the District will relieve Westland of the obligation to pay for half the bridge if BSOA exercises their agreement to purchase the 22.8 acres. Director McRae asked if there is an obligation from Gallatin Peaks to access the 24.5 acres. Edwards responded that there is a benefit to Gallatin Peaks to have the bridge for the 24.5 acres and that there should be some cost share. *Vice President Wiggins directed Edwards to come up with a plan for the Board to consider at the next meeting.*

APPROVAL OF MINUTES

Director Rothschiller moved to approve the regular meeting minutes of July 23, 2002, as written. Director Cronin seconded the motion. Motion carried, 4 yeas votes to 0 no votes with Vice President Wiggins voting.

FINANCIAL REPORT

Edwards briefly reviewed the financials. Edwards has talked to Smith about the new District meter rates covering revenue needs and *Smith is to put together a quarterly revenue analysis that reviews if the District is on target, or if the District will need to adjust rates.* The restricted account for plant investment funds is \$3.1 million and \$2.5 million will be used for the new treatment plant project.

Director Rothschiller moved to accept the unaudited July financial reports as presented. Director Cronin seconded the motion. Motion carried, 4 yeas votes to 0 no votes with Vice President Wiggins voting.

INSURANCE

Edwards updated the Board on the status of insurance with Hoiness Labar and the company only giving the District about 2 weeks notice that the insurance rates were going up. Vice President Wiggins said that he and Ingraham had looked into the state fund and they did not feel their reserves would adequately cover the District in a disaster. Vice-President Wiggins was not pleased with our agent after being denied a 30-day extension to review the insurance rates. Vice-President Wiggins and Director Ingraham have *directed Smith to look into other insurance coverage and a different agent.*

OPERATORS REPORTS

Water Operations: Muscat reported that the District came as close as we ever to running out of water in the Meadow. The Meadow wells can produce 850,000 gallons a day, and consumption came close to that amount. Muscat feels that most of extreme use is from irrigation, with 23 million gallons used in July. Muscat did do a presentation to the Big Sky Architectural Committee on the need for conservative landscaping. Director Cronin would like people to use a moisture/rain sensing system so that the irrigation is not running after or during a rain storm. The Board would like the District to promote xeroscaping. Edwards distributed a report of accounts that use over 200 gallons of water per day on the average. Since the District bills in arrears, the property owners will not see the cost of irrigation until October. Muscat said the architectural committees are sitting in a position to make a difference in the landscaping. Vice President Wiggins would like the District to explore xeroscaping options and work together with the architectural committees. Edwards said there is a lot of information available on xeroscaping, but there needs to be a community incentive. Director Cronin asked if the District would consider letting neighborhoods put in a shallow well for irrigation as this would make a great impact on decreasing domestic water supply use. Edwards would not be an advocate for opening the door on wells as you would then have to open it up to everyone and he wouldn't want additional wells close to the public water supply system. Edwards said the District could provide incentives through water rates, maybe having a higher \$3 .00 per 1,000 gallons variable rate during June-September. Muscat said that an irrigation system can be more conservative with water use because you don't forget to turn off the water. Muscat would like to see the water rates increase in the summer months as he feels that many people are over watering. *Vice President Wiggins asked Muscat to look into reducing the number of allowed watering hours for next summer.*

Sewer Operations: Edwards reported that the pond elevations are looking good, the new jockey pump is in place, and Control Technologies needs to finish the last step for the pump controls.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Status Report: Ray Armstrong reported that a preconstruction meeting on Schedule 1 and Schedule 2 will be held this afternoon. The notice of award, contingent on DEQ approval, will also go to the contractors and the paperwork will take about a week for turn around. The dispute review board members will need to be selected and meet early on in the project. Armstrong has contacted two members for the District thus far and he has a resume for Rick Bondy, and once he gets a resume for Lee Walker, Armstrong will forward the resumes to the District. Armstrong has responded to the county's comments on the floodplain review.

The county representative suggests in his review letter that they want the District to redo the flood study but, according to Armstrong, the District has to follow what the county has in place. Armstrong thinks this issue should be resolved shortly. Bode11 Construction should start mobilizing in a week. SMI has met the financial goals for minority, women, etc. participation but the solicitation paperwork needs to be done.

Resolution 02-07: Wastewater Project General Obligation Bonds of \$7,000,000 & \$6,500,000: Participating via telephone, Mae Nan Ellingson reviewed the key provisions in each Article. Edwards asked if both amounts could be covered through this single resolution, with Ellingson assuring the Board that another resolution is not needed and that the two amounts are just for administrative purposes that need separate requests for the funding. The prepayment provision allows for prepayment of the loan without any penalties. Any draws through the SRF will be spent as drawn and the closing certificate will spell out what can be done with funds. It will be the same procedure as the previous bond even though the District did not have to do a tax levy due to resort tax funding of the debt. *Edwards will need to talk to the counties after passing the resolutions to let them know that levies will be coming next year. Ellingson will send executable copies of Resolution 02-07 for board signature.*

Director McRae moved to adopt Resolution 02-07 as presented. Director Ingraham seconded the motion. Motion carried, 5 yea votes to 0 no votes with Vice President Wiggins voting.

Resolution 02-08: Water System Project General Obligation Bond of \$534,000: Ellingson noted that most of provisions are the same as the previous bond and briefly reviewed the key provisions. Another bond resolution for the tank replacement project will be needed after the project bid has been received.

Director Cronin moved to approve Resolution 02-08 as presented. Director Ingraham seconded the motion. Motion carried, 5 yea votes to 0 no votes with Vice President Wiggins voting.

No further board action will be needed to execute the bonds.

Edwards is still working on the easement with the Big E-Z and has met with Pat Bouchard. The Big E-Z wants to get a sign easement from the Yellowstone Club. Armstrong said it would be a real problem to reroute the pipeline. The District would be looking at significant costs for a change in the construction contract that will be awarded today, as the contractor will be ordering pipe as soon as notice of award is done.' Asked how long condemnation takes, Armstrong stated that it takes quite a while as necessity for eminent domain has to be proved through the court system. Director McRae will talk to Yellowstone Club about locating the Big EZ signage on Yellowstone Club/Spanish Peaks land.

AMEND AGENDA

Director Rothschiller moved to amend the agenda to address the sewer permits. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President Wiggins voting.

SEWER & WATER PERMITS

Edwards reviewed the two application that needed Board approval since they were over the 5 SFE staff approval limit.

Director Cronin moved to approve Boyne's Powder Ridge Phase II application for 12.00 sewer SFEs as submitted and with fees and conditions as noted by District staff. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President Wiggins voting.

Edwards reviewed Snowy River's applications, stating that this property is exempt from plant investment charges and is charged only 50 % of the inspection fees. According to Edwards, it's the Districts goal to finish the water tank next year and the District needs to move forward on this application as all of Section 1 is in the water and sewer district and the sewer and water extensions have been tested and conveyed.

Director McRae moved to approve Snowy River's Town Center Tamarack Court application for 20.40 SFEs as submitted and with fees and conditions as noted by District staff. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President Wiggins voting.

The Board directed Edwards will prepare a resolution for the next board meeting that would release an additional 100 SFEs.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards reported that he has not heard anything from Robert Berlin/West Berlin and the deadline of August 31, 2002, is approaching. Edwards is to send Berlin a termination of service agreement letter on September 4. Vice President Wiggins will be talking to the state to see if anything can be done with this site.

Cascade: Wiggins reported that the area above Skycrest is under contract and there is a proposal to do a 64-unit project.

WATER FACILITIES PLAN

Edwards updated the board on the status on the McMeekin-Ryan easements. They had a few questions on the language and, based on the correspondence, there shouldn't be anything to prevent the easement from being signed. Allied has re-surveyed the pipeline easements through the Cronin's and McMeekins-Ryans land and are working on revised map exhibits.

LOW DOG ROAD SEWER & WATER MAIN REPLACEMENT PROJECT

Edwards provided an update on the Low Dog Road replacement project and Larry Wyman is the contact person as the inspector. Following up from the July meeting, Vice President Wiggins reported that he talked to County Commissioner Ted Kaufman and Madison County will only pay for half of the paving cost.

WATER METERING PROJECT STATUS REPORT

Edwards reported that Fry Brothers have installed about 600 meters, and just finished with Hidden Village.

GENERAL CORRESPONDENCE

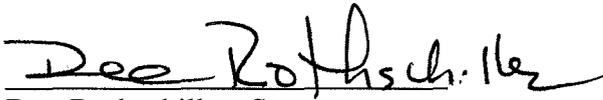
No board action was required on the general correspondence.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, September 24, 2002, at 7:30 AM in the WSD office.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 10:34 am. Director Cronin seconded the motion.


Dee Rothschild, Secretary

Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716

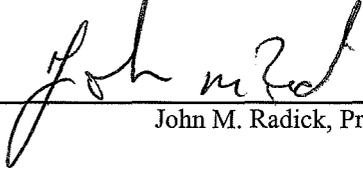
Acceptance of Monthly Financial Statements

Date 9/17/2002

The Board of Directors at its 812912002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

I Statement of Condition as of	7/31/2002
Assets:	<u>\$ 22,582,313</u>
Liabilities	<u>\$ 6,720,921</u>
Equity	<u>\$ 15,861,392</u>

2 Income Statement as of	7/31/2002
Total Revenues	<u>\$ 203,363</u>
Total Expenses	<u>\$ 94,564</u>
Net Revenues	<u>\$ 108,799</u>



John M. Radick, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes -- July 23, 2002, 7:30 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 AM on Tuesday, July 23, 2002, in the WSD Community Room. President Skip Radick, Vice President Dick Wiggins, Secretary Dee Rothschiller, and Directors Packy Cronin, Gary McRae, and William Shropshire were present. Director Wendell Ingraham was not present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, Terry Smith, Grant Burroughs, and Jim Muscat; and HKM Engineers Ray Armstrong and Larry Wyman.

With no public comment, President Radick called the meeting to order at 7:35 AM.

APPROVAL OF MINUTES

Director Cronin moved to approve the special meeting minutes of July 2, 2002, as written. Director Rothschiller seconded the motion. Motion carried, 6 yeas votes to 0 no votes with President Radick voting.

FINANCIAL REPORT

Smith presented a brief review of the financials noting that a few expenses were miscategorized and that will be corrected.

Director Shropshire moved to accept the unaudited June financial reports as presented. Director McRae seconded the motion. Motion carried, 6 yeas votes to 0 no votes with President Radick voting.

OPERATORS REPORTS

Water Operations: Distributing the production report, Jim Muscat explained that the water use is up from last year and a lot of water is continuing to be used. Leak repair work has been done with another leak to fix, but Muscat does not anticipate the leak repairs to really make a difference as there is just more water usage than previous years. The District is monitoring irrigation watering and citations are being issued to violators. Muscat summarized, that there isn't much else to do other than build a new tank. The Board recommended that, as growth continues, landscaping plans take into account that there is a limited amount of water and more severe water restrictions may be needed along with a water conservation campaign. The Board would like to go on record with the architectural committee that Big Sky does have a water shortage and it may become more severe and landscape plans should be planned accordingly. *Wanting to go on record with the Big Sky Architectural Committee, the Board directed Muscat to make a presentation on the need for planning landscape that conserves water and to ask the committee what they need from the District for them to endorse the conservation concept, Muscat will attend the architectural committee meeting on Thursday and then work on a handout.* The Board would like to reinforce xeriscaping.

Sewer Operations: Grant Burroughs distributed the flow reports and summarized the sewer operation activities by reporting that the flows are slightly up, the filters are running fine, the golf course irrigation is working, the big pond is at about 8 feet, and the new jockey

pump should be in and running in August. Asked when flows would need to go to the Yellowstone Club, Burroughs and Edwards estimated that it will be several years and there would need to be about a 40 million gallon increase before needing to use the Yellowstone Club.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Edwards reported that the District is exempt from the land use permit process and the fees do not have to be paid. Ray Armstrong updated the Board on the long term compliance work plan project bids. *Williams Brothers was the low bidder on Schedule I.* Williams has notified Armstrong that they made a bid error of \$234,000 which will bring their bid just below the next lowest bid. Williams requested that the Board accept their bid adjustment for their bid error, or they will need to withdraw their bid. According to Armstrong, if the District lets them withdraw their bid, the District can make them forfeit their bond, which would essentially make Williams do the job. Armstrong said Williams seems to want out of the bid and he recommended letting Williams withdraw and to return their bond.

Armstrong also recommended that the District let the bid to the next lowest bidder, Bodell Construction, and add alternatives 1, 2, 3, and 4 in the award at \$11,342,000. There would be \$580,000 contingency: Armstrong did not recommend awarding alternative 5 at this time and to possibly do it at the end of the project. Since the bid cannot be awarded until the State concurs, Armstrong asked the Board for a letter stating their intent to award the bid. *Snow Machines Inc. was the low bidder on Schedule 2, the pipeline project.*

Armstrong reported that they had good references and have previously done a good job on other projects. Armstrong reported that the construction companies would mobilize as soon as notice of award is received.

The total project bid was \$13,930,528 and Edwards said we are sitting good with a cushion of plant investment fees and contingency funds. Director Shropshire recommended that alternative 5, for the rip rap, also be awarded so that we do the pond right to begin with. President Radick also believed that this should be included as aesthetics are important to the community. John T Jones Construction was the lowest bid based on the base bid, but about \$90,000 higher than Bode11 with the alternatives. Director Cronin asked if the District should wait to award alternative #5. President Radick recommended waiting to award alternative #5 and to rip rap both ponds if we have the money when the rest of the project is done. President Radick asked Armstrong if the District is creating a problem by not awarding alternative #5. Armstrong responded no.

Director Shropshire moved to accept the Schedule 1 bid submitted by Bodell Construction at \$11,342,000 with alternates 1, 2, 3, and 4, and to accept the Schedule 2 bid from Snow Machines Inc. at \$2,217,528. Director McRae seconded the motion. President Radick called for discussion. Director Shropshire would like the ponds rip rapped. Director Cronin would like the Board to ask the public if they want to spend his estimate of \$1 million to rip rap all the ponds. Director McRae recommended delaying the award of alternate #5 and then to put it out to bid with rip rapping all the ponds. Director Shropshire feels that the voters approved the least offensive alternative by voting for the bond which included the rip rap. The motion passed, 6 yea to 0 no votes with President Radick voting.

The Board will wait to award alternative #5, rip rapping the ponds, and explore funding options such as resort tax. President Radick would like Edwards to check into using left over funds for a rip rap project. Edwards doesn't believe the state would have a problem funding that.

Director Shropshire moved to have Armstrong put together designs and specifications for improving the aesthetics of the ponds, such as rip rap or other alternatives. Director Wiggins seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

Edwards reported that the state needs clear title and easements for the treatment plant and pipelines. There are some issues, such as Westland's requested lift station in Section 3 1, that will need to be worked out. SRF approvals are contingent are submitting this information. Edwards has consulted with legal counsel for review of his draft correspondence to Westland. Edwards reported that we have not received anything in writing from the Big E-Z as yet. Edwards has talked with Pat Bouchard from Texas and offered to go to Texas to discuss the issue. Edwards hopes that the easement will be signed. The BSOA access is close to being complete. Edwards asked Armstrong what changes would be necessary if the Big E-Z doesn't sign. Armstrong responded that there would be significant engineering and construction costs for rerouting.

WATER FACILITIES PLAN

Edwards presented an update on the water facilities plan with the Cronin easement close to approval. Bid specs will be put together in August.

Director Cronin moved to approve the McMeekin-Ryan easement subject to legal counsel review and approval. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

LOW DOG SEWER & WATER MAIN REPLACEMENT PROJECT

Larry Wyman reported that Big X/Dave Hough started mobilizing July 22. Edwards has delivered signed contracts to Zach Lowe, HKM-Bozeman. Big X has 60 days from July 22 to complete the project. Edwards has written to Madison County asking for 100% payment of the paving. Ted Kauffman said they will probably fund 50 percent of the paving. The Directors felt they Madison County should contribute more. Director Rothschilder reported that the RID document says sewer, water, and paving. *Director Wiggins will call Kauffman and ask if Madison County could contribute more for paving, if possible.* Wyman said the contractor will maintain access with possibly 4 hour delays and to call him if there are any problems.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Silvertip: Edwards reported that **he sent a letter to Robert Berlin asking for an** update on the Silvertip development and requested the information as Berlin promised at an earlier board meeting. The letter gives Berlin 60 days notice and if he doesn't respond the Board will give him a 60 days notice to rescind the contract. Edwards did not send the initial letter certified or return receipt. After Edwards read the termination section of the

agreement, the Board decided to wait until August and then make a decision based on the response, or lack thereof.

Director Shropshire moved to write a letter to Berlin stating that the District will terminate the water use agreement on September 1 if they have not heard from him by August 31. Director Wiggins seconded the motion. Director Shropshire amended his motion to include to proceed with engineering for moving the water line as a contract extra with the Low Dog Road project. Director Wiggins seconded the amended motion. Motion passed, 6 yea to 0 no votes with President Radick voting.

Lone Moose Meadows: Edwards reported that the Lone Moose Meadows walk through was done and items have been identified for finishing up so that the conveyance and be done.

SEWER & WATER PERMITS

There are still 65 SFEs remaining. Edwards has written to Brian Wheeler asking for the reconveyance of SFEs for the park. There has been a flurry of permitting activity but Edwards felt that there are sufficient SFEs remaining for this building season.

GENERAL CORRESPONDENCE

Edwards will prepare a handout for the BSOA annual meeting.

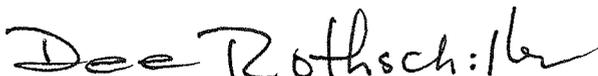
Director McRae reported that the paving will be done on Lone Walker and Edwards will make sure that a pipe line is put in prior to paving.

NEXT MEETING

To accommodate Mae Nan Ellingson, the next Board meeting is tentatively scheduled for Tuesday, August 27, 2002, at 7:30 AM in the WSD office.

ADJOURNMENT

Director Wiggins moved to adjourn the meeting at 9:35 AM. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes.


Dee Rothschilder, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Special Meeting -- July 2, 2002, 8:00 AM

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a special meeting for 8:00 am on Tuesday, July 2, 2002, in the WSD Community Room. President Skip Radick, Vice President Dick Wiggins, Secretary Dee Rothschiller, and Directors Packy Cronin and Gary McRae were present. Directors Wendell Ingraham and William Shropshire were not present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, and Terry Smith; and Lone Peak Lookout writer Marcus Hibdon.

PUBLIC FORUM

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

Director Rothschiller recommended that staff have Friday off in conjunction with the 4th of July holiday. Director McRae seconded the recommendation and all other board members agreed to giving staff two days off.

APPROVAL OF MINUTES

Director Wiggins moved to approve the regular meeting minutes of June 18, 2002, as written. Director McRae seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

FY 2002-2003 BUDGET

Smith noted that the budget committee met last week and adjustments in revenues were made due to the uncertainties in water and sewer revenues since going to a metered based billing system. The estimated plant investment fees were reduced. There is an 18% reserve estimated if everything comes in as budgeted. President Radick asked if Edwards, Burroughs and Muscat were comfortable with the budget and the amount of reserve. Edwards commented that he felt comfortable with the budget as prepared and the plans for reserves will be revisited.

Director McRae moved to adopt the FY 2002-2003 Budget as presented. Director Rothschiller seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

Smith noted that state statutes have a one year delay for former employee before they can do business with their former government employer. Since Dutton's year has passed, Smith recommended doing more business at Big Sky Western Bank. Smith recommended running the depositing and construction accounts through Big Sky Western Bank. President Radick and the Board members agreed to using Big Sky Western Bank as long as there are security pledges to cover any District deposits.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Due to the complexity of the project, Edwards noted that the bid opening has been delayed one week, until July 9. The mandatory pre-bid meeting was well attended and a copy of the sign-in form was included in the board packet. The Big E-Z understands the situation

of the District not being able to provide treated wastewater is consideration of an easement. They will be responding to Edwards letter and have said that they will work with the District. Edwards presented the District's project and need for easements to the BSOA Board. The BSOA board approved the easements subject to their legal counsel review. Director Rothschiller noted that the BSOA board agreed unanimously and the BSOA board does want to buy the Simkins land for inclusion in the community park land. Bill Simkins still wants to meet with the county commissioners to see if the land could be used to satisfy park land dedication requirements for future developments. Edwards reported that a zoning hearing has been schedule for the one building that is closer to the property boundary than allowed by zoning regulations. Edwards will not know about the requested waiver of the land use permit fee until after the zoning hearing. Edwards paid the zoning waiver fee of \$250.

WATER FACILITIES PLAN

Edwards has contacted McMeekins-Ryans counsel, John Brown, and hopes to finish the terms of the agreement within the next few weeks. Edwards will need to contact Paul Cronin to get an easement through his property.

PROJECT FINANCING

Relating to financing of the projects, Edwards requested the Board to approve the resolutions for reimbursement and entering into SRF loan commitments, the same as the bond process in 1996. Bond counsel, Mae Nan Ellingson, was consulted and she prepared the resolutions for board consideration.

Resolution 02-03: Reimbursement Resolution for Sewer Project

Director Wiggins moved to waive the three readings of Resolution 02-02. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

Director Rothschiller moved to approve Resolution 02-03 as presented. Director Cronin seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

Resolution 02-04: Resolution Approving the Entering into the Commitment Agreement for the Sewer Project

Director Wiggins moved to waive the three readings of Resolution 02-04. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

Director Rothschiller moved to approve Resolution 02-04 as presented. Director Cronin seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

Resolution 02-05: Reimbursement Resolution for the Water Project

Director Wiggins moved to waive the three readings of Resolution 02-05. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

Director Rothschiller moved to approve Resolution 02-05 as presented. Director Cronin seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

Resolution 02-06: Resolution Approving the Entering into the Commitment Agreement for the Water Project

Director Wiggins moved to waive the three readings of Resolution 02-06. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

Director Rothschiller moved to approve Resolution 02-06 as presented. Director Cronin seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

SRF LOAN COMMITMENT AGREEMENTS

Director Cronin moved to appoint President Radick as the District representative to sign the State Revolving Binding Commitment Agreement of \$2,500,000 for a General Obligation Bond. Director Wiggins seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

Director Cronin moved to appoint President Radick as the District representative to sign the State Revolving Binding Commitment Agreement of \$13,500,000 for a General Obligation Bond. Director Wiggins seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

The Directors briefly commented on the letter to Barb Campbell from the state funding reviewer, Joe Elliott, asking for additional information on the District's grant application.

LOW DOG SEWER & WATER MAIN REPLACEMENTS

Edwards reported that the contract to proceed has been signed and Big X will begin construction on July 8. Director Rothschiller inquired if Edwards had contacted Madison County about using RID funds for paving. Edwards had contacted the county a few months ago, but did not get a commitment from Commissioner Ted Coffman. At the Board's request, Edwards is to contact Madison County again to request use of the RID funds for paving Low Dog Road after the water and sewer replacement work is done.

METERING PROJECT

Edwards reported that Fry Brothers have installed 147 meters since arriving in June and plan on continue working on the project until finished, or as weather permits.

WEST BERLIN/SILVERTIP

Director Wiggins asked Edwards if he sent a letter to Bob Berlin as the Board discussed and directed a couple of months ago. Edwards reported that he has drafted a letter, but it has not been sent. Edwards is to finalize the letter and send it to Berlin's last known address. Director Cronin cautioned the Board in rescinding the agreement. President Radick noted that Berlin made a commitment to the Board at a WSD meeting a few months ago and has not followed through on one thing, as agreed, and the Board needs some show of commitment from Berlin. The Board directed Edwards to send the letter as previously discussed, demanding a response from Berlin.

GENERAL CORRESPONDENCE

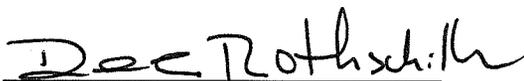
Board action was not required on any general correspondence.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, July 23, 2002, at 7:30 AM in the WSD office.

ADJOURNMENT

Director Wiggins moved to adjourn the meeting at 9:02 AM. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes.



Dee Rothschild, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting – June 18, 2002, 7:30 AM

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 AM on Tuesday, June 18, 2002, in the WSD Community Room. President Skip Radick, Vice President Dick Wiggins, and Secretary Dee Rothschiller and Directors Gary McRae and Packy Cronin were present. Directors William Shropshire and Wendell Ingraham were not present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, and Terry Smith; and HKM engineer Ray Armstrong.

With no public comment, President Skip Radick called the meeting to order at 7:37 AM.

APPROVAL OF MINUTES

Director McRae moved to approve the meeting minutes of May 29, 2002, as written. Director Wiggins seconded the motion. Motion passed, 5 yeas to 0 no votes.

FINANCIAL REPORTS

Smith reviewed the financials and reported on the backhoe lease and bids.

Director Rothschiller moved to approve the May financials as prepared. Director Wiggins seconded the motion. Motion passed, 5 yeas to 0 no votes.

LONG TERM COMPLIANCE WORK PLAN

Edwards is still working on the land easement through the Big E-Z and reported that Ray Armstrong will address the Board later in the meeting, prior to the pre-bid meeting scheduled for 9:00 AM. Edwards will talk to Armstrong about issuing an addendum for an alternate route. Director McRae will talk to Jim Dolan about the request from the Big E-Z for treated wastewater as Dolan has said that should not be an issue.

WATER FACILITIES PLAN

Edwards and President Radick reported on their meeting of June 8 with the McMeekins/Ryans. The McMeekins/Ryans are okay with the project, but are firm with asking for \$50,000 in compensation for the easement. They currently do not see the blue tank and feel that they are taking a risk with the new tank. In addition, they will have to deal with the inconvenience of the construction mess and there is no benefit to them since they are out of the District and have a well for water. Since President Radick had previously talked to many of the board members individually, on behalf of the Board he offered McMeekins/Ryans \$50,000, installation of a fire hydrant, and installation of a curb stop if they need to connect in the future if their well goes dry. Edwards agreed with the offer since the District does not have a back up site for a tank on the south side of the meadow and legal counsel felt it would cost more than \$50,000 to proceed with condemnation. According to Edwards, funding the offer will come out of our reserves if the bids come in over projected costs. Edwards noted that the resort tax board did not fund any of the \$250,000 request for the water tank project.

Director Cronin moved to allow Edwards to proceed with the easement consideration offer to the McMeekins/Ryans of \$50,000, plus installation of a fire hydrant and installation of a curb stop in the event that their well should go dry in the future, subject to review. Director Wiggins seconded the motion. Motion passed, 5 yeas to 0 no votes.

LOW DOG ROAD

Edwards reported that Big X, Dave Huff, was the low bid for the Low Dog water and sewer replacements.

Director McRae moved to direct Edwards to proceed with awarding the contract to Big X. Director Rothschiller seconded the motion. Motion passed, 5 yeas to 0 no votes.

METERING

Edwards reported that Fry Brothers has started the second phase of metering and that they hope to finish by the end of the summer.

PARK LAND

Edwards reported that in the meeting of last week with Sin&ins/Taylor, they made it clear that the .43 acres next to the park is not for sale as they feel the property is a key to getting the access issue for the rest of their property in section 3 1 resolved. They would, however, consider selling the entire parcel, about 27 acres, with the selling price start point at half a million. The Big Sky Community Corp, Bill Olsen, will present the concept to BSOA at their June board meeting. Olsen will also meet with the County Commissioners about the access issue. Edwards gave BSOA the access and water line easement document for review and approval.

LEGAL ISSUES

Edwards reported on the issue of outside employment for employees of the District which has been prompted by Firelight Meadows contacting the District for assistance in getting their operators fully certified. As requested by the Board at the May meeting, Edwards contacted Dick Larsen to amend the District Policy Manual, with the draft language presented in the board packet. The Board stated that it is up to Burroughs and Muscat if they want to contract with Paul Pariser, but the Board affirmed their need to be informed of District policy and problematic situations that could arise. The District policy change will clarify that District employees can have outside employment if they inform the District, in writing, and do not use District time, property, and/or equipment to perform any outside employment. Edwards stated that the operators' license go with the operator, not with the District. Also, there is nothing in District policy that would prohibit an employee from having outside employment as long it is not a conflict of interest.

Director Rothschiller moved to approve the amendment to the policy manual as presented and to have the current employees be given this amendment as soon as prepared. Director McRae seconded the motion. Motion passed, 5 yeas to 0 no votes.

RESORT TAX ALLOCATION

Edwards reported that the stream monitoring funding was approved, and that he will contract that work with the MSU Big Sky Institute. The aerial photography work was also funded. The water project funding request was denied. Edwards felt that the District was penalized on this request because the bond passed and he was also able to answer all their questions about costs to be passed on to the property owners, unlike other taxing entities that requested and received funding. Director Wiggins recommended that next year the District needs to present to the resort tax board the necessity of funding water projects. President Radick reiterated the recommendation, stating that the resort tax board members need to be challenged on making decisions on allocations that are consistent with the enabling resort tax ordinance.

OATH OF OFFICE

The Board welcomed Packy Cronin back, fulfilling Stewart Peacock's term. Cronin signed the Oath of Office.

ORDINANCE 97-1001 AMENDMENT

Edwards reviewed the SFE reallocation procedure and the need for amending the ordinance so that the Board would have the authority to permit community projects, such as the park, on property not included in Table 3 .O- 1. Edwards reviewed the amendment as presented in the board packet. Director Cronin expressed his concern for a potential loop hole for making SFEs as a commodity.

Director Cronin moved to accept the amendment to Ordinance 97-1001 as presented. Director Wiggins seconded the motion. Motion passed, 5 yeas votes to 0 no votes.

LONG TERM COMPLIANCE WORK PLAN

Ray Armstrong expects 7- 10 prime bids to be submitted from the approximately 60 sets of plans that have been sent out. Armstrong has received comments back from the State, a couple of which will need to be addressed and then he expects to get State approval on the plans. The basement of the lab/office building will need two points of emergency egress and Armstrong will leave this up to the architect. Edwards has asked the Gallatin County Planning Department for a waiver of approximately \$5,000 for the land use permit fee. The Board asked why it would cost so much, as all the county does is check for zoning set backs. Edwards will hand deliver the letter and application to the County. Armstrong will need an answer on the pipeline route to which Edwards will try to contact Mike Barrett today to get an answer by the Board approved deadline of Friday, June 28, A change order may need to be done if the District can't get the Big E-Z pipeline easement. Armstrong also discussed a proposal to the Yellowstone Club to go through part of their golf course to shorten the pipeline route.

WATER/SEWER PERMITS

Edwards reported that there are about 80 SFEs remaining for permitting.

GENERAL CORRESPONDENCE

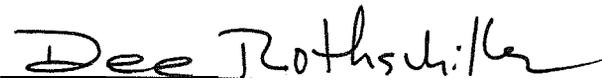
The general correspondence did not require Board action.

NEXT MEETING

A special meeting will be held on July 2 at 1:00 PM to allow time for Ray Armstrong to compile the bids after the bid opening at 10:00 AM. The regular board meeting will be on July 23 at 7:30 AM.

ADJOURNMENT

At 9:00 AM Director Cronin moved to adjourn the board meeting. Director Rothschiller seconded the motion. Motion passed, 5 yeas votes to 0 no votes.



Dee Rothschiller, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- May 29, 2002, 10:00 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 10:00 AM on Wednesday, May 29, 2002, in the WSD Community Room. Secretary Dee Rothschiller, and Directors Stewart Peacock, Wendell Ingraham, and Gary McRae were present. President Skip Radick, Vice President Dick Wiggins, and Director William Shropshire were not present. In the absence of President Radick, Director Ingraham chaired the meeting.

Others present were WSD staff Ron Edwards, Marlene Kennedy, and Terry Smith. HKM Engineers Ray Armstrong and Carl Anderson participated via phone during the discussion on the long term compliance work plan.

With no public comment, Director Wendell Ingraham called the meeting to order at 10:04 AM.

APPROVAL OF MINUTES

Director Rothschiller moved to approve the regular meeting minutes of April 17, 2002, as prepared. Director McRae seconded the motion. Motion carried, 4 yea votes to 0 no votes.

FINANCIAL REPORT

April Financial Reports: Smith explained that the format for some of the financial reports has been revised with the intent to make them easier to interpret. Smith did not see any problems with the accounts receivable at this point, and customers with delinquent balances will be notified that the delinquent amounts will be turned over to the counties for collection. Director Ingraham suggested eliminating the legal expense report as it is no longer needed and to footnote legal expenses in the future. Director Ingraham also suggested footnoting or highlighting areas that may be an issue, i.e. utilities. Director Ingraham inquired what amount of the accounts receivables was going on the tax rolls for collection and suggested that future reports focus on that amount as the Board only needs to know what is over 90 days overdue and what is being done for collection.

Director Peacock moved to accept the unaudited April financial reports as presented. Director McRae seconded the motion. Motion carried, 4 yea votes to 0 no votes.

Audit Proposals

Smith reported that he contacted 12 accounting firms and received bids from 3. Smith recommended that the District retain Knaub & Co.

Director McRae moved to accept Smith's recommendation to hire Knaub for three years. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes.

2002-2003 FY Budget Proposal

Smith presented the draft FY 2002-03 budget, noting that a few line items still need to be tweaked, as metered based billing may cause a problem with revenue numbers. The water revenue is down 1.6 % from last year due to metered based billing, and sewer revenue may

change when billed via metered water use. Smith believes that this revenue will even out over time. Edwards stated that the engineers helped the District set a rate to begin with and the rate setting can be fine tuned over time. Director Ingraham suggested that the District be more conservative when setting this coming fiscal year's budget--projecting a budget with a lower revenue instead of using reserves to fund the budget. Directors Ingraham and Wiggins will meet with Edwards and Smith to review the proposed budget. Director Ingraham stated that he would like the District to self insure with vehicles and believes that this would be a savings to the District. Smith does not expect to get quotes from insurance companies for 3-4 weeks. Director Ingraham encouraged other board members to participate in the budget review if they want to. Edwards reported that he has started putting together specs for a new vehicle to replace the Suburban, but has not had the time to finish it up. Director Rothschiller asked why there is a big discrepancy between sewer and water salaries, noting the percentage for Burroughs. Smith responded that he budgeted 10 % for everybody.

OPERATORS REPORTS

Sewer Operations: Edwards reviewed Burroughs' flow reports, noting the graph shows flows are down in April, but coming up in May--which is probably due to the colder weather earlier in the spring. Overall, we are running about the same as prior years.

Water Operations: Edwards stated that Muscat's production reports show that the mountain production is down and the meadow production is up. Muscat believes there is a leak in the meadow system and the leak company will be here in June to check the system.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

With Ray Armstrong participating via phone, Edwards reported on the design engineering and the State's comments. Armstrong intends to have the final plans ready by Friday with bid advertisements starting on June 2 and response comments to Todd Teegarden, DEQ, at the same time. A pre-bid meeting will be at 9:00 AM on June 18 and the bid opening is scheduled for 10:00 AM on July 2 in Big Sky. Armstrong has had several calls and anticipates some good competition. Armstrong reported that we will be out to bid before the final state approval, but there were no major items in Teegarden's letter to delay the bids.

Since DEQ is requiring fencing, Edwards asked Armstrong to put together the same kind of fencing that we have used along the highway and asked him for the amount of fencing needed. Armstrong explained the need to fence the entire perimeter. Director Ingraham commented we need to look at aesthetically pleasing fencing and asked that Armstrong put together some fencing choices for the Board to decide on. Armstrong stated that a security fence looks just like that and there are only a few options with patterns and colors. What surrounds the pond area is a PVC coated fence. Armstrong will include in the bid specs that there will be a colored fence with the decision to be made by the Board. *Armstrong will get the fencing option information to the Board.*

Edwards presented contract language for a dispute review board to handle any disputes that may arise with the LTCWP project. Director Ingraham asked what happens if there is no decision in using a dispute review board. Armstrong stated that disputes can still be settled in court. Director Ingraham asked why not use arbitration instead of a dispute review board. Armstrong stated that a dispute review board is up to date and is familiar with the project

rather than coming in just when there is a dispute. The cost for a dispute review board is split, the contractor submits all invoices and the District pays 50%. Director Ingraham is in favor of binding arbitration to avoid prolonged litigation and most contracts usually include an arbitration clause. Edwards asked if there is a way to use this dispute review board and make it binding. Armstrong will talk with Gary Simonich as he is more familiar with the subject. *The Board asked Armstrong to review this issue and get back to the District. If the dispute review board cannot be binding, then the Board would like binding arbitration.*

Edwards discussed the response from the Big E-Z on the easement request, noting his draft response. The Big E-Z wants a future commitment for treated water, but the problem with that request is the District's commitment to the Yellowstone Club for the treated water not used on the Meadow Village golf course. Armstrong estimated it would cost about \$100,000 or more to re-route the forced main pipeline. The Board asked Armstrong to take a look at another route as the Board doesn't believe filling in the dollar amount in Edwards draft letter is the issue. *In responding to the Big E-Z, the Board directed Edwards to clarify what the water is and to explain that the District is in no position to offer treated water due to contractual commitments and that the Board is willing to consider additional compensation. Director McRae and HKM Engineer Greg Underhill will walk the property to look for alternative routes.*

Edwards briefly reviewed the history of a needed easement through BSOA so that the water line location could go from Little Coyote to the treatment plant site and then asked Armstrong what would be the plan if we cannot get the easement. Armstrong said a water line could be run across the river or a new well could be put on site, but with a well there is no fire protection. Although, the fire protection system could be coming off the treated wastewater. Bob Stober, Big Sky Fire Chief, will need a full set of plans and Armstrong will be sending these. The District will need to negotiate with BSOA for the easement. If the water line location needs to be changed, Armstrong said the immediate impact would be construction access with building a bridge first, delaying construction for the plant until next summer. The costs would not be significantly different, probably \$50,000-\$100,000 with construction delays, etc. Director Rothschiller reported that the BSOA board will not meet again until June 21, however, a special session could be called. Rothschiller asked, if the BSOA does give access, will the park be tore up for the summer. Unfamiliar with the layout of the park, Armstrong believed that the construction access could be the dirt road that already exists. Armstrong is to take a look at the construction schedule and include that construction could be halted for special park events. *Director Rothschiller asked that Edwards write a letter to the BSOA board for easements for temporary access and a permanent pipeline and Rothschiller will schedule a special BSOA meeting to address this.* Director Ingraham asked the Board to think about the value of the Simkins property, starting with the .43 acres, and purchase the property to add to the park and then the BSOA would provide the easements. *Edwards is to correspond with the Simkins and try to fulfill the commitment to the BSOA and move forward.* The Board supports purchasing at least the .43 acres to offset the easements for the District.

Director Peacock moved to pursue purchasing the .43 acres from the Simkins, or additional properties if necessary, to compensate the BSOA for the easements for water and access. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes.

Returning a call to the Board, Armstrong and Carl Anderson reported that a dispute review board has been used for three of their projects, and with good results. With two projects, the dispute review board settled the issues. On the other project, the contractor threatened litigation but the case was settled out of court. Director Ingraham asked if there was a binding eliminate to the dispute review board. Anderson reported that in his experience, the dispute review board was not binding. Director Ingraham asked if a dispute review board doesn't work, would HKM be willing to share 50-50 on any legal expenses if we go to litigation. Anderson said he could not commit. **Anderson will check with the design review board organization to see if this can be binding.** Director Ingraham requested that the engineers put into the contract that if the DRB cannot settle the dispute, then binding arbitration will be the next step. **Armstrong and Anderson will include the binding arbitration as the next step if the DRB cannot be binding.**

Edwards reported that Karen Fagg had called and was interested in setting up a dinner for board and staff since the bond passed. Edwards recommended delaying the event until after the bid opening and the Board concurred.

WATER FACILITIES PLAN

Edwards reported that there is an easement issue with McMeekins/Ryans as they would like \$50,000 for the tank and pipeline easement. President Radick had directed Edwards to counter offer for \$30,000 and Edwards sent a letter. Edwards has not yet received a response to the District's counter offer. Edwards said an option would be to increase the tank size by going up, but that would not meet the 20-year plan. Edwards stated that he made the cost of an easement a point at the District's resort tax presentation. Edwards said condemnation is something that we could look at. **The Board asked Edwards to get legal input on condemnation, look at alternative sites and to look at modifications such as expanding the existing tank. Director McRae asked that Edwards ask the McMeekins/Ryans the purpose of their \$50,000 request.** The Board will wait for a response from the McMeekins-Ryans and revisit the subject again.

Edwards reviewed the history of the Westland cost share for this project and the evolving of the project costs now at \$1.7 million. Westland now only wants to kick in \$206,000 and Edwards recommended taking the \$206,000 for a certain capacity and they would have to kick in more if they go beyond this capacity. **The Board agreed to take the \$206,000 for providing 744 SFEs and if Westland needed more SFEs, they would have to contribute more. The Board directed Edwards to revise the cost share agreement per Board consensus.**

BOND ELECTIONS

Edwards reported that the bond elections passed. The funding applications have gone out and about \$1.2 million has been requested. Barb Campbell has finished her work for the District.

YELLOWSTONE CLUB

Edwards reported that Bob Sumpter said the well security check for \$25,625 has been mailed, however, the check has not yet been received. Edwards has written to Steve Brown regarding filing easements, but has not received a response yet.

LOW DOG SEWER & WATER MAIN REPLACEMENT

A pre-bid meeting was held last week with two contractors in attendance. The bid opening is June 7. The final engineers estimate was \$464,859, much more than the engineers had originally estimated. The project will have a base bid and optional work. *Director Rothschiller asked Edwards to check with Madison County about using the RID money for the paving.*

WATER METERING

Fry Brothers are scheduled to return on June 10 to work on the metering. Edwards said a change order to Fry Brothers' contract was e-mailed yesterday. Fry Brothers is planning on completing the metering project this summer.

RESORT TAX APPLICATION

Edwards presented the District application to the Resort Tax Board and the allocation meeting is scheduled for June 12. Director Peacock reminded board members to talk to, or write to, the resort tax board members asking for support in funding district projects.

Director Rothschiller disclosed her support for a funding request from Gallatin County for an updated area map and encouraged WSD Board members to talk to the Resort Tax Board about supporting that application, too.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

The town center has been sent to the county for recording.

Edwards has sent the transfer documents for Cascade III and IV to Boyne. Brian Wheeler will be contacting the bank for a letter of credit. Boyne will put up \$18,000 for either chlorinating or drilling another well. Once the documents are signed, the lots will be on the District's billing system.

There are a few punch list items left on The Pines. Director Rothschiller noted that the road in front of The Pines is still dug up.

Edwards reported that Ralph Lemke stopped in the office and asked if the District follows up on proper road repair after a road cut. Director Ingraham and Edwards said that the BSOA should write the county and ask if there are any requirements and whose job it is make sure it is done properly. Director Rothschiller thought that Morrison-Mairele should be doing the monitoring on the RID. *Director Ingraham suggested that Director Rothschiller contact Commissioner Murdock and ask that the county roads be maintained. Director Rothschiller will call Murdock and write a letter.*

LEGAL ISSUES

Employee Moonlighting: Edwards reviewed the request from the Board from a previous meeting, where they asked for a legal opinion on employee moonlighting. Brown suggested that the employee sign a hold-harmless agreement and for the District to revise the employee manual. *The Board directed Edwards to follow John Brown's recommendation on outside employment and that there can be no use of District facilities, vehicles, equipment, or on District time, to accommodate outside employment. If an employee is abusing this policy,*

they can be dismissed. Director Ingraham asked Edwards to contact the firm that prepared the District's employee manual to update the manual to include this modification. Edwards is to inform any callers regarding outside District issues, to call the employee at home.

Hall Litigation: There was no new progress to report on the Hall litigation.

BOARD VACANCY

Edwards stated that Packy Cronin was the only applicant for filling the term for the vacancy that will be created by Stewart Peacock resigning.

Director Rothschiller moved to accept Packy Cronin 's application to fill the board vacancy term limit of November 2003, created by Stewart Peacock no longer qualifying to serve on the board. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes.

SEWER & WATER PERMITS

Director Peacock moved to accept the amended Blue Grouse Commercial Building #5 sewer/water connection permit for a total of 9.95 sewer SFEs and 9.40 water SFEs as submitted and conditional upon receiving applicable approvals from the Westfork Architectural Committee and the State Building Codes Division. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes.

ORDINANCE 97-1001: AMENDMENT FOR SFE OBLIGATIONS AND TRANSFERS

Edwards reviewed the section of the District ordinance where the SFEs cannot be transferred to property that is not owned by the party transferring the SFEs. Consequently, Boyne cannot transfer SFEs to the park. The Board recommended that Boyne forfeit the SFEs to the District so that the District can then allocate the SFEs to the park. The Board discussed options for dealing with this and possible future SFE requests for public benefit. Edwards is trying to create something in the District's ordinance that would deal with unused SFEs, where by unused SFEs become ownership of the District. The Board would like to see the property owner be able to give SFEs back to the District and then the ordinance modified to accept SFEs and for the District to be able to allocate SFEs. Edwards will contact Brian Wheeler to have him modify his letter to reallocate SFEs. *Edwards is to revisit the ordinance for modifications. Director Ingraham would like good documentation that follows the property.* Edwards noted the SFE situation with Northfork Subdivision and that the District could tighten up recording a limit of SFEs with each property. Edwards has not talked to Tim Mitchell about this. *Edwards will revisit the issue to correct the District Ordinance and how best to record SFEs with property.*

NEW DEVELOPMENTS: SEWER AND WATER MAIN EXTENSIONS

Lone Moose Meadows Edwards has talked with DEQ and Lone Moose has 60 days to resubmit to the State. *Director McRae will schedule a Lone Moose walk through with District staff. Director McRae asked Edwards to write a letter to DEQ explaining how the Lone Moose system will work with connections to the District system.*

GENERAL CORRESPONDENCE

No board action was required on the general correspondence.

NEXT MEETING DATE

Summer meetings will begin at 7:30 AM, with June 18 for the next meeting.

BERLIN AGREEMENT

Director Rothschiller moved that Edwards send a letter to Bob Berlin on behalf of the Board that states they are giving him 60 days to respond in writing with everything that the Board has previously requested. If the Board is not satisfied, the agreement will be canceled. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes.

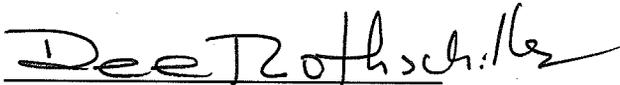
If the agreement is canceled, Director Rothschiller recommended that the Board look at moving the water line.

EXECUTIVE SESSION

At 1: 13 PM Director Rothschiller moved to go from regular session into executive session to discuss employee compensation. Executive session was adjourned at 1:30 pm.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 1:30 pm. Motion passed, 4 yea votes to 0 no votes.



Dee Rothschiller, Secretary

Executive Session -- May 29, 2002, 1:15 PM
WSD Community Room

Edwards discussed employee compensation for budget planning with the District Board. Edwards reviewed District employee compensation histories.

Edwards proposed increasing Nic Wellentein's compensation since he has worked for the District over 1 year and that he was unable to take the exam last spring due to a short hospital stay. The Board discussed the condition of employment that requires new uncertified operator's to become certified as an operator within 1 year of employment and that an increase in compensation should remain as an incentive to become a licensed operator.

Director Rothschiller moved to raise Jim Muscat's salary from \$45,000 to \$47,000, and Terry Smith's salary from \$40,000 to \$44,000 both retroactive to the employment anniversary dates; to wait until Nic Wellenstein has appropriate state certification before increasing his compensation; and to leave Marlene Kennedy's compensation up to the General Manager. Director McRae seconded the motion. Motion carried, 4 yea votes to 0 no votes.

Director Rothschiller moved to go back into regular session. Director Cronin seconded the motion. Motion carried, 4 yea votes to 0 no votes.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- April 17, 2002, 1:00 PM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 1:00 PM on Wednesday, April 17, 2002, in the WSD Community Room. Vice-President Wiggins participated via phone from 1:00-1:38 PM, chairing the meeting during that time. Secretary Dee Rothschilder and Directors Stewart Peacock, Gary McRae and Wendell Ingraham (arrived at 1:08 PM) were present. President Skip Radick and Director William Shropshire were not in attendance.

Others present were WSD staff Ron Edwards, Marlene Kennedy, Terry Smith, Grant Burroughs, and Jim Muscat; legal counsel John Brown (via phone); and the following individuals from the public: Al Malinowski, Diane Button, and Dick Allgood.

Vice President Wiggins called for public comment at 1:00 PM.

PUBLIC FORUM

Allgood's Quarterly Sewer Charge: Dick Allgood presented his water usage for the 1st quarter of 2002, explaining that water usage demonstrates a severe overcharge for a number of years. According to Allgood, the 6.6 SFEs charged for sewer is excessive and, based on the water consumption, should probably be at 2.0 SFEs. The water bill for 1st quarter is greatly reduced from previous charges due to the metered based bill and Allgood asked the Board to suspend sewer charges until the Board can base these charges on water use. Edwards explained that the District only has 1st quarter calculations and this would be a precedent setting decision that could open the flood gates. Director Wiggins asked that the Board take Allgood's request under consideration and have the full Board address this at a future meeting. Edwards reported that the District has said a sewer rate would be established based on 6 months water use and we could possibly get 6 months of use and bump up the sewer rate setting date. Allgood stated that he has previously tried to plead a case that the standards have not been correctly applied but, in the past, the ordinance addressed this through SFE billing. Allgood again asked to have the billing through 2002 suspended for now and have the sewer rate based on the metered water use and then have his bill adjusted and credited for any overcharges. The Board told Allgood that they would consider his request and respond at a later time.

Button's Quarterly Water Charge: Edwards explained George Button's 1st quarter water \$700 bill, reporting that Button used about 300,000 gallons of water due to a water line break in the garage when the residence was unoccupied. Diane Button stated that George Button is looking for some form of relief, but under our rate ordinance there is no adjustment allowance for this type of circumstance. At Edwards' request, Terry Smith checked into what other cities such as Billings, Belgrade, Bozeman, etc, do. Two cities would not make an adjustment, but may make allowances to pay the bill over time. The other four cities reported that they look at cases individually, but were reluctant to reduce and/or adjust a bill. Diane explained that they have been proponents for metering for years, but this excessive water use was a break, not negligence. Button said the repair was made as soon as she was aware of the break. According to Smith, the water ran for about 1 month. Vice President Wiggins asked if an insurance claim was submitted. Diane said no claim was submitted as the deductible is \$500-\$1,000 and the repairs were not expensive. Vice

President Wiggins asked if the Board wanted to take this issue under consideration and discuss it at a future meeting. Edwards verbally presented a couple of potential policies that the Board could consider, including possibly sharing the cost if the excessive water use was not caused by negligence. Edwards reported that meters are read once a week and, in that time, a substantial amount of water could leak with a clean break--approximately 200,000 gallons of water could be used. The Board will review the District's ordinance, research the request and get back to George Button.

Community Park Water & Sewer Permit Fees: Al Malinowski, representing the Big Sky Park Committee, stated that the committee is working to add a bathroom facility at the park and requested that the Board consider waiving the plant investment charge (PIC) and connection fees since this park is a public facility that can be used by anyone. Malinowski's second request was to have the park facility's water and sewer charges billed only while in use since the facility will initially be used only 3-4 months of the year. Malinowski reported that Boyne will be allocating 2 SFEs to the park area. The facility will be built so that, in the future, the facility can be used year round. Director **Ingraham** stated that he would like the SFEs allocated prior to a waiver of fees. On quarterly water and sewer charges, Director **Ingraham** stated that the District has a multitude of customers that are not using their property year round and it would be extremely unreasonable for the District to make an exception. Edwards reported that the ordinance, as written, states if the property has a meter there would be a base rate charge even without use. However, there are options to look at for reviewing and amending the ordinance. Malinowski said they need to keep their operating costs down so that they can keep the park use fee affordable for everyone. Director Rothschiller requested that the Board support waiving the PIC, but not the connection fees or quarterly charges.

Director Rothschiller moved to waive the PIC fee of \$7,000, conditional on the park getting the SFE reallocation from Boyne. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice-President Wiggins voting.

Edwards will work with Malinowski on the water line.

With no further public comment, Vice President Wiggins called the meeting to order at 1:38 PM.

Vice President Wiggins asked that Director **Ingraham** chair the rest of the meeting as he had a previous commitment. Vice-President Wiggins stated, for the record, that he was in favor of Resolution 02-02: Authorizing Submission of Treasure State Endowment, but that he would not be able to participate in that portion of the meeting.

APPROVAL OF MINUTES

Director McRae moved to approve the regular meeting minutes and the public hearing minutes of March 29, 2002, as written. Director Peacock seconded the motion. Motion carried, 4 yea votes to 0 no votes.

FINANCIAL REPORT

Terry Smith briefly reviewed the financials with no unusual items to report. Director Ingraham asked Smith to make any suggestions for overhauling the financial reporting. Smith noted that he has talked to Edwards about some changes once he gets a better feel for the chart of accounts. The Board agreed that they did not need the 90 days past due report as prepared and suggested changes to Smith on how to present the information. Director Ingraham noted that the legal costs report had items listed that were not legal.

Director Peacock moved to accept the unaudited March financial reports as presented. Director Rothschilder seconded the motion. Motion carried, 4 yea votes to 0 no votes.

OPERATORS REPORTS

Water Operations: Muscat distributed the flow reports, noting that there has not been a reduction in flows since the resort closed. In other words, there are leaks that need to be found. Yellowstone Club is in the final phase of finishing up their tank and chlorination, and will soon be ready for potable water. The District still needs the security, which Edwards has notified YC about, and then the District can sell YC water and agree to a connection date. Muscat commented that Button's request may be an owners maintenance issue where the line is freezing in the house. Muscat explained that people can shut off their water at the valve if they are not going to be occupying the property. Edwards stated that, with the meter reading, we will be able to generate a high use report once the system is in place. Muscat remarked that he doesn't believe we should shift the burden to the District.

Sewer Operations: Burroughs briefly reviewed the flow reports, noting that the flows for March are down a little on the mountain, but overall the total flows are consistent. The filters were started on April 2 and seem to be working well as there have not been any problems.

Director Ingraham asked what the process will be for hooking up Lone Moose Meadows (LMM) to the District. Edwards said a conveyance will need to be done to transfer the assets, a warranty security and as built will also be required, and the District will need to do a walk through in the spring. Director Ingraham asked when LMM will hook in and wanted the District to be prepared for SFE requests. Edwards reported that, until all the YC work is done, a limit of 48 units (about 70 SFEs) can hook up. The LMM plant will only be used temporarily until LMM can hook up to the outfall line. Director Ingraham does not want the District to have to manage both systems and wanted to know when the hook up date would be. Burroughs estimated that the hook up will occur this summer. Director McRae noted that LMM will keep the Santec system as a backup until all the LTCWP work is done. Director Ingraham would like the hook up to be a priority issue and suggested that the District get temporary help for Burroughs if needed. Director McRae believes that the LMM water system is a pretty good asset for the District, but well #2 still needs some paperwork. Director McRae will take advice from the District on corrections that will need to be made and suggested maybe the 1st or 2nd week in May for a walk through.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Edwards said there is a "final" design review meeting next week. There is also a meeting next week with Westland/TM to address four issues. The bridge alignment has been moved. The District will need a utility easement through the park for the water line. The BSOA may be able to use this as leverage to get the .43 acres for the park since Westland/TM will need water for their development, too. The District will support the BSOA. Edwards is to talk with Simkins/Westland and let them know that the Board thought this .43 acres was to have been transferred a long time ago and the District wants it done or a different means for water will be pursued. *Edwards is to prepare a letter from the Board to Westland/TM that says they are not fulfilling their obligations and the transfer should have taken place a long time ago and it can hold up the water line.* Submittals will be given to the state and there doesn't appear to be any problems in approval. Bidding will occur in June. Edwards reported that the Big E-Z easement is progressing.

WATER FACILITIES PLAN

According to Edwards, the engineers have had a couple of meetings with the land owners of the proposed tank site and they are receptive if the tank is buried. Director McRae stated that he may be interested in the old water tanks.

Director McRae moved to approve Edwards' recommendation to offer \$10,000 to McMeekins-Ryans for the water tank land easement. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes.

BOND ELECTIONS

The bond election is a mail ballot and a newsletter has gone out explaining the costs and benefits. This election will be handled the same way as the annexation election. Edwards noted that the state has mandated that the assessed value has to be a full market value. However, there is a reduction of 3 1% for residential property and 11% for commercial property but this reduction may change in the future. There will be an informational meeting on April 23 at 7:00 PM. Board members are not required to be present. Edwards informed the Board that Barb Campbell is researching low income assistance for those customers severely affected by the bond as, according to the survey, at least 10% of the Big Sky families are affected. The Board feels that the District needs to offer assistance if they can legally do so.

YELLOWSTONE CLUB

Morrison-Maierle will get water rights submittals to the State. YC will need to get an easement from Boyne, which Steve Brown is working on.

LOW DOG SEWER & WATER MAIN REPLACEMENTS

State approval has been received and bids will go out in a couple of weeks with bid opening probably the 4th week in May. The bid estimate is approximately \$140,000.

LEGAL ISSUES

Hall Litigation: John Brown reported that, according to Steve Barrett, the Hall litigation has been settled. Brown expects to get details soon and will work with Edwards on the transfer of SFES.

RESORT TAX APPLICATION

Edwards submitted a resort tax request for \$250,000 for the water facilities plan and \$15,000 for aerial photography. Director Peacock encouraged board members to approach resort tax members and plead their case for funding District projects. Edwards- noted that the survey respondents supported going to the resort tax for additional funding.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

The Town Center agreement is being finalized for signing by Westland/TM. The maintenance bond is covered through a JTL bond and letter of agreement.

Tract 8 is preparing for a connection and the road will need to be closed for about 1/2 day and signs will be posted.

Powder Ridge has received an approval letter for connection based on a letter of conditions.

Gaston needs to submit some final numbers for chlorination of the Cascade water system. Boyne will post funds to cover the expenses and then this transfer can be done.

RESOLUTION 02-02: AUTHORIZING SUBMISSION OF TREASURE STATE ENDOWMENT

Barb Campbell requested board authorization to apply for treasure state endowment funds.

Director Rothschiller moved to waive the three readings of Resolution 02-02 and to approve the resolution as presented. Director McCrae seconded the motion. Motion passed, 5 yeas votes to 0 no votes with Vice-President Wiggins voicing his support in favor of the resolution earlier in the meeting.

BOARDVACANCY

Participating via telephone, John Brown addressed the situation with Stewart Peacock where he is selling his business and will not longer own or lease property within the District. Director Peacock inquired since he sells real estate through Prudential, which has office space in the District, is he still eligible to serve as a board member. According to Brown, a Board member has to be a lessee or owner of property. However, Peacock can serve on the Board until a qualified replacement is elected or appointed. Procedurally, the Board can solicit by publishing a notice and take applications. Stewart should serve until the Board finds a replacement. The Board should use their own judgement on solicitation, however, Brown recommended advertisement even though there are no guidelines on the appointment process. Edwards reminded the Board that Packy Cronin had previously stated that he would be interested in continuing to serve on the Board. Citing the need to be open and honest, Board members felt that the District should advertise the vacancy in the paper for two weeks.

SEWER & WATER PERMITS

Edwards reported that 10 SFEs were permitted in the last month. Director McCrae asked if the old Golden Eagle building has enough SFEs to do their current remodeling.

SEWER & WATER MAIN EXTENSIONS

Upper Cascade, Phase IV: Edwards reported that Boyne is going forward with water and sewer extensions in Block 2.

GENERAL CORRESPONDENCE

With the Button water leak issue, ***the Board decided to not make any adjustments on the water bill, but will have Edwards publish some type of notice of who has responsibility when this type of thing happens.***

Director Peacock moved to deny Button's request for a reduction in his high 1st quarter water user charges which was caused by the water break, and the District will look at ways to better communicate this type of responsibility. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes.

Regarding Dick Allgood's request, the Board decided not to refund fees, but will look into the issues and try to get the sewer rate set according to a metered water use.

Director Rothschilder moved to deny Dick Allgood's requests for a refund and temporary suspension of quarterly sewer charges, and for the District to move up the time frame for restructuring quarterly sewer charges. Director Peacock seconded the motion. Motion passed, 4 yea votes to 0 no votes.

The Board addressed the letter from Hidden Village and will have ***District staff research what other communities do for irrigation metering and base charges so that the ordinance can be changed if needed. The Board will acknowledge their concern and come back with recommendations.***

Firelight Meadows has requested the District for assistance in getting fully certified operators for their water and sewer systems. The state requires operators-in-training work under a certified operator. Edwards has talked to Muscat and Burroughs and they do not have a problem with it as long as it doesn't take a lot of time. Edwards has proposed to Pariser that Burroughs and Muscat work for them under individual contracts, not going through the District. Edwards said he would require Pariser to sign an indemnification so that the District has no responsibility. The Board doesn't feel the District should be involved in the situation, and if Burroughs and Muscat want to do this on a moonlighting bases outside their District hours they can. Director Ingraham asked that employees put it in writing if they are going to do it and to alert the Board if and when this happens. Director Ingraham does not believe an indemnification should be done if the District is not involved. Edwards will let Burroughs and Muscat know they can moonlight and advise them they should personally get an indemnification. ***Director Ingraham directed Edwards to get legal counsel to review the issue since we pay for the operators' credentials/certification.***

Edwards disclosed that he has been asked to help on the Four-Corner's district formation. ***The Board requested that Edwards put the moonlighting request in writing to the Board. Edwards is to take the moonlighting requests for all employees to legal counsel for review and comment.***

Director McRae reported that the Looking Glass RID is going to happen and *McRae would like to get the plans for the pump stations where the work crosses their paving. Edwards will contact the engineers for the information.*

Silvertip/Bob Berlin--Edwards has not received the information that the Board requested at a previous meeting. Director Ingraham said it would not do any good to cut off the water service if the District wants to help get the project finished. *The Board directed Edwards to continue to follow up on the situation.*

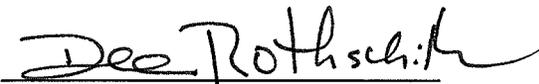
There was no other general correspondence to address.

NEXT MEETING DATE

The next Board meeting will be set at a future date after polling all board members for availability.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 4:15 PM.



Dee Rothschild, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting/Public Hearing -- March 29, 2002, 8:30 AM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting and a public hearing for Friday, March 29, 2002, in the WSD Community Room. President Skip Radick; Vice President Dick Wiggins; and Directors Gary McRae (left at 10: 15 AM), William Shropshire and Stewart Peacock (10: 10-10: 15 AM) were present. Director Wendell Ingraham and Secretary Dee Rothschiller were not present.

District staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Grant Burroughs. Individuals arriving at 10:00 AM for the public hearing were Double Tree representative Barb Campbell and Big Sky property owners Wayne and Marilyn Hill.

REGULAR MEETING -- 8:30 AM

PUBLIC FORUM

With no public comment, President Radick called the regular meeting to order at 8:35 AM.

APPROVAL OF MINUTES

Director Wiggins moved to approve the regular meeting minutes of February 20, 2002, as corrected. Director McRae seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Radick voting.

FINANCIAL REPORT

Smith briefly reviewed the financials, with no unusual items to report. Smith has contacted 12 accounting firms to solicit a bid for a District audit. On insurance, 2 companies have been contacted for a bid.

Director Shropshire moved to accept the unaudited February financial reports as presented. Director Wiggins seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Radick voting.

OPERATORS REPORTS

Sewer Operations: Grant Burroughs reported that the flows are a little lower than this time last year, but there are no big surprises. Burroughs hopes to start up the filters next week and a new jockey pump, to keep the irrigation lines pressurized, should be installed in about 8 weeks. As soon as we get a piping diagram, the piping can be done so there should be very little down time.

Water Operations: With Jim Muscat gone, there was no water operations report given.

TOWN CENTER CONVEYANCE

The town center conveyance has not been completed yet as Sin&ins/Taylor are not receptive to the vacant lot charge, which is a non-negotiable item with the District. The Simkins will meet with the District and legal counsel on the issue next week. Their plat for the first phase has not yet received final approval.

LOW DOG ROAD W/S REPLACEMENT

The bid advertisement will go out in April with contract awarding in May. The water grade has been pushed down another foot due to the freeze ups that have occurred. The big thing is that the road needs to be open with at least one-lane passable. Engineers estimate the cost at \$130-\$140,000. Property owners will be notified when the District has more information available.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Design Engineering: The DEQ final submittal should be done today. DEQ will have 60 days for review. Edwards does not know of any big items that should cause a problem. Yellowstone Club (YC) and Morrison-Maierle are coordinating connections for the pipes--the District has not figured out the details yet. Edwards proposed including the connections in a District contract. YC is a little behind the District, there is a small area that needs to be reassessed for wetland issues. The ponds will be lined. The first pond capacity is 82 million gallons--roughly equivalent to the District's two ponds, or effectively doubling the current storage. Bids will be advertised the third week in April and the contract will be awarded in June. The District will have to incur the advertising expense prior to finding out if the bond passes. There will be two bid packets--forced main and advanced treatment plant. Everything is coming to an end in the design phase and we will move on to try to get the money to build everything.

Annexation Election: The annexation election was successful with over 80% of the voters approving the annexation. The Directors canvassed the annexation ballots with the results as follows: Boyne--228 For, 54 Against; Lone Moose/Spanish Peaks--236 For, 48 Against.

Bond Election: The bond election will be May 7, the ballots will be mailed on April 17. Edwards is working on another newsletter mailing that will focus on the bond, where we are regarding capacity, capital improvements, projected debt service and impacts to property. Edwards talked to the Department of Revenue and explained to the Board the reasons for the feel of a moving target on GO bond debt and the assumptions for the projected costs for the average annual cost for a property. Edwards stated that the District can possibly use the cash on hand to stabilize, or even out, the levy from year to year. Edwards distributed property impact examples that were prepared with a conservative best effort guess. *Edwards will ask Mae Nan Ellingson if property owners can prepay their debt service to avoid the 4% interest over 20 years.* If the bond doesn't pass, the District will run into a capacity problem in addition to still being under a state compliance order that mandates the completion of the long term plan. The annexed land will contribute, too, and this information will be presented in the newsletter. The Directors discussed the need for the PR to be inclusive. *Director Shropshire will provide Edwards with the AP wire to get the press release information out to other state newspapers.* Director Shropshire recommended doing the press release just prior to mailing the newsletter. Director Wiggins suggested using color in the newsletter for the section on reasons for voting, but keeping the content of the newsletter simple. *Edwards will distribute the draft newsletter to the Board for comment/editing prior to printing.* Edwards will schedule a public information meeting on the bond issues in April.

LEGAL ISSUES

Hall Litigation: Edwards reported that Hall's attorney has asked for the full surcharge for settlement. With District discovery done, Edwards' involvement has been minimal. The District doesn't really care who pays the surcharge fee, but someone is responsible for it.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Looking Glass RID: There are no sewer and water stubs to the vacant lots, and there is a paving RID scheduled for this summer. Morrison-Maierle sent a letter to property owners, recommending that they install the services prior to paving. There is one lot owner who is trying to organize installations. To assist in the coordination efforts, *Director McRae requested a list of vacant lot owners affected by the Looking Glass RID which Edwards will forward.*

YELLOWSTONE CLUB WELL STATUS

A contract was submitted by Morrison-Maierle for the engineers design contract with the cost being \$7,140 for the line replacement. The YC security still needs to be posted, per the agreement with YC from December. *Edwards will send a reminder letter, regarding the required security, to Sumpter and copy it to Glen Wood.*

Director Shropshire moved to approve the contract agreement with Morrison-Maierle for line replacement engineering design costs at \$7,140, as presented. Director Wiggins seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Radick voting.

WATER FACILITIES PLAN STATUS

Edwards and Allied Engineering have had meetings with McMeekins-Ryans and feel very optimistic that McMeekins-Ryans will approve an easement for a fully-buried tank. The McMeekins-Ryans want some compensation for the inconvenience of a new easement. An agreement is closer, but not final until McMeekins-Ryans approve of the project.

RESOLUTION 02-01: AMENDING DISTRICT BOUNDARY

Edwards distributed and reviewed the follow up resolution to the annexation election, as prepared by Mae Nan Ellingson, so that the District boundaries and water and sewer jurisdictional areas can be amended. At 10: 10 AM Director Peacock was present to vote on the resolution.

Director Shropshire moved to waive the three readings of Resolution 02-01. Director Wiggins seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

Director Wiggins moved to approve Resolution 02-01: Amending District Boundaries, as presented. Director Peacock seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Radick voting.

RESORT TAX APPLICATIONS

Since the composition of the resort tax board has changed, the WSD Board feels that the new board may be more receptive to funding District projects. Marilyn Hill, who attended the

resort tax town meeting on 3/28/02, reported that the people in attendance felt that water and sewer were important issues for funding. *Edwards will submit an application by the April 8 deadline for \$250,000 for the water facilities plan and \$10,000 for digital aerial photography.* In light of the drought for the last couple of years, the WSD Board feels that water issues are important to the community.

SEWER & WATER PERMITS

One application for 1.69 SFEs was approved last month, with 104.34 SFEs remaining coming into the building season.

GENERAL CORRESPONDENCE

There was no general correspondence for the Board to address.

NEXT MEETING DATE

The next Board meeting is tentatively scheduled for Wednesday, April 17, 2002, at 1:00 PM in the WSD office.

ADJOURNMENT

Director Shropshire moved to adjourn the regular meeting at 10:15 AM. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes.

PUBLIC HEARING -- 10:00 AM WASTEWATER IMPROVEMENT PROJECT

President Radick called the public hearing to order at 10:20 AM.

Barb Campbell, Double Tree, distributed and reviewed a description of the funding requests and a compilation of the survey results. Funds are being requested from SRF, Treasure State Endowment, and DNRC. The application deadline for the Treasure State Endowment is May 3. Edwards reported that a funding application was also submitted through Max Baucus' office and we should hear the results in the fall. Of the 451 surveys mailed out, 187 were returned. The individual surveys will be kept confidential at Campbell's office, but the summary results are available at the District office. President Radick had Wayne Hill draw for the winning ticket for the \$500 raffle to be awarded for surveys returned. Number 204 was chosen. The number will be printed in the newsletter and the local newspapers.

With no further comment, the public hearing was adjourned at 10:42 PM.



Dee Rothschild, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- February 20, 2002, 1:30 PM
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 1:30 PM on Wednesday, February 20, 2002, in the WSD Community Room. President Skip Radick, Vice President Dick Wiggins, Secretary Dee Rothschiller, and Directors Stewart Peacock, Wendell Ingraham, Gary McRae, and William Shropshire were present.

Others present were WSD staff Ron Edwards, Terry Smith, and Marlene Kennedy; Silvertip representative Bob Berlin; and Dick Allgood from the public sector.

PUBLIC FORUM

With no public comment, President Radick called the meeting to order at 1:35 PM.

APPROVAL OF MINUTES

Director Shropshire moved to approve the public hearing minutes and regular meeting minutes of January 22, 2002, as written. Director Rothschiller seconded the motion. Motion carried, 7 yea votes to 0 no votes with President Radick voting.

Director Peacock moved to approve the special meeting minutes of January 30, 2002, as written. Director McRae seconded the motion. Motion carried, 6 yea votes to 0 no votes with President Radick voting and Director Ingraham abstaining.

FINANCIAL REPORT

Smith briefly reported on the financials, noting that the earthquake insurance was renewed. The insurance will be bid out in the spring. Asked if there were any unfavorable items, Smith reported that all the unfavorables are listed in the financials and *the water facilities expenses will be moved prior to the next meeting.*

Director Rothschiller moved to accept the unaudited January financial reports as presented. Director Wiggins seconded the motion. Motion carried, 7 yea votes to 0 no votes with President Radick voting.

Edwards asked for board volunteers for setting the budget. Vice President Wiggins and Director Ingraham volunteered to work with Edwards on the next fiscal year's budget.

OPERATORS REPORTS

Sewer Operations: Edwards reviewed the flow reports prepared by Grant Burroughs, noting that the flows appeared to be down a little from last year.

Water Operations: Edwards reviewed the production flows prepared by Jim Muscat, noting that the totals are up the in Meadow and on the Mountain. The number on the mountain looks suspect as it is 2 million higher than last year, but this may be due to a record setting skier count.

LONG TERM COMPLIANCE WORK PLAN STATUS REPORT

Project Financing: Barb Campbell, Double Tree Inc., requested that the Board hold a public hearing prior to the April meeting, as required. Campbell reported that everything is going fine, but she will need additional information for the Treasure State Program. The medium household income is needed to address the affordability issue and possibly prove a financial burden for additional fees to cover the improvement costs. To get his information, Campbell proposed doing a survey to the 573 census fulltime-resident homes in Big Sky. At Campbell's suggestion, the Board agreed to offer a \$500 lottery award for returned surveys. The Board also agreed to allow Campbell to contact the environmental groups for support letters. The public hearing will be held March 29th at 10:00 AM after the regular board meeting and the election canvas. The scope of the hearing will be to talk about the scope of the grant applications. After the hearing, the Board will have to pass a resolution at their regular April meeting. According to Campbell, DNRC will be involved in repair and restoration where the lines cross the creek.

Annexation & Bond Elections: Edwards distributed a map showing the land which is proposed to be annexed in the mountain village area, south of Moonlight and Saddle Ridge. The March 27th election date will not change with these modifications. Edwards will send the signed amended ordinance to Shelley Vance.

Director Peacock moved to approve Amended Ordinance 01-1002: Granting Annexation Petition Request to Boyne as presented. Director Rothschiller seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

Edwards distributed Ordinances 01-1003 and 97-1002 for board signatures.

WATER FACILITIES PLAN PROJECT

Edwards provided an update on the water tank location and the negotiations with John Waldo on getting his permission to locate the tank on his property. Waldo has decided not to allow an easement for the District. Edwards reported that the alternate tank location is on the McMeekins-Ryans property and, at this point, McMeekins-Ryans has not ruled it out. However, there are problems with water supply during construction. In addition, the owners association does have some concern about construction traffic causing damage to their road and the increased traffic. The engineers are saying that this would be a partially buried tank, and the geotech engineers are reviewing this to see if it could be a fully buried tank. The engineers are getting rendering information from the view of McMeekins-Ryans property. Edwards said he has also opened the door for compensation for a larger easement. President Radick said the key is to have a fully buried tank, which would benefit the McMeekins-Ryans. President Radick said the engineers need to pursue this as quickly as possible and *directed Edwards to review all correspondence from engineers prior to having it disseminated to the McMeekins-Ryans*. Allied Engineering has proposed building a new booster station, which was shown in Edward's report. Edwards has talked to Boyne about getting an easement on the remainder parcel of Tract D in the MV 25 Lot Addition for the booster station location. *There was uncertainty as to who owns the property, and Director Rothschiller will check on ownership.* This booster station will provide a second access to

pump water to the HV tank. Two new PRV sites are also included. Edwards proposes to have the booster stations as bid alternates. Allied submitted a change order of \$20,750 for their design fees related to the booster station and their work on the tank site location on Waldo's property. Director McRae noted that the MV 25 lot addition will have an RID for paving and requested that the two engineering firms work together to alleviate problems when it comes to paving. Director McRae asked if the District could put in the services and then charge the owner when they go to hook up. The Board would like it to be consistent, and the District did not put in the services for other lots. *Edwards would like a copy of any correspondence that has been sent out on the RID--Director McRae will get the information to Edwards.*

Director Shropshire moved to approve Allied Engineering's change order request for \$20,750 and put a hold order on further design work until property for the tank site has been secured. Director McRae seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

YELLOWSTONE CLUB WELL & WATER LINE

Edwards updated the Board on a meeting with Morrison-Maierle regarding on how best to tie in the new well #7 to the existing mountain water system. Edwards noted that they will look at replacing the building since it is over 20-years old and it will house everything. To maximize the capabilities of the existing two wells, the line size will be increased. The initial work that Morrison-Maierle is doing is being paid for by Yellowstone Club. Edwards stated if the line size is increased and a new pump house is built, the District should pay for these items. YC is looking at \$25-28,000 for the new line. The pump house structure could be \$7-10,000 and the new District line could be another \$2530,000. The existing line will be pot-hole dug to verify the size. Under the agreement with YC, the mountain water system will be modeled and the District is to pay half. The scope of this was discussed at the meeting and Edwards signed an agreement with Morrison-Maierle for the District to pay up to \$5,000. The computer modeling will be helpful for future development, i.e. Powder Ridge Subdivision, with a higher degree of certainty with pressure. The Board would like to take a proactive approach by performing the other improvements along with the YC work being done.

CASCADE WATER SYSTEM

Edwards reported that he received an engineers report on the chlorination pilot project review on wells #5 and #6. Edwards reviewed the history of the wells, reporting that when the system was first started, we immediately received calls and complaints that the water had a rotten egg/sulphur smell. The wells were shut in and have been shut in sense, with the mountain water currently coming from the Hill wells. Edwards had Mike Kaczmarek, Morrison-Maierle Chief Geologist, review Gaston's report. The review states that it may work, but other problems may come up by chlorinating one well and co-mingling water with other parameters, possibly leading to problems that cannot be predicted. And, you won't know the other problems unless it is put on line. President Radick has not seen a solution with a reasonable operating expense and a proven success rate. Responding to questions from President Radick, Edwards confirmed that there will be a benefit to the system when

well #7 comes on line. A by-product of the modeling, which may be done within 45 days, will provide a number for how much water we will need for full build out on the mountain. Edwards stated that options for wells #5 and #6 could include: letting Boyne pay for a chlorination system and test the water, have Boyne drill another well, or have the District assign a value and have Boyne pay the amount to have this go away. President Radick stated that the District is not ready to accept the system and the District should not take a financial risk to find acceptable water for Boyne's development. The District does not want to set a precedent to accept liability for a system that is currently unacceptable, President Radick would like to see that Boyne be responsible, with security, for future demand--not using wells #5 and #6. Director Ingraham wants to know what the required capacity is for full build out and once that capacity is known, the District can present to Boyne a dollar value to drill well(s) for water supply and then they can pay to make the situation go away. The **Board directed Edwards to draft a letter to Boyne addressing the Cascade wells, informing them the Board will not accept wells #5 and #6 chlorinated, or not. Edwards is to include buy out figures in the letter.**

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Silvertip Project Status: Edwards distributed the Berlin Water Use Agreement and a letter from Mike Wheat dated October 24, 2001, outlining the District's options for terminating the agreement and reviewed the history of the situation which led to the agreement to supply 15.53 SFEs of water to Berlin's development. Arriving at 3: 10 PM, Bob Berlin provided a status of the development and explained where it is going. On May 10, 2001, Berlin filed a written complaint against Rotherham Cooper Construction, stating that construction was not per plans and specs and inflated billing was occurring. Rotherham Cooper walked off the job under mutual agreement. In August, 2001, the situation went to arbitration and Rotherham Cooper and Berlin have come to an agreement. Rotherham Cooper is to remobilize at the end of March to complete the project in Summer 2002. To show that progress is being made on the Silvertip project, Berlin offered to get something in writing to the Board from the arbitrator, Rotherham, and Berlin. **President Radick and the other Board members agreed to Berlin's offer to submit written information for the District files, showing that the money for fixing the project deficiencies has been put in escrow and the project is to be completed.** President Radick asked the Board members if, subject to the receipt of the information to be received by Berlin, there is any reason to change the original agreement. Board members will revisit their decision to provide water if Berlin is not able to perform as stated. The Board will review Berlin's information to make sure that progress is being made. They want assurances that the money has been placed in escrow, and correspondence from Rotherham Construction. **If the information is not acceptable, or Berlin is not able to perform, then the Board will address this issue again.** Berlin asked Board members to contact him if they need additional information, or clarification.

LEGAL ISSUES

Hall Litigation: Edwards reported that the Hall deposition for February 7, 2002, was canceled. Edwards has heard from John Brown that Boyne and Hall are working on a settlement. Steve Barrett had inquired if the District would consider waiving the surcharge fee in an effort to settle the litigation. Edwards responded that it would be highly unlikely

the Board would consider waiving the fees and the Board agreed to Edwards' response. John Brown sent Barrett a letter regarding his request and the District's response.

Cronin Litigation: The Cronin lawsuit has been settled. ***The Board directed Edwards to pursue a press release on the settlement.***

SEWER & WATER PERMITS

Only one permit was issued since the last meeting. Coming into the building season, there are 105 SFEs remaining.

PARKING LOT USE AGREEMENT

Edwards has not received the parking lot use agreement from Jerry Scott. The cost share is about \$6,500 and, in exchange for the payment, they wanted an agreement on the use of the parking area, which Scott was to prepare. The Board asked that we get additional insurance from First Place in the agreement, allowing for protection for the District.

GENERAL CORRESPONDENCE

No Board action was required on the general correspondence.

MARCH MEETING DATE

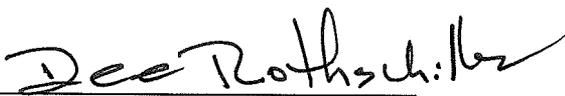
The next Board meeting is scheduled for Tuesday, March 29, 2002, with the regular meeting beginning at 8:30 AM, canvas of the votes, and then the public hearing at 10:00 AM.

DEERRUNCONVEYANCE

Edwards reported that all the information on the extensions has been received and he has drafted the Deer Run Conveyance document with the warranty security of \$28,750 for the water and sewer extensions to be posted as either cash payment, security bond or letter of credit. The document was prepared for Vice-President Wiggins' signature as representative of the District and Skip Radick as representative of the developer.

ADJOURNMENT

Director Peacock moved to adjourn the meeting at 4:00 PM.


Dee Rothschild, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Special Meeting -- January 30, 2002, 8:00 AM

WSD Community Room

On Wednesday, January 30, 2002, the Big Sky County Water & Sewer District No. 363 held a special meeting at 8:00 AM to adopt amended Ordinance 97-1002. President Skip Radick, Vice-President Dick Wiggins, Secretary Dee Rothschiller and Directors Gary McRae, and Stewart Peacock were present. Director William Shropshire participated via conference call. Director Wendell Ingraham was not present.

Others present were WSD staff Ron Edwards and Terrence Smith.

PUBLIC FORUM

With no public comment, President Radick called the special meeting to order at 8:05 AM .

AMEND ORDINANCE 97-1002: PUBLIC SEWER AND WATER SYSTEM RATE

Director Peacock moved to approve amended Ordinance 97-1002 as presented. Director Rothschiller seconded the motion. With no discussion, the motion passed via voice vote of 6 yea votes to 0 no votes with President Radick voting.

NEXT MEETING

The next Board meeting has been rescheduled for Wednesday, February 20, 2002, at 1:30 PM in the WSD community room. *Silvertip is to be included on the agenda for the next meeting.*

ADJOURNMENT

Director McRae moved to adjourn the meeting at 8:25 AM. Director Wiggins seconded the motion. Motion passed, 6 yea votes to 0 no votes.



Dee Rothschiller, Secretary

01-30-02.min (Board Approved 2/20/02)

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Public Hearing & Regular Meeting -- January 22, 2002, 1:30 PM
WSD Community Room

On Tuesday, January 22, 2002, the Big Sky County Water & Sewer District No. 363 held a public hearing at 1:30 PM and followed with a regular board meeting at 2:55 PM. President Skip Radick, Vice-President Dick Wiggins, Secretary Dee Rothschiller and Directors Wendell Ingraham, Gary McRae, Stewart Peacock, and William Shropshire were present.

Others present were WSD staff Ron Edwards, Terrence Smith, Grant Burroughs, Jim Muscat, and Marlene Kennedy; Legal Counsel John Brown; HKM Engineering representative Carl Anderson; and the following individuals from the public: Pat Dillon, Jim Logar, Dick Allgood, and Laura Larocco. Yellowstone Club representative Bob Sumpter was present for the regular meeting.

PUBLIC HEARING, 1:30 PM
Amendment to Sewer and Water System Rate Ordinance 97-1002

President Radick called the public hearing to order at 1:31 pm. Carl Anderson reviewed the history and criteria of how the proposed rate was determined, noting that only a couple of months worth of usage data from Big Sky single family homes was available. In the reported data, 45% of the accounts used approximately 1,200 gpd. Little operational data available for this proposed rate, Anderson suggested reviewing the rate structure when additional data is collected. As proposed, the commercial and residential users will be charged the same rate. Since no commercial accounts in Big Sky had usage data, similar commercial property in Red Lodge was used for comparison of alternatives in the base and incremental rates. The District is proposing to use the low flow months of water usage for setting the sewer rate, which is typical in other communities. In approximately a year, after the District has collected water use data, the District will be better able to set sewer rates. Edwards distributed and reviewed three water use reports, from single family residences, that showed the amount the customer currently pays and what they would pay under the proposed water rate. Edwards noted that the purpose of this hearing was to set the water rate only, the sewer rate will have to be addressed after the District has more water use data. Edwards reviewed the proposed amendments to Ordinance 97-1 002 that he and John Brown prepared. Edwards' preference on new construction is to provide the meter equipment and temporary water use while under construction with the charges included in the permit. However, before water can be turned on for occupancy, a meter equipment must be paid for and installed. Following current procedure, sewer charges will start at the time of hook up until the sewer rate is changed in approximately a year. Edwards thinks it is better to calculate sewer bills on the actual usage from Nov-April, and to not use the average including the other six months. *Edwards will rewrite the section in the ordinance addressing this.* Clarifying a question from President Radick, Edwards responded that there will be three rates for sewer. Sewer will be billed at the flat rate if there is no water use data to calculate the sewer charges. The connection/inspection charges were changed and a section has been added for paying for the meter equipment. Overall, the permit costs will remain about the same. For large projects, the District will spec a meter and then the builder will purchase the meter from a vendor. John Brown stated that the Board can make the effective date of the amended ordinance retroactive to the beginning of a quarter, such as January 1, 2002. Edwards' goal on a condominium complex is to meter each unit, but if

it cannot be done, the complex could be grouped for billing purposes. New construction multi-family will require individual meters. However, large projects like the Summit Hotel will be decided individually. Edwards noted that there will be a \$50 charge per month for pulling water from a hydrant--making it administratively easy for charging. Director Ingraham was concerned that this may not adequately charge for the big water user. Carl stated that municipalities make a coin operated water system available. The Board stated that the fee could be revisited if more water is being used than what is being paid for. President Radick explained to the public that the District has tried to be as equitable as possible in the proposed water rate. Laura Larocco asked about non-tampering metering for hydrants that would not create a problem for the fire department. Edwards said he wasn't aware of a device. On multi-family housing, Larocco asked if each unit will be individually metered or will there be a meter per building. Edwards explained that most condos could be metered to each unit. Outside irrigation in most instances can be metered in a daisy chain system. For areas that have to use a spigot from a unit, the association would have to decide how to allocate the charges. Jim Logar asked if the rate will be able to be adjusted if the District needs to. President Radick and Edwards said some people will be charged more and some users will be charged less. If revenue falls behind, the rate can be changed in a variety of ways if an adjustment is needed. President Radick noted that Edwards will make the change to the ordinance as discussed earlier and then a special meeting will be held on Wednesday, January 30, 2002, at 8:00 AM to adopt this ordinance. Director Shropshire will be available by phone.

With no further public comment, the hearing was closed at 2:53 PM.

REGULAR MEETING, 2:55 PM

PUBLIC FORUM

With no public comment, President Radick called the regular meeting to order at 2:55 pm.

APPROVAL OF MINUTES

Director Rothschiller moved to approve the December 18, 2001, regular meeting minutes as written. Director Peacock seconded the motion. Motion carried, 6 yea votes to 0 no votes with President Radick voting. Director Ingraham abstained as he was not present at the December meeting.

FINANCIAL REPORT

December Financial Reports: Smith briefly reviewed the financials, stating that everything is on target and there were no extra-ordinary items this month. Director Ingraham asked if the District needs to go to bid for the next audit and, if so, Smith is to get working on it.

Director Ingraham moved to accept the unaudited December financial reports. Director Rothschiller seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

OPERATORS' REPORTS

Sewer System Operations: Monthly Report--Edwards noted that total flows for 2001 exceeded 2000 flows. The flume at Low Dog Road measured an increase in flows in the mountain village, which is consistent with the growth on the mountain. When the outfall line was redone in 1998, the flows decreased.

Water System Operations: Monthly Report--Edwards stated that the summary water production data shows an increase from 2000 in Aspen Groves and Meadow Village.

AMENDMENT TO ORDINANCE 01-1002

As explained in Edwards' manager report, amending the legal description of the lands petitioned by YC for annexation into the District reduces the area of the original request. The election target date is now March 27, 2002. Bob Sumpter stated that he would be happy to canvas Shelly Vance to have the election occur on March 27, 2002. Sumpter said that Vance is to respond to the District within five days and the Secretary of State is to respond to Vance within five days. President Radick explained that the District will present the modification and make this the final reading.

Director Peacock moved to waive the three readings to amend Ordinance 01-1002.

Director Rothschiller seconded for motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

Director McRae moved to approve amended Ordinance 01-1002 as presented. Director Rothschiller seconded the motion. Director Ingraham expressed concern over Director McRae's possible perceived conflict of interest. Director McRae withdrew his motion.

Director Wiggins moved to approve amended Ordinance 01-1002 as presented. Director Rothschiller seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting and Director McRae abstaining.

ORDINANCE 01-1003: RELEASE OF SFEs FOR PERMITTING

Director Peacock moved to waive the second reading of Ordinance 01-1003. Director Wiggins seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

Director Ingraham moved to approve Ordinance 01-1003 as presented. Director Wiggins seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Edwards provided an update on the LTCWP. An actual easement with description has not been given to the Big E-Z as yet. Bob Sumpter noted that the YC does have an easement through the Big E-Z. *Edwards will look at the YC easement to see if it will work. In consideration for an easement, Edwards will offer the Big E-Z \$2,500 according to the 12/1 8/01 meeting minutes.*

YELLOWSTONE CLUB WELL STATUS REPORT

Edwards stated that we are waiting for an election plan from Shelley Vance. It now appears as if the bond election will be in April and the annexation election will be in March. Mae Nan Ellingson is trying to get the Secretary of State to put the District's request to the top of the pile. Edwards reported that there is a required five-day limit for Vance to respond to the request with a draft election plan. However, it has not worked that way as Vance contends she has to wait for information from the Secretary of State.

Edwards believes that we are close to getting an election date. Expressing his frustration in the delay, Bob Sumpter asked if he could contact Mae Nan Ellingson to find out what the problem is. *President Radick asked that the District find out what the problem is and try to correct it first. If this comes back to the Board in an unfavorable outcome, then the Board will contact Sumpter.* The annexation issue will precede the bond election. Sumpter stated that he will do what he can do to get the annexation issue to election. President Radick reiterated that the Clerk and Recorder must be held accountable and must adhere to a five-day response timeline. *The Board directed Edwards to have counsel review the situation on the bonding, responding in the appropriate timeframe and procedures. The Board wants an opinion from legal counsel on the situation and recourse.* Sumpter, as a concerned citizen, will contact Vance to make sure there is a response on the annexation issue by the deadline.

WATER FACILITIES PLANT PROJECT STATUS REPORT

Edwards reported that the YC well is complete and that engineers feel the well can sustain 150 gpm. Edwards has sent a letter to Sumpter requesting bond of 125% of the cost to complete the project. Sumpter acknowledged that YC will post the bond.

Edwards reported that overall the meeting went well with John Waldow, the property owner for the proposed tank site. Waldow had asked if there was compensation and he said that there was an association meeting held. However, the District or engineer have not been contacted since and the efforts to contact him have not been successful. The alternative tank location, on McMeekin's property, will cause some problems. *President Radick directed Edwards to pursue this and to do whatever it takes to get this resolved.* Edwards stated that they did talk about adding a tire hydrant to service the Gallatin Highlands property. *President Radick would like the District to be more proactive on this issue.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards reported that the final as built and schedules of values have been received for the Town Center and a performance bond with JTL is being worked out. A submittal for Powder Ridge Subdivision on Block 5 has been received for review and comment. Gaston is working on the sewer and water extension plan. Edwards doesn't know if the project will start next year, or if there will be a year delay. The SFE allocation table for Block 5 is lower than what is being proposed. Boyne has two choices; to reallocate or to pair down the development.

YELLOWSTONE AGREEMENT AMENDMENT

Edwards reported that this amendment extends some dates in the agreement--annexation and bond--and includes one signatory page for the Board. Wheat's only comment was to check the dates to make sure the project can be completed so that it does not have to be amended again. Sumpter stated that some of the dates relate to easements with Boyne and YC may have to come back if they are held up by a third party. President Radick responded that there are circumstances beyond our control which may cause future amendments.

*Director Ingraham moved to accept the YC agreement as presented to the Board.
Director Peacock seconded the motion. Motion passed, 7 yeas votes to 0 no votes with
President Radick voting.*

SEWER & WATER PERMITS

No sewer and water permits were issued in the last month.

GENERAL CORRESPONDENCE

No board action was required on the general correspondence.

NEXT MEETING

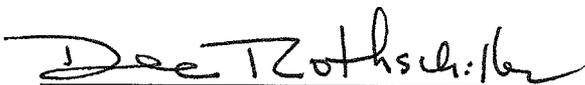
The next Board meeting is tentatively scheduled for Tuesday, February 19, 2002, at 1:30 PM in the WSD community room. A special meeting will be held January 30, 2002, at 8:00 AM.

LEGAL ISSUES

Edwards read the letter from Max Davis, noting that the release agreement has been signed by the Cronins. This document will now need to be filed with the district judge.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 3:52 PM.



Dee Rothschiller, Secretary

**Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716**

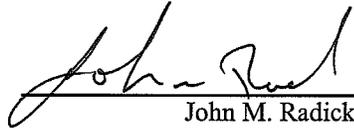
Acceptance of Monthly Financial Statements

Date 7/17/2002

The Board of Directors at its 7/17/2002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	6/30/2002
Assets:	<u>\$ 22,453,140</u>
Liabilities	<u>\$ 6,760,286</u>
Equity	<u>\$ 15,692,854</u>

2 Income Statement as of	6/30/2002
Total Revenues	<u>\$ 3,444,175</u>
Total Expenses	<u>\$ (1,502,260)</u>
Net Revenues	<u>\$ 1,941,915</u>



John M. Radick, President

Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716

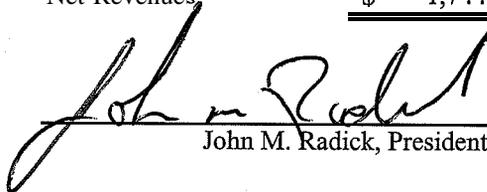
Acceptance of Monthly Financial Statements

Date 6/18/02

The Board of Directors at its 6/18/02 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	5/31/2002
Assets:	<u>\$ 22,321,031</u>
Liabilities	<u>\$ 6,825,223</u>
Equity	<u>\$ 15,495,808</u>

2 Income Statement as of	5/31/2002
Total Revenues	<u>\$ 3,030,713</u>
Total Expenses	<u>\$ (1,285,844)</u>
Net Revenues	<u>\$ 1,744,869</u>



John M. Radick, President

**Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716**

Acceptance of Monthly Financial Statements

Date 512912002

The Board of Directors at its 5/29/2002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	4/30/2002
Assets:	<u>\$ 22,011,923</u>
Liabilities	<u>\$ 7,240,070</u>
Equity	<u>\$ 14,771,853</u>

2 Income Statement as of	4/30/2002
Total Revenues	<u>\$ 2,866,565</u>
Total Expenses	<u>\$ (1,201,220)</u>
Net Revenues	<u><u>\$ 1,665,344</u></u>


Wendell Ingraham, Acting Chairman

**Big Sky Water & Sewer
PO Box 160670
Big Sky, MT 59716**

Acceptance of Monthly Financial Statements

Date 4/11/2002

The Board of Directors at its 411712002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	3/31/2002
Assets:	<u>\$ 21,819,973</u>
Liabilities	<u>\$ 7,359,700</u>
Equity	<u>\$ 14,460,272</u>

2 Income Statement as of	3/31/2002
Total Revenues	<u>\$ 2,718,082</u>
Total Expenses	<u>\$ (1,124,904)</u>
Net Revenues	<u>\$ 1,593,179</u>

Dee Rothschild - Secretary
John M. Radick, President

**Big Sky Water & Sewer
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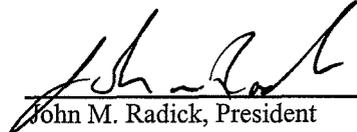
Acceptance of Monthly Financial Statements

Date 3/19/2002

The Board of Directors at its 3/29/2002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	2/28/2002
Assets:	<u>\$ 21,515,657</u>
Liabilities	<u>\$ 7,118,640</u>
Equity	<u>\$ 14,397,017</u>

2 Income Statement as of	2/28/2002
Total Revenues	<u>\$ 2,557,011</u>
Total Expenses	<u>\$ (1,026,778)</u>
Net Revenues	<u>\$ 1,530,233</u>



John M. Radick, President

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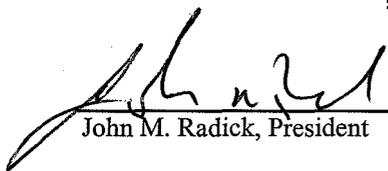
Acceptance of Monthly Financial Statements

Date 2/13/2002

The Board of Directors at its 2/20/2002 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	1/31/2002
Assets:	<u>\$ 21,203,564</u>
Liabilities	<u>\$ 7,124,432</u>
Equity	<u>\$ 14,079,132</u>

2 Income Statement as of	1/31/2002
Total Revenues	<u>\$ 2,141,312</u>
Total Expenses	<u>\$ (932,664)</u>
Net Revenues	<u><u>\$ 1,208,649</u></u>



John M. Radick, President