

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -December 19, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, December 19, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast (left at 11:45), and Directors Dick Allgood, Jeff Daniels (left at 11:06), Bill Olson, and William Shropshire. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were Holmes & Turner auditor Rosie Bamdt and Silvertip representatives Leonard Liston, Terry Threlkeld, Eric Ossario, and Charles Melrose.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of November 9, 2006, as written. Director Daniels seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Monthly Financials: Smith reviewed the October and November financials noting that there were no surprises and that the November budget vs. actual expenses report showed the operating summary as favorable, or on target. Smith commented that the District is still ahead of the revenue game, but he expects to take a bite out of that this 4th quarter as use is usually down. By June Smith expects the budget to be on target.

Director Olson moved to approve the October and November financials as presented. Director McRae seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

Fiscal Year 2005/06 Audit: Smith introduced Rosie Bamdt from Holmes & Turner. Bamdt noted the three components of the audit report, pointing out one change from last year is that the financial statements are not comparative as that is not required. However, the Management's Discussion and Analysis provides a comparison. Rosalie noted that their firm can answer questions of the District, but cannot make any management decisions and still provide an audit. Smith reported that the audit report has recently been submitted to the State. Edwards asked if the audit firm will be able to hold to their bid price with the District's recent approval for a new SRF loan. Rosalie assured the District that their audit price will remain the same as the audit will still be a single audit.

Director Shropshire moved to accept the 2005-2006 Audit as prepared. Director McRae seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director McRae moved to amend the agenda to address the Silvertip project. Director Daniels seconded the motion. Motion unanimously passed.

SILVERTIP ANNEXATION/SERVICE REQUEST

At the October meeting the Board directed Edwards to follow up on Liston's request for water and sewer service for the Silvertip. Edwards provided a thorough documented review of the history of the project in the board packet. The documentation included the District's agreement with West Berlin that provided 15.53 SFEs of water service in addition to Liston's follow-up information on the scale of their project, engineering, and platting. Liston also submitted a formal request for annexation of 67.05 SFEs for phase I with 36 condo units and 18.30 SFEs for future phases with up to an additional 10 units. Edwards reported that the dialogue was initially started by West Berlin since the District's water line crossed their property. As a concession for allowing the District to leave its water line on West Berlin's property, the District agreed to provide limited water service equivalent to 15.53 SFEs. Edwards explained that the "out clause" in the original agreement was recommended by District legal counsel in the event that surplus water was ever a problem. The agreement had never been vacated even though Berlin did not complete the project. Edwards reviewed the five options he provided in his manager's report for the Board to use in considering Liston's request. Edwards stated that he did not like the densities in Liston's proposal. Under the original methodology used by District engineers in allocating SFEs this property would have had 51.6 SFEs if the entire lot was buildable. This number was calculated by allowing 12 units per acre with the average of 1.03 SFEs per unit. If only the buildable area was used, the allocation would have been around 40-45 SFEs. Liston stated that his SFE figures were calculated using the current densities which are between 1.44-1.49 SFEs. Edwards expressed his concern with possible litigation from West Berlin in addition to the possibility of opening the doors for other developments to ask for service if Liston's request is approved. Edwards had no problem with Threlkeld's analysis; however, it is all based on capacity today. Edwards does not know if we will have capacity in the future. If the Board decides to serve the property, Edwards would like it to be annexed through a vote of current District property owners. Edwards said there will be a request for annexation from Lone Moose and the two requests for annexation could be done with one election. On the monetary side, there is opportunity to increase the PIC fees per SFE and this would benefit the District.

Liston's engineer, Terry Threlkeld, provided an overview of their analysis for DEQ approval, but doesn't believe that a private system is the best way to go. They would prefer WSD service for phase I plus for full build out totaling 85.35 SFEs. Their reasons given for the District to annex and provide water and sewer service to the property were: 1) it is the environmentally right thing to do, 2) the property is adjacent to the District, 3) the District water line is on their property, 4) the District has capacity, 5) the DEQ requires the developer to ask for service, 6) Liston will be able to develop the property in such a manner as to eliminate a major eye sore in the mountain village, and 6) there is a partial service agreement in place (West Berlin). Threlkeld informed the Board that State law allows the Board to annex property without going to an election as there is capacity today. The most limiting feature is lagoon storage, but Threlkeld doesn't feel building storage now would be the sensible thing to do as it isn't needed now. With the storage available through Yellowstone Club, Threlkeld said that additional storage needs to be done incrementally over time when it is needed. Threlkeld noted that for golf course irrigation, Yellowstone Club will accept wastewater from WSD and there is talk about Spanish Peaks also accepting WSD wastewater. Additionally, the State does not consider the disposing of wastewater on golf courses as discharging. Threlkeld asked the Board if a developer could purchase SFEs for this type of project. Edwards explained that SFEs are not available for purchase. However, SFEs can be transferred if the request follows District policy; which is

being amended to tighten it up. Threlkeld asked the Board to review the criteria and consider service to new developments that will be less than 500 feet from WSD lines. From a water quality standpoint, Threlkeld stressed the environmental benefits the WSD would provide to the community if this project is provided public water and sewer service. If WSD does not provide water and sewer service, Threlkeld said the development would like to be able to approach the Board in the future to operate their private system. Threlkeld does not believe the Board would be obligated to annex in other property if they annexed in the Silver-tip project. Threlkeld stated that the District has an advantage in that it can set the connection rate which would help pay for other District projects.

Leonard Liston stated his desire to have the project annexed into the District as he feels it is the appropriate thing to do for the community. Liston reported that they came up with the site design, now at 39 units, by looking at the immediate developments around them and the useable acreage; which calculated to 9.07 units per acre. The average SFEs per existing unit in property near theirs is now between 1.44-1.49. Liston looks at their request to WSD as a benefit to the Big Sky community, which he lives in, as their project will be an aesthetically pleasing, quality project without any commercial development. Liston promised the District the current building would be done this summer if given approval to connect to the WSD system. Their request of 66.15 SFEs is at their financial threshold. Liston reiterated that their property is surrounded by District served property and the District's water line runs through their project. According to Liston, they would represent only about 1% of the District flows and the project would generate about ½ million dollars to the District through PIC fees. Additionally, if the District provides water and sewer service, then the District will not be asked to move its water line. Since Liston only has an option to purchase the property and does not own it, Edwards asked what would prevent the current owner from taking over the project if the District allows connection. Liston assured the Board that he has control on the purchase agreement with a deadline at the end of January. Liston also stated that he does not have a problem indemnifying the District. President Cronin stated his concern regarding Berlin and the possibility of him deciding to sue the District. Liston reported that Bobby Berlin is the managing partner of Lexley Partners, the current owner. Eric Ossario said that Liston could indemnify the District as West Berlin no longer exists, and the District has made no promises to Lexley. Liston could pursue having Lexley (Berlin) sign an agreement to not take legal action against the District as part of the sale of the project to Liston. The Board further discussed the potential for litigation.

Liston felt that Edwards' option 5, to accept the 66.15 SFEs, is the option that works for them environmentally and financially, plus it works for the community. Liston stated that he cannot hold on and wait 6 months for a vote. Director Shropshire asked Liston what the downside would be for them if the District goes to an election for annexation. Liston stated that he doesn't have the escrow capacity to delay the decision for an election. Edwards commented that a June general election would be a delay, but a mail ballot would not necessarily be a lengthy delay. If annexation approval moved forward, Edwards stated that he would want a public hearing and cautioned the Board to tread cautiously as this would set a precedent. Director Fast feels that the public would not think through the implications of annexation, they would just be making an emotional decision to clean up Berlin's abandoned project. Director Fast also stated that he doesn't think it is the Board's responsibility to bring it to the public-that is the responsibility of Madison County. Director Olson reported that there is nothing that the planning department in Madison County can do with the aesthetics, etc. of the project as it is. But, because of the change in use and density, Madison County would need to review and approve Liston's project.

Director Olson stated that the District would not only be annexing in property if Liston's request is approved, it would also be creating SFES for this development and this has never been done before. Edwards stated again that he could not support Liston's methodology for calculating the SFES that he is requesting. Vice President McRae stated that the District received voter confidence on its recent water improvement election and felt that the voters would support the Board's recommendation. Director Olson stated that other developments have found a way of getting SFES in a manner that follows District ordinance. Threlkeld commented that technologically has changed and the District is being very conservative in what they can serve—he said he could guarantee that there will be more options to handle the SFES at build out and “disposable” will become less of an issue. Threlkeld doesn't feel that the District should have a sense of panic on what they can serve, they should be thinking about serving others so that there is zero discharge. Edwards asked, “If the Board moves forward with annexation, why would they consider density greater than what was used in the original long-term planning?” Edwards doesn't like opening it up for the applicant to tell the District what they need for SFES for their planned development. Vice President McRae asked if Liston could get their SFES down to what the District's planning tools originally allowed. Liston reported that they originally started with around 100 SFES and are now down to about 67. Director Shropshire stated that there is reluctance from the sitting Board to make a decision without having the community voting the issue. Director Shropshire also feels that Liston has another option for water and sewer, as they have stated, and the Board should not rush this issue. Liston explained the benefits of the development to the community, as he sees them, and reviewed their DEQ route. Liston doesn't feel they have stacked as many units as possible in their proposal—he feels they have used planning to develop the project where it works for the community, the District, and them. Liston doesn't know what else they could have done in their proposal. President Cronin stated that Liston has given a very good presentation and the whole Board is thinking very hard on what to do. From the perspective of the Board, they have to consider the philosophical questions—opening the doors for future requests, plus potential litigation. President Cronin asked the Board how they wanted to proceed. Director Allgood stated that if the request fits the guidelines, then have the issue go to a public vote with the entire scope of the project presented—annexation, SFES, impact fees, etc.—all laid out to the public. Based on the information presented with Liston's request, President Cronin asked if it would be appropriate to put the question to the Board for annexation and to supply him with the requested SFES. President Cronin asked if the Board would support a motion to annex this project into the District, which is now known as Silver-tip, with the approximate 67 SFES. Director Fast stated that since he missed the last meeting, where the issue was initially presented, he wanted to know what other members felt. Director Shropshire said the two issues are the annexation and the provision of the SFES, both of which will set a precedent. Director Olson felt that it is not the District's job to make it a financially viable project—everyone else has figured out how to get SFES within the District ordinance. Director Olson stated that the District has struggled with the SFE issue with previous requests and asked how the District would avoid litigation if this request was approved. Director Allgood feels that public comment is necessary and that a decision cannot be made at this meeting. President Cronin and Director Shropshire concurred that public comment is necessary. Edwards said a public hearing could be held on the request for annexation—an ordinance would have to be drafted that includes SFES and fees. Liston asked if the map Edwards used from the 1994 long-term planning, for calculating the 52.5 SFES, was with full lot acreage or just buildable area. Liston requested a two-step voting process where they ask for annexation with Edwards' recommended SFES and then be able to ask for the additional SFES for a future phase.

President Cronin reported that the Board has never contemplated producing additional SFEs for development-Table 3.01 has been the limiting factor. There is not a mechanism for the District to provide additional SFE capacity. Threlkeld stated that the table provides for a sort of zoning in Madison County, but there also needs to be a mechanism to provide for flexibility. Edwards said his view of what the maximum SFEs for the land is not the same as what Liston is proposing. President Cronin doesn't see how the District can evolve overnight (by January) in changing its allocation. Threlkeld reminded the Board that the District does not have to go to vote to make the decision of annexation since it has capacity. Director Shropshire stated that he does not feel comfortable in making the decision that this will not affect current district property owners in the future and is also concerned about the District's commitment for capacity for serving all the existing property owners. Threlkeld believes that the District has to factor in changing technology to make decisions on expanding its service. He doesn't feel that it makes sense to make room for people now for service 50 years down the road, when the board should be serving other property. Director Fast commented that the District does have to be careful as we are under the spotlight. Liston offered to revise his request for the number Edwards recommends and then they will try to get additional SFEs through other means (transferring)—this would allow him to move forward. Director Olson asked if he could instruct Edwards to draft an ordinance with all the caveats discussed (costs, SFEs, indemnification, etc.) to present for Board consideration. Edwards said he recently talked with legal counsel on this issue and would like a legal opinion on it. *Edwards will have HKM engineering look at water capacity, now that the District is connecting the mountain to the meadow.* Edwards also reported that the DEQ is requiring the District to do some extensive sampling on the mountain to prove the surface water (Lake Lavenski) does not impact the well water. If there is an impact, then the WSD drinking water will have to be treated/disinfected. Edwards said the PIC fee would be \$7,000 per SFE plus the developer's savings on capital costs. *Edwards will talk with the Gallatin County Election Office on setting a mail election date.* Edwards said the Board could make a decision after the public hearing, or put it out for a vote to district property owners. Edwards could have the draft ordinance done for the January meeting. Director Allgood asked if the District should require Liston to have the deed on the property prior to a decision/vote by the District. Edwards felt that the public's perception of the request would be better received if the owner of the property was making the request for annexation. Liston said, from a practical side, he cannot buy the property prior to making a decision on development plans. Liston asked that the District draft an ordinance and have a public hearing in the next month. *Edwards will have legal counsel draft an ordinance for the January 16th meeting for Board review and adoption, if in agreement.* A public hearing will be set for a future date after the Board reviews and approves the ordinance, possibly by the end of January. *The Board asked that legal counsel be present for the January meeting.* Edwards asked Liston if the water line would have to be moved if the annexation for service is approved. Liston said the line would not have to be moved. (At 11:06 am Director Daniels and the Silvertip representatives left the meeting.)

Director McRae moved to remove the water line from the Silvertip property in the spring. Director Allgood seconded the motion. President Cronin called for discussion. Edwards needs to check on easement access and public right of way and get bids. Director Olson amended the motion for staff to obtain routing and to obtain bids prior to the January meeting, with the work to begin after Easter 2007. Director Allgood seconded the amended motion. President Cronin called for a vote on the amended motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. President Cronin called for a vote on Director McRae's motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

SEWER & WATER PERMITS

KTDA requested a 60-day extension of their December 11, 2006, deadline to provide the additional information needed for their conditional approval of 18.70 SFEs for the Water Tower Place in the Town Center. There were no new permits requiring board action.

Director Allgood moved to approve KTDA's request for a 60-day extension on the Water Tower Place in the Town Center. Director Fast seconded the motion. Motion passed, 6 yeas to 0 no votes with President Cronin voting. (Director McRae was not present for this vote.)

WATER OPERATIONS

Production Report: According to Muscat, a malfunctioning meter caused the increase in Mountain flows in October. The November flows are consistent with the rest of 2006. The leaks on the line at Black Otter Road were fixed by replacing the line. Edwards asked for Board approval on the Silverbow replacement bid for HKM's design work that was provided in the packet.

Director Shropshire moved to authorize the design contract of \$76,486 to HKM for the Silverbow line replacement. Director Olson seconded the motion. Motion passed, 7 yeas to 0 no votes with President Cronin voting. Muscat reported that Silverbow may be doing irrigation line work this summer and asked that Edwards send a letter to Silverbow on the District replacement project.

Sanitary Survey Results: Muscat reported on his meeting with DEQ staff regarding the sanitary survey where they gave the mountain system a failing classification. Edwards reported that we grouted to 16', instead of the 18' now required, and that is why we even got a letter. The issue is whether or not the three mountain wells are impacted by surface water (Lake Lavenski). Edwards is working with Mark Cm-mane, who is reviewing the state rules, on writing a response letter to the DEQ. The state also wants a 24-hour pump test. Edwards is trying to slow down their requirements of 30-days response. Muscat feels there is an underlying prejudice and that Big Sky is being held to a different standard than other communities.

ORDINANCE 97-1001 AMENDMENT

Edwards did not have a revised draft of the ordinance amendments for the Board to review as he felt that the Silvertip project would be a lengthy discussion at this meeting. Edwards asked if the committee wanted to meet again for a consensus on the amendments proposed at a previous meeting. *Director Shropshire asked for a copy of amendments. The committee of President Cronin, Director Olson, and Ron Edwards will review the draft amendments and present it to the full board.*

Director Fast left the meeting at 11:45 am.

SEWER OPERATIONS

Edwards reported that the treatment plant is working fine. The newly hired operator, Jim Jones, turned in his resignation. Burroughs will be gone in early January with Nic Wellenstein and Edwards operating the plant during his absence.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline: Prior to the project shutting down for the winter, the stream crossing was completed.

Meadow Well Drilling: The third effort at pump testing will begin today and it has to be done for 72 hours.

Meadow Village Water System Financing: The \$5 million bond approval is moving along and the state loan approval has been received. The 30% required in the election was easily met, but there is still some gray area on what denominators are used to determine the 30%. Director Olson asked if any entity is working at getting the law changed. Edwards reported that he was not aware of any organized effort, but explained the Lockwood (Billings area) situation was the reason the voting requirements were changed.

Meadow Village Water System Repairs: Edwards has met with Allied Engineering regarding the Hidden Village line replacement and there are some issues that will need to be worked out. The project will have an outline of deadlines for a 2007 completion.

DEVELOPMENTS & SUBDIVISIONS

Sewer & Water Transfer Agreements: Edwards reported that several conveyances in the upper Cascade area will soon be completed.

Montana Mountain Club: Edwards reported that Boyne is working on a new single-family development in the old Cascade Block 5 area.

RESOLUTION 06-02: CANVAS DECEMBER 5 BOND ELECTION RESULTS

Edwards requested formal board action to confirm the bond election results.

Director Allgood moved to approve the canvassed election results. Vice President McRae seconded the motion. Motion passed, 5 yea votes to 0 no notes with President Cronin voting.

ANNUAL DINNER

Vice President McRae stated that the Big E-Z (Jackie) may be able to put together a package for the annual dinner. The Board suggested sometime in February for the annual dinner.

GENERAL CORRESPONDENCE

No general correspondence required Board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, January 16, 2007, at 8:00 am. President Cronin will let Kennedy know if he will be available for that date. Director Allgood will not be available on January 23, 2007.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 12:13 am. Director Olson seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -November 9, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Thursday, November 9, 2006, in the WSD Community Room. Vice-President Gary McRae called the meeting to order with the following Board members present: Directors Dick Allgood, Jeff Daniels, Bill Olson, and William Shropshire (via telephone until 11:00 am). Vice President McRae chaired the meeting until President Packy Cronin arrived at 8:44 am. Secretary Dick Fast was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith (left the meeting at 8: 16 am), and Grant Burroughs. Others present were Boyne representative Jamie Roberts; Silvertip representatives Leonard Liston, John Carstensen, Charles Melrose, Terry Threlkeld, and Eric Ossario; and Northwestern Energy representatives Pat Asay, Mike Meis, Matt Micklewright, and Ned Johnerson.

PUBLIC FORUM

Vice President McRae called the meeting to order at 8: 10 am without any public comment.

MEETING MINUTES

Director Olson moved to approve the minutes of September 19, 2006, as written. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice President McRae voting.

FINANCIALS

Smith distributed the audit report and will mail a copy to Director Shropshire. The auditors will be present at the next board meeting to review the report. Smith briefly reviewed the September financial reports stating that the revenues were higher because of the higher water use during irrigation season. Reserves are up about \$84,000 but Smith anticipates that we will still go over budget.

Director Allgood moved to approve the September financials as presented. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice President McRae voting.

Smith left the meeting at 8: 16 am.

WATER OPERATIONS

Edwards reported that the water tanks were inspected last month. The mountain tank is now about 10 years old, but the inspectors said it looks good. The Aspen Groves tank needs to be cleaned more frequently due to the chemical additive building up a particulate layer in the bottom of the tank. The other tanks look good and do not need any cleaning now. The Meadow Village productions were down 30% from last year's year-to-date totals. The repair at Park Condos and a few other small repairs may be why the District is seeing a reduction in the Meadow Village production. The Mountain Village production is up 15% overall. Director Olson asked why the mountain water would have so many air bubbles in it. Edwards explained that the wells have new pumps and they may need some adjustments. *Edwards will report the problem to Jim Muscat.* Lone Moose production is up, but it is still a very small number. The Yellowstone Club usage is below the 2005 year-to-date totals.

MOUNTAIN MEADOW PIPELINE PROJECT

Edwards provided an update in his manager's report noting that Snow Machines Inc. (SMI) zap locked about 8,000 feet of pipe. The crews will clean up the ski area so the pipe is not in the way of the snow cat. Everything was going fine, but we have run out of weather and a stop work order will be issued as the frost and wet conditions will require SMI to shut down. SMI was intending to get the stream crossing done this week, but the stream rose and they will re-evaluate the conditions next week. Edwards stated that with the well production totals being down considerably in the meadow, he is more comfortable with a delay in getting the mountain to the meadow connection done next summer. The District will be working on the water rights for the new meadow wells.

MEADOW WELL DRILLING

Edwards reported that well 5 would be pump tested today. On November 11 a three-day pump test will begin to determine the size of the pump. Well 4 pump test will probably be done next week. Edwards stated that the water from the pump test will go to the river and the District does need a permit to do that discharge since it is clean water. The water main design will need to be done. Mark Cunnane feels that the new wells will have to be chlorinated as required by EPA standards. Edwards said the state could require that at the wells be chlorinated, but didn't feel that would happen. Ray Armstrong stated that there is an EPA groundwater disinfection rule, and he doesn't know if it would be required, or just have it installed and ready for use. Edwards reported that the new wells will probably be 200-250 gpm in production, not the 500 gpm originally thought. Edwards feels the new wells should come on line next August with the water rights being the biggest issue.

SEWER OPERATIONS

Burroughs introduced Jim Jones, the new sewer operator that replaced Denny Black. (President Cronin arrived at 8:44) Burroughs reported that a computer malfunction caused the lack of reporting for about a week and a half. Burroughs explained that the high flow numbers in mid April was caused by I & I. Burroughs reported that most of the compost is being sold to Western Pines at \$10 yard, around 800 yards this year. Burroughs feels that the District needs to advertise that compost is available for sale to the Big Sky community.

AMEND AGENDA

Director McRae moved to amend the agenda to address the Silvertip project. Director Olson seconded the motion. Motion unanimously passed.

SILVERTIP DEVELOPMENT

Edwards explained that Leonard Liston is interested in purchasing the Silvertip Development that is near Skycrest Condominiums and wants the District to consider connecting this property to the District's sewer system. This property is Phase IV of Summit View Subdivision.

Leonard Liston stated that he has a contract to purchase the Silver-tip development and that he has no relationship with the previous developer, Berlin. Liston said they have eliminated all commercial development plans and the project will only be condominiums. They are taking the wastewater treatment approach to eventually have a private SBR system and they feel that they can provide their own water source if they cannot get adequate service from the District. The existing structure will have 4 units, a parking garage, and an owners' recreation area. They will add a few more buildings, (a total of 36 or 46 units) but are working with the Summit View Association to work out the details. Liston stated that if they were unable to get District sewer service, they would ask that the water line be moved so that they can put in an adequate

wastewater system. Liston reported that they have the ability to develop the property without District connections, but would provide a permanent easement to the District if allowed to connect to the District's system. Liston's request for SFEs would come with an agreement to pay a prorata share if the treatment plant needs expansion in the future. They would also provide an indemnification to the District should there ever be a legal issue with providing sewer service to their development. For environmental reasons Liston would like to connect this project to the District's systems even though they could provide their own systems. He believes there are trade offs that would be a benefit to the District and the community if they are allowed to connect. This, according to Liston, would be the environmentally correct thing to do. Terry Threlkeld, Liston's engineer, presented the technical data stating that Silver-tip will have to redesign a system based on the proposed build out and they will need a letter from the District to be able to continue with the DEQ approval process for the project. The letter will either have to state that service is available, or service is denied. Threlkeld stated that according to Montana Code, the District could expand to contiguous property if there is capacity. Threlkeld said the District does have excess capacity according to the flow data that the District has on its web site. This capacity is due to the correction of I & I, the use of low flow fixtures, and utilization is down due to the transient homeowners in Big Sky. All parties-DEQ and Madison County-that Threlkeld has talked to favors the development being provided service by the District. Threlkeld reviewed the rationale for the District to provide service to this development. Ideally, they would like sewer and water connection. If that were not possible, they would still like water service. The type of wastewater system used would be a two-phase approval starting with an Advantex system and then going to an SBR system (similar to the District's) as getting the SBR approval will take some time due to their low flows and the data DEQ requires. Threlkeld said another public water and sewer system in this drainage is not needed, and the District needs to look at allowing connection. As, logically, the District needs to expand its service area to protect the Big Sky environment. Threlkeld believes it is an appropriate time for the District to re-evaluate its position on allowing additional service. Liston stated that they would agree to an assessment through a legal document which would agree to pay a prorata share to expand the system if ever needed down the road-it would be a pay for service agreement. Edwards explained that this property is currently not in the sewer jurisdictional area and does not pay on the bond debt, but that an agreement could be written to where they pay from the beginning of the bond. Threlkeld said the District would be protecting the ground water by encouraging contiguous property to connect to the District's wastewater system. Edwards felt that if this property was served by the District, that it should be annexed in and make up all the taxes paid by other property. Director Olson stated that the District is going to have to address annexation for Boyne's planned expansion. Edwards responded that would be done with Boyne's current SFE allocation. Director Daniels asked about the water supply capacity. Edwards stated that he feels water capacity would be easier to show on the mountain with the new well. Edwards commented that he feels that the Silvertip development would have a difficult time getting water rights to develop their own system, Threlkeld disagreed. Edwards reported that the original agreement had 15.53 SFEs for water, which was based on Silvertip's development plans at the time. Edwards said the new development plans would increase their need for water supply. Threlkeld said that if water was a problem in the future, Silvertip could drill a well and add it to the District's water system. Eric Ossario asked what assessment would apply if service was provided. Liston stated they would prefer that 100 percent of their development be annexed into the District for both water and sewer service. If wastewater could not be provided, then they would like 100 percent of water service provided and then have the water line moved to provide for their onsite wastewater system. Threlkeld said they could move the water line at their expense. President Cronin commented that the original premise of providing water service was because the line was on their property and if the line were moved there would be no reason for

the District to provide service. Director Olson stated that with the potential for polluting Lake Lavensky, it makes sense to him to annex in the property. Edwards recapped that the data Threlkeld provided on today's lower flows is correct and the District would have capacity, but the biggest issue is winter storage. President Cronin, stated that he agrees with Director Olson in that considering annexation is what is environmentally correct, but we have been constrained by Table 3.01 for sometime. President Cronin stated that the District is gradually shifting away from the Table, and used the meadow area development (where there is zoning) for an example. President Cronin stated that Boyne has always been working under an SFE capacity and he feels that their development has been dictated by their SFE capacity. Threlkeld feels that Boyne will not need to address the need of expanding their SFEs for 20 years and, by that time, the technologically will have changed. Threlkeld said the District needs to take an active role in providing service beyond its current boundaries, keeping this water drainage an outstanding resource. Threlkeld believes that this property is a special case and there are no other properties out there that can make the claims this property can. Threlkeld said if the property is allowed in the District, the property could pay accelerated charges to connect. Director Olson would like to see a concrete proposal of what the developers could agree to and what the District could agree to. President Cronin did not feel that the District could act on this request/issue until there is a full board in attendance, but it is worth thinking about. Threlkeld asked the District to come up with a bulleted list of issues that would be a concern if there was a policy shift. Edwards reported that District's current priority is the December bond election and there is not enough time until after December to have a committee work on this issue. For environmental reasons, Director Olson feels the Board should start looking at expanding its service area. Threlkeld and Liston reiterated that, from the data, the District does have capacity for water and sewer service to this development. Liston would like to help the Board to get to a conclusion and stated that Threlkeld would come up with a more formal proposal that includes indemnification, etc. Liston does have time constraints, and will continue with the DEQ approval process. He would like a resolve in mid-December as he closes on the property in January. Director Shropshire suggested that since the issue cannot be decided upon at this meeting that the Board move on to another agenda item. Edwards said the issues can be framed if this property was allowed sewer and water service. However, Edwards does not feel Liston's timeline should drive the District's decision. Director Olson said Silver-tip is a small part of this issue, a test case, and would like the District to work on these issues. President Cronin stated that the Board will give this request an honest look, considering opinions from all board members, and get back to Threlkeld. *Edwards and Threlkeld will work on the bullet point issues and present it to the board at their next meeting.*

AMEND AGENDA

Director Olson moved to amend the agenda to address the Northwest Energy request. The motion was seconded and unanimously passed.

NORTHWESTERN ENERGY SUBSTATION SITE

Edwards explained that Northwestern Energy contacted the District to purchase, or lease, land from the District for a new substation that would have easier access and be larger than their substation in Sweetgrass Hills. The new substation would add capacity in serving Big Sky. Matt Micklewright presented a footprint of a new substation with the location being on District property. Wanting to go to construction in 2008, they would prefer to purchase the property but an easement would work. They would need about 1 acre, which is dependent upon the topography of the site. According to Micklewright, the structure would be aesthetically pleasing with a lower profile and the proposed area has a line of trees that would provide screening. Ned Johnson explained the reason behind the current power outages and stating that service would

be improved to Big Sky if a new substation was built in the meadow. Their current station in Sweetgrass Hills would be phased out when the new substation is built and, due to the limited access, they do not want to put a new substation on their current location. Edwards stated that the biggest issue with the proposed land is putting in a new road. President Cronin asked if there are any issues in considering this request. Edwards responded that previous requests from other entities have been put off until the District comes up with a master plan. Edwards does not feel that Northwestern's proposed location would interfere with any District development plans. Edwards stated that the new substation would provide better service to the treatment plant as Northwestern could put in a dedicated line. President Cronin said if the request is considered, he would like the road easement be adjustable to allow for future District development if needed. Burroughs stated that Northwestern's line would cross some District infrastructure, but it could be worked around. Edwards's preference would be a lease instead of selling the land. Northwestern stated an easement would be preferred over a lease. Ned Johnson said the proposed substation is low profile and showed pictures of similar substations they have done in Bozeman. *President Cronin directed Edwards to work with Northwestern Energy to put together a more formal proposal with easement information. Edwards asked Burroughs to walk the area proposed.* Director Olson stated that he has the same concerns as he had before with other requests, in that the District does not know what they are going to do with its area. He asked if the Board should be considering Search and Rescue's earlier request for land. Edwards doesn't feel that the District would ever use its entire 30 acres, but the District has considered using part of that land for additional storage. President Cronin feels that it would be an odd place for Search and Rescue since it is out of the way and the substation is an unmanned facility that would not have much traffic flow. *President Cronin asked Edwards to work with BSOA on the park access easement and let them know the District's intention to work with Northwestern.* Ned Johnson stated that they do monthly inspections and a few more routine inspections throughout the year. *Edwards will write a letter to Northwestern asking for additional surveying information.* President Cronin asked Northwestern to clean up the area they disturbed by Westfork where a big pothole was left in addition to rocks & unseeded dirt. Matt Micklewright reported that their intent is to clean up the area and it will be reseeded. (NW representatives left at 10:35 pm)

AMENDA AGENDA

Vice President McRae moved to amend the agenda to address Boyne's SFE reallocation application. Director Daniels seconded the motion. Motion unanimously passed.

SFE REALLOCATION

Boyne submitted an SFE reallocation application to transfer 95.6 SFEs from Cascade Tract 2B (south of Lake Condominiums) to the Boyne SFE Pool. Edwards reported that Tract 2B currently has 120.00 SFEs allocated to it, which will leave 24.4 SFEs for permitting on this tract. Boyne will be trading this parcel for the Comfort Inn that is owned by Maus. If the transfer is approved, this would leave the amount of SFEs that Maus needs to develop Tract 2B. Jamie Roberts reported that Boyne foresees housing approximately 150 employees in the winter and 50 employees in the summer at the old Comfort Inn. Edwards said Boyne's request is in accordance with the District's ordinance. President Cronin said the transferring of these SFEs doesn't bother him that much, but if the land was originally planned for 120 SFEs what does it say for the other allocations in the mountain area and this illustrates another problem with the Table 3 .O 1. Edwards said he has had informal discussions with Boyne representatives and they do plan on expanding their mountain development area, which will use their SFEs. Edwards reported that he has told Brian Wheeler that the proposed amendments to the District Ordinance will tighten up the transferring of SFEs.

Director Allgood moved to approve Boyne's reallocation application to transfer 95.6 SFEs from Cascade Tract 2B to Boyne's SFE Pool. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director Shropshire moved to amend the agenda to address the ordinance amendment. Director Olson seconded the motion. Motion unanimously passed.

ORDINANCE 06-1003: RELEASE 300 SFEs FOR PERMITTING--First Reading

Edwards reported that the District has less than 50 SFEs available for new sewer connection permits and there are not enough SFEs to put off releasing additional SFEs. Edwards presented Ordinance 06- 1003, which releases an additional 300 SFEs, for Board consideration.

Director Shropshire moved to adopt Ordinance 96-1 003 on first reading and to waive the second and third readings. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

(Director Shropshire left the meeting at 11:00 am.)

MEADOW VILLAGE WATER SYSTEM PROJECT FINANCING

Edwards updated the Board on where the District is with the financing and reported that the election is on schedule.

BOND ELECTION

Edwards said the bond election will be December 5th, with Gallatin County mailing ballots on November 1 5th. Edwards distributed a draft newsletter for Board review and comment. The table values table was discussed. Edwards asked for Board input on how much to say about the next step if the general obligation bond election fails, which is where the Districts intends to do a revenue bond that would be a rate increase on user rates and does not need an election. Edwards said it is more expensive to go with a revenue bond because the state requires you to borrow 125% to secure repayment. President Cronin said the District needs to move forward with the election. Edwards will have a public information meeting on November 30th and asked if one or two board members could be in attendance. Director Allgood reported that he worked with Smith in estimating what a revenue bond would cost per customer. If their figures are correct, it would equate to about \$144 a year per customer if the District could use other assets on securing the extra 25% required. Edwards is to add a note in the newsletter for the customer to estimate their GO bond cost by looking at their tax records for their property tax value. An absentee ballot request form will be included in the newsletter.

WATER SYSTEM REPAIRS: SILVERBOW CONDOMINIUMS

Edwards reported that the engineer's cost estimate was \$76,000 and Edwards recommended waiting until the bond election is over before signing into this contract. Additionally, Edwards does not want construction at Silverbow going on at the same time as the work at Hidden Village, which is scheduled for next spring.

STORAGE POND ROCK COVER PROJECT

Edwards reported that the covered area has been extended and the test screens for the project have been completed. We will see how it does over the winter and re-evaluate next year as to continue going further with this project. The current cost estimate is \$3 million to complete the covering.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Pinnacle Restaurant: The agreement between Yellowstone Club and Spanish Peaks resort for YC to provide water not to exceed 5 gallons per minute (7,200 gallons per day) was provided in the board packet. According to the document, the YC can terminate this agreement if YC reaches their usage limit as defined in the agreement between YC and the District. Edwards stated that this agreement does not change our agreement with the YC. Director Olson asked if the existing Boyne line could be abandoned. Edwards said Boyne would like to get water service from YC/Spanish Peaks but it could require that the new service be a main extension. Edwards doesn't believe that the District needs to approve the agreement as requested by Spanish Peaks. *The Board directed Edwards to write Spanish Peaks a letter that states the agreement is between them and YC and that YC has to stay within its agreement with the District.*

Lodges at Elk Horn Creek: Edwards reported that the State had issued a stop work order as they had not received final approval for DEQ before they started construction. They have since received DEQ approval and, before the District accepts the lines, the state DEQ letter will be required. The total development has 91 SFEs and Edwards does not know what their planned build out is.

ORDINANCE 97-1001: WASTEWATER USE--AMENDMENT-First Reading

Edwards reviewed the proposed amendments to Ordinance 97- 1001, which included changes in permitting, sewer extensions, and the SFE reallocations. Edwards said the committee came up with changes that were included in the draft in addition to some other changes Edwards made. In the draft that was provided in the packet, all deletions are indicated by strike-through text and additions are underlined. Edwards explained the change in the SFE reallocation where once the project is started the SFEs cannot be moved and it also cleans up the SFE pool language where it ties back to the Boyne agreement. The partnership issue for transferring SFEs is blown up, you have demonstrate ownership for at least one year, and a fee for transferring SFEs is also included. Edwards stated that Boyne, Westland/Simkins, and Spanish Peaks pool SFEs. There is also language to not allow transferring SFEs between the two counties. Once the draft document is written according to the direction the District Board likes, Edwards will then distribute it to Boyne, Westland, etc. for review. There will be a window of time before the document would be effective. Edwards asked the Board to review the document and comment to him. Edwards talked about the change in District permitting requirements where we would no longer require a state permit or architectural letter for any land other than the architectural letter for projects in BSOA jurisdiction. The ordinance amendment will be on the agenda for the next meeting for board approval,

Edwards would like voting statutes changed and said the District may want to contact Mona Jamison.

SEWER & WATER PERMITS

One permit required board action. Lone Sky Development submitted an application for 13.20 SFEs for 8 Black Eagle Units.

Director Olson moved to conditionally approve Lone Sky Development's permit application for 13.20 SFEs for Black Eagle Lodges 13-16 and 23-26, as presented. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

FINISHING DISTRICT OFFICE BASEMENT

Edwards distributed a floor plan and presented a bid from Lawrence Anderson Construction at \$36,881.57 to finish the north side of the basement that has about 12,000 sq. feet. Edwards reported that finding a contractor to finish the basement has been difficult as it is such a small job. The whole cost would be about \$45,000 which would include the sprinkler system. The board tabled the project for a few months since there are no tenants waiting to move in and recommended that Edwards seek additional bids.

GENERAL CORRESPONDENCE

There was no general correspondence that required board action.

Edwards asked the Board if they would like to make a donation to Eagle Mount in memory of Bill Ogle, a former board member who recently passed away. Edwards received emails from former board member Dee Rothschilder asking that a sizeable donation be made.

Director McRae moved to make a donation to Eagle Mount in memory of Bill Ogle in the amount of \$2,000 for their swimming pool project. The donation will be from present and former District board members. Director Allgood seconded the motion. Motion unanimously passed.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, December 12, 2006, at 8:00 AM. Director Shropshire will be in Big Sky for the January board meeting. The Board will decide on the annual dinner date at the next meeting.

ADJOURNMENT

Director Olson moved to adjourn the meeting at 12:15 pm. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

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

Acceptance of Monthly Financial Statements

Date 12/11/2006

The Board of Directors at its 12/19/2006 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	11/30/2006
Assets:	<u>\$ 47,611,862</u>
Liabilities	<u>\$ 19,460,494</u>
Equity	<u>\$ 28,151,368</u>

2 Income Statement as of	11/30/2006
Total Revenues	<u>\$ 2,314,667</u>
Total Expenses	<u>\$ (1,114,619)</u>
Net Revenues	<u><u>\$ 1,200,048</u></u>



Paul Cronin, President

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

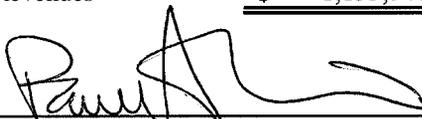
Acceptance of Monthly Financial Statements

Date 12/11/2006

The Board of Directors at its 12/19/2006 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	10/31/2006
Assets:	<u>\$ 47,303,732</u>
Liabilities	<u>\$ 19,218,864</u>
Equity	<u>\$ 28,084,868</u>

2 Income Statement as of	10/31/2006
Total Revenues	<u>\$ 2,030,768</u>
Total Expenses	<u>\$ (897,220)</u>
Net Revenues	<u><u>\$ 1,133,548</u></u>



Paul Cronin, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – September 19, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, September 19, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (left at 10:24 am), and Bill Olson (left at 11:00 am). Director William Shropshire was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Boyne representatives Brian Wheeler & Jamie Roberts.

PUBLIC FORUM

President Cronin called for public comment at 8:13 AM. Brian Wheeler stated that they were in attendance for their water and sewer permit applications for Village Center and Powder Ridge Cabins. Their architects have asked the WSD Board for approval to install just one meter for the Village Center, which is an exemption on the District's requirement of individual metering per unit. Edwards reported that the staff recommended two meters, one for the commercial area/restaurant and one for the residential units. President Cronin did not see a problem with the staff recommendation, but included a requirement that any irrigation water from this building also has to be metered separately. Smith stated that each unit/condo will be billed a base rate and the metered use charges would be billed in a lump sum from the one residential meter. President Cronin delayed Board action on the Boyne permits until all permits are addressed on the agenda.

Edwards reported that Spanish Peaks Resort and the Yellowstone Club are working out an agreement for the YC water tank to serve Spanish Peaks' new restaurant on Andesite Mountain. With no further public comment, President Cronin called the meeting to order at 8:25 AM.

MEETING MINUTES

Director McRae moved to approve the minutes of August 15, 2006, as written. Director Fast seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith briefly reviewed the financials noting that all categories are either on target, or favorable.

Director Allgood moved to approve the August financials as presented. Director McRae seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

Smith noted that delinquent accounts have been turned over to the county for collection.

Fiscal Year 2005/06 Audit: The final audit report will be presented at the October meeting. Smith said Holmes and Turner will make a change in the audit report, it will not have comparisons as it is not required. Smith will prepare the comparisons and include it in the report.

SEWER OPERATIONS

Flow Report: Edwards reported that final inspections on the SRF projects will be done by Todd Teegarden, DEQ. Bill Barr, DEQ, will be looking at the SBR treatment plant and will talk to us about future monitoring.

WATER OPERATIONS

Production Report: Muscat reported that the productions at YC are now over 5 million, and he is looking into the high use as they are nearing their limit. However, Muscat stated that he is confused as to what YC's maximum allowed number actually is. Muscat is encouraging YC to do leak detection and maintenance. Edwards reported that he doesn't believe YC has had the homes install meters yet. President Cronin stated that there will be a day when YC's maximum allowed use is exceeded, but there is a grey area on what is actually allowed. Edwards reported that the benchmark is a 7 day average of 216,000 gallons per day. *President Cronin said that the staff need to contact the YC and set up a meeting with arbitrators (engineers) to specifically define the maximum use before this becomes an issue, and then do a MOU.* Muscat recommended that, ideally, there should be a number of maximum gallons allowed per month. *President Cronin would like District staff/engineers to work with YC now and come to an agreement this winter. The Board directed Edwards to work with Ray Armstrong, letting him know what the District's position is, and then to present information to the Board at the next meeting.*

Muscat reported that the Aspen Groves tank is finally filling now that irrigation is dropping off.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline: Edwards reported that Snow Machines Inc (SMI) was the only bidder for the pipeline project and the bid was \$1,931,372. The difference in the engineer's estimates was due to the booster station not being included, which will be approximately the same as the difference. The notice of award has been signed and sent. SMI estimates a start date around October 2 or 3, when the pipe gets here. *Armstrong is to get the easement exhibits put together for both the water and sewer lines. Edwards intends to get the easement signed by Spanish Peaks before the work begins.* Armstrong and Barry Drake will be here on September 27 to walk the area. Edwards reported that the Aspen Groves plat provides a utility easement and the District line could go to the Aspen Groves tank as an alternate. *Director Fast asked that a letter be sent out, in advance of the work, to Aspen Groves' owners explaining what will be done. Director Fast will work with Edwards to prepare the letter to be sent by Fast as a homeowner.* Edwards stated that, in the future, he would like to see the adjoining few lots next to Aspen Groves be annexed into the water District. Edwards stated that the contractor will be working all fall until December. *Director Fast would like to meet with Barry Drake to mitigate traffic problems. Edwards will contact Director Fast when they walk the Aspen Groves area.*

Meadow Well Drilling: Groswick Drilling finished drilling Meadow Well #5 at 57 feet, which is located by the Spanish Peaks Club. Joe Mahurin completed drilling Meadow Well #4 to about 60 feet on September 16, with the delay caused by equipment failure. Mark Cunnane will be working on the orders for the screens and casing. Once that equipment is installed, pump tests will be done. The contract completion date for both wells is November 6". Phase 2 of this will be to connect the wells to the water system. The biggest consideration in the design will be the disinfection that will probably be required on these two new water sources. Edwards doesn't think this disinfection makes sense, but EPA regulations require it and the State will make the decision on enforcement. *President Cronin directed Edwards to start talking with the State on this as he would like to see the water system to remain as chlorine free as possible.*

Water Project Financing: District staff estimated the mill rate at 23.88 for repaying the \$5 million dollar General Obligation bond, which is the same mill levy as last year. With this mill, the sewer and water mills will be about equal. Edwards stated that if a General Obligation bond is not approved, then the debt service will be rolled into the quarterly water charges; which is a revenue bond. Even though the resort tax did not fund the water project this year, Edwards will apply for resort tax funding next year for this project. Director Fast asked if a public relations campaign needs to be started now. *Edwards reported that he will be sending a mailing to all owners regarding the bond issue.* Edwards received a copy of the voter list for the District, but it did not separate what is water only or sewer only. The list is outdated, and the system makes it impossible to clean it up. Edwards will be reviewing the list and helping the county identify what property is in what jurisdictional area so that they can create their ballot mailing lists. Director Fast said there are dead people on the list and asked that Edwards write a letter to the Secretary State about the outdated list and ask for relief on the voter count. *Edwards will get a baseline voter count from the Counties before he protests any list and then talk with Mae Nan Ellingson on the effect on the count and then decide if a letter is needed.* The election timeline was in the manager's report and Edwards stated that the District is on schedule. The District will be monitoring Gallatin County, making sure that things get done according to the timelines. Director Olson stated that he has the voter list from Madison County for the fire district area. Director Allgood asked about the discrepancy of why the Silver-tip land is in the water jurisdictional area and the YC is not, when we have an agreement with both parties to sell surplus water. Edwards explained that we own the lines that cross Silver-tip and YC owns their lines.

President Cronin reported that he has received a couple of calls from potential buyers of the Silver-tip development and has been asked for the history of the project, plus they have wanted sewer capacity. Director Olson stated that Robert Liston has contacted him and Liston has the Silver-tip development under contract to buy the property. Liston has told Olson that he may want the water line removed, but had also asked if they can get in the District. Director Olson told Liston to talk with Edwards and then make a presentation, or request, to the Board. Edwards reported that he received a message to return a call to Liston. *President Cronin stated that if the District moves the water line, then the agreement to provide water should be voided.*

Edwards reviewed the existing repayment of our General Obligation bond. Edwards said in comparing the taxable values from 2004 to 2006, they have increased by 12% for the water jurisdictional area and 17% for the sewer jurisdictional area. The District had figured about 3% growth originally, so possibly next year the District could drop the mill rate.

2006 Tax Levy Certification: Edwards asked the Board to approve the mill rates at 7.60 for water and 3 1.41 for sewer for repaying the debt service. A certification needs to be sent to the County for the debt service.

Director Allgood moved to approve the tax certification at 31.41 mills on the sewer jurisdiction and 7.60 on the water jurisdiction. Director Fast seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

Bond Election: Edwards provided a timeline for the December 5th election in the manager's report.

Water System Repairs--Hidden Village: Edwards reported that HVOA recently approved their road repair/paving project. Consequently, Edwards will be working with Allied Engineering for the engineering contract for the District to replace the water mains and some of the sewer mains that are currently under the HV road. Bidding is targeted for February with construction for the summer of 2007. The replacement of the sewer lines would come out of the sewer budget, not the bond for water improvements. *President Cronin directed Edwards to review the timelines with Scott Smith, Allied Engineering, as we cannot fall behind the paving schedule.*

STORAGE POND ROCK COVER PROJECT

Edwards reported that we are using resort tax money for this test project and Burke has done a good job. A few more sections will still be installed this fall. Once we go through a winter season, the District will make a decision on phasing in more sections.

President Cronin directed Edwards to get Fairfield pasture mix from Con-Agra and get the recontoured embankment seeded this fall and again in the spring.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Lone Moose Thumb: Edwards reported that they will be petitioning the District to annex in the "Thumb" area and they will want to tie into the new water line. They will use the existing SFEs assigned to Lone Moose. The Board asked if Spanish Peaks has fixed their existing problems. Edwards reported that they have power to the flow meter, but doesn't believe it is running yet.

ORDINANCES

Edwards reported that the WSD committee met and talked about some broad policy issues. The more Edwards looks at it, he doesn't believe the District can get rid of the SFEs as we are in so deep now. President Cronin stated that the District could eliminate the transferring of SFEs. The SFEs pooled for Boyne, Spanish Peaks, and Westland would have to stay within their lands. Edwards said there is a game of what is an SFE on bedrooms and bathrooms, where the District could just go with square footage. President Cronin wants to eliminate the closet requirement in defining a bedroom--if it is a room it is a bedroom. Edwards stated the current ordinance on remodel/addition on a house currently has a limit of 1 SFE, and this needs to be eliminated. *The Board directed Edwards to present an amended draft ordinance for Board consideration at the next board meeting.* Edwards said language needs to be added on the total allocation for the subdivision where the remaining SFEs cannot be transferred. Director Olson stated that he likes the concept of tying SFEs to square footage. Edwards said that square footage information can be added to the District's tracking system and then, overtime, that information can be compared to SFEs. Director McRae asked about the definition of a bedroom and if there would be a legal problem if the District classifies a room without a legal egress as a bedroom. President Cronin recommended counting the room as a bedroom if it has a window. Effective January 2008, Director Olson would like the District to start calculating SFEs strictly on square footage. Director Olson asked Edwards to prepare the draft amendment to the ordinance and then have a public hearing. Edwards suggested a greater cost per square foot on commercial than residential. *Edwards is to present the amendment at the October meeting.*

AMEND AGENDA

Director McRae moved to amend the agenda to address w/s permits as Director Daniels needed to leave. Director Daniels seconded the motion. Motion unanimously passed.

SEWER & WATER PERMITS

Three permits required Board review and action. The application from Big Sky Properties for the Village Center at 63.74 SFEs totals approximately \$406,230 and will use the remaining 15.70 SFEs that are surcharge free. Their architects, CTA, requested approval to install only one water meter for the entire building and this also required Board action. Boyne submitted an application for 13 Powder Ridge Cabins with 28.40 SFEs at \$213,220. John Haas submitted an application for KTDA/Water Tower Place for 18.70 SFEs at \$1,125, plus the meter equipment charges.

Director Fast moved to conditionally approve the permit application for Village Center, Powder Ridge Cabins and Water Tower Place with SFEs as presented. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. The Board agreed earlier in the meeting to allow two meters for the Village Center, plus require a meter on any irrigation if it is supplied through the Village Center water line.

Director Daniels left the meeting at 10:24 am

OUTSTANDING RESOURCE WATER DESIGNATION REPORT

Edwards reported that the EIS is open for public comment until October 27, 2006, and provided an executive summary of the document in the board packet. The legislature will have to review and adopt the EIS at the 2007 session and he doesn't have a feel if it will pass. As long as the District doesn't let their discharge permit lapse, the state would have to continue to renew it. Edwards asked if the Board wants an official District comment on the document. The Board will not comment on the EIS. Edwards reported that there will be a public hearing at Gallatin Gateway that he will attend.

NEW DEVELOPMENTS & SUBDIVISIONS

Town Center Huntley Addition Loop: This is a small sewer and water main extension to loop the new Huntley Addition back into the lines on Simkins Drive to the Avenue West Addition. An overall plan for the Town Center design intentions has been provided, but the extensions are submitted piecemeal.

GENERAL CORRESPONDENCE

Bella Terra Water & Sewer Permit: Edwards reported that Bella Terra development submitted a water sewer application for 17.4 SFEs after the packet had been prepared.

Director McRae moved to approve the application as submitted. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

Ground Water Rights: Edwards distributed an email from Mike Wheat regarding litigation on groundwater water rights stemming from a January 2005 DNRC municipal user definition. This has an impact on water and sewer districts as they are not defined as a municipal user. (Director Olson left the meeting at 11:00 am.) Edwards asked if the District wants to intervene. The Board felt that it should be a class action suit that would bring in all Districts and Edwards is to keep an eye on it. If at some point legal counsel really feels that the District should be involved, then the District will address then.

NEXT MEETING

The Board will not meet in October. The next Board meeting will is tentatively scheduled for Tuesday, November 7, 2006, at 8:00 AM. Director Daniels will be gone 10/10-31, President Cronin will be gone 10/18-26, and Director Allgood will be gone 10/10-12.

ADJOURNMENT

Director Allgood moved to adjourn the meeting at 11:05 AM. Director Fast seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

9-15-06. min (Board Approved 11/9/06)

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

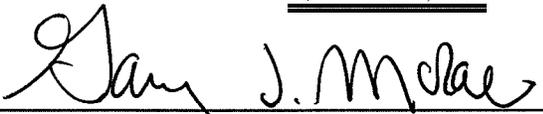
Acceptance of Monthly Financial Statements

Date 11/9/2006

The Board of Directors at its 11/9/2006 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	9/30/2006
Assets:	<u>\$ 46,377,831</u>
Liabilities	<u>\$ 18,465,486</u>
Equity	<u>\$ 27,912,345</u>

2 Income Statement as of	9/30/2006
Total Revenues	<u>\$ 1,644,569</u>
Total Expenses	<u>\$ 683,544</u>
Net Revenues	<u>\$ 961,025</u>



~~Paul Cronin, President~~

Gary McGee, Vice President.

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -August 15, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, August 15, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (arrived at 8: 15 am), and William Shropshire (participated via telephone until 10:25 am). Director Bill Olson was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Participating via telephone were bond counsel Mae Nan Ellingson and HKM Engineer Ray Armstrong.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of July 18, 2006, as written. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith briefly reviewed the financials noting that we are on target or favorable with operating revenues and expenses.

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

Smith reported that there was about \$17,000 in additional operating expenses not reported last month, but the District is still under budget.

RESOLUTION 06-02: BOND ELECTION NOT TO EXCEED \$5 MILLION

Edwards distributed a revised Resolution 06-02, which is for a GEO bond. The draft Resolution included exhibits showing the water service area and also contained the time schedules for the election.. Mae Nan Ellingson explained that the bond is for water improvements that would not exceed \$5million dollars and asked the Board to approve the Resolution. Edwards asked that the Resolution be better defined to include "and improve the public distribution system." Ellingson explained that if the GEO bond fails, the District could do a revenue bond. President Cronin asked who is in charge of making sure that the notices get published as scheduled. Edwards stated that he and Smith will be responsible for meeting the deadlines. President Cronin said the District needs to make follow up calls to the Chronicle to make sure that notices are published properly so that we can proceed with the election. The Board requested that Edwards publish notices in the Chronicle, Lone Peak Lookout, and Madisonian.

Director Shropshire moved to approve Resolution 06-02 calling for the bond election to not \$5 million with changes as noted by Edwards. Director Fast seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

Ellingson explained the percentages required for the bond to pass. If 40% of the registered electors vote, than a simple majority will pass the election. If 30% of the registered electors vote, then it will take 61% in favor to pass. Once an out of state registered voter submits their request to register to vote in the election then they are added into the percent of voters required. If less than 30% turn out to vote, the issue fails. Ellingson said the requirements came about

because of the Billings Lockwood water system voting issue. However, Ellingson believes this new election law will work. Director Allgood expressed his concern about the accuracy of the list of registered voters as he believes the list is not current after reviewing the list last November. Ellingson said the county purges the roles after ever general election, but people can also report errors to the county election administrator to have the list corrected. The Board would like the county list culled. *Edwards will get the list of registered voters from the County for the District to review.* Ellingson noted that Madison County will have a GEO bond on their November ballot. Edwards reported that the District will do a newsletter mailing about the GEO bond and it will include the proof of voter registration form for property owners registered outside of the District. Edwards noted the 1,500 timeshare interests qualified to vote in this election and asked Ellingson if the District is obligated to try to get these people registered to vote. Ellingson responded no. President Cronin said the District will do what it can to get the list corrected. *Edwards is to ask if the county has made a purge after the last general election and, if not, he is to request that it be done.* Edwards will work with Ellingson at getting the corrected copy of the resolution.

SEWER OPERATIONS

Edwards reported that Denny Black has resigned from the District with his last day this Friday. The District will advertise for a replacement. The sewer line in the meadow center has been moved onto District property and the fence crew needs to finish the fencing.

Armstrong and Barry Drake/SMI walked the pipeline area regarding the violation letter on the storm water permit. Someone has relocated the road and pushed some dirt on the lower portion of the road and Armstrong doesn't feel that this area is our contractor's responsibility. Armstrong will write DEQ on what the District will take care of. A silt fence is needed and there are a couple of areas that will need to be reseeded and SMI will take care of the areas that are their responsibility within the next couple of weeks.

WATER OPERATIONS

Muscat reviewed the water production report noting that the good news is in the meadow where production is down. A leak in the meadow has been isolated and closed off and it will be repaired after the golf course closes. Leaks are hidden with the use of plastic pipe. Muscat has not detected any leaks on the Yellowstone Club line. In Aspen Groves a service line leak was found and during the summer we are using a little bit of ground in keeping the tank full. The numbers should come down now that the leak has been fixed. Muscat is confident that the Lone Moose system is tight and their high use is from irrigation. There have been some leaks identified in Hidden Village.

The extensions that are near complete include Brownstone, Moose Ridge, Grey Goose, Spanish Peaks Condos, and Cascade Phase IV.

MEADOW VILLAGE WATER SYTEM PROJECT

Pipeline Project: A pre-bid meeting was held yesterday. Four bidders showed up and all bidders thought it was a do able project. The bid opening will be August 23 at the District office. Armstrong reported that HKM has worked with all the bidders in the past. The bidders discussed the availability of pipe and Armstrong said it may be an issue. The bid document has been set up with two bid schedules and alternates, which will allow for flexibility in awarding the bid if the numbers come in high. Armstrong said they commented to the State and feel that the DEQ approval should be received within the next couple of days. The stream-crossing permit should

also be received by the bid opening date as the Corp of Engineers did not have a problem with the permit application. *Armstrong said that HKM will pay the permit fee today.*

Well Drilling: Once the proof of insurance is received, Edwards will issue a certificate to proceed. According to Edwards it will take about a week to drill the wells.

Water System Repairs: The District has \$1.7 million earmarked for water improvements with Silverbow and Hidden Village on the priority list. With Hidden Village Owners Association planning road improvements, Edwards, Muscat, and Board members all agreed that the District needs to set that area as a priority and get their lines done first before the new roads are put in. Allied Engineering estimates \$1 million for replacement work in Hidden Village. Muscat reported that last week a water leak went into a foundation of one unit. For the road work, Edwards said the District would have to sort out who pays what portion. Edwards asked the Board to concur with authorization.

Director McRae moved to authorize Edwards to negotiate a draft contract with Allied Engineering to design the Hidden Village water main replacement project that would be scheduled with the Hidden Village Owners Association road improvement project. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes. Edwards will work with Allied Engineering at getting better numbers and will present the draft contract to the Board for review and approval.

STORAGE POND ROCK COVER PROJECT

Armstrong said he received costs from Burke to cover the liners, but some clarification is needed as there were costs quoted at \$332 per basket and \$482 per basket. Armstrong provided the following costs for lining at \$482 per basket at approximate \$2.8 million dollars.

- z Small aeration pond is 0,202 sq ft at 693 baskets @ \$334,026
- z Pond 1 is 227,076 sq ft at 3,154 baskets @ \$1,520,228
- z Pond 3 is 150,658 sq ft at 2,092 baskets @ \$1,008,344

Edwards said once we get the pilot phase done, we may want to bid this out and the costs may come down a little. Director McRae recommended trying to get the rock locally, possibly the JTL pit, as he feels that the costs would come down. The District would need another \$2 million to complete the project. President Cronin asked where the money will come from and commented that this project will have to be sold to the community if it is to be funded by the resort tax. Edwards feels this aesthetics liner cover would be a good use of resort tax money. Edwards looks at this as a 5-year project and it would probably be a cost share with resort tax. Edwards' goal for this fall is to have Burke come back and do a few more sections, using up the remaining resort tax funding, and see how it performs through a winter. Vice President McRae would like the District to talk with JTL about supplying the rock material. Edwards said he will stick with Burke on the pilot project. Director Shropshire commented that many people feel the current appearance of the ponds trashes up the entrance to Big Sky and the District should not be deterred by the \$2.8 million price tag. Edwards will talk to Burke to ask if they have received any numbers from JTL. *Vice-President McRae wants the District to talk directly to JTL about a cost for supplying the rock and Edwards said he would contact JTL.*

STOCKPILE PURCHASE AGREEMENT

Edwards asked Director McRae to talk with Smith to get an answer as to if they are either finishing the project, or withdrawing. Edwards thinks that Smith should pay to have the

stockpile contoured and cleaned up. Edwards believes that all the issues with Taylor regarding his neighboring lot have been resolved.

LEGAL

Westland Vacant Lot Charges Proposed Settlement: The correspondence to wrap up this legal issue was provided in the board packet.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

The District will finish commenting on the Elkhom project.

SEWER & WATER PERMITS

Permits requiring Board approval were: Antipodean HCF LLC for 9.00 SFEs for Beaverhead Condominiums , Quinn and Monte Johnsen for 11.36 SFEs for Choppers Restaurant/Bar in the Town Center, Spanish Peaks LLC for two permits at 6.80 SFEs each for Spanish Peaks Condominiums in the Meadow Village.

Director Fast moved to conditionally approve the permit applications for Beaverhead, Johnsen, and Spanish Peaks as submitted. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

Edwards reviewed the letter from Bayliss Architects for a 60-day extension request for Adventure Properties 8-unit condominium in the Town Center. Edwards said the District imposed timeline is a lever to get the fees paid, but the District has always granted extensions when requested. The Board directed staff to grant the extension.

SFE REALLOCATION

Chad Rothacher/Meadow View LLC submitted a reallocation application to move 32 SFEs from Meadow Village Lot 1 (tennis court parcel) and 4.30 SFEs from Meadow Village Tract 8 to Sweetgrass Hills Tract 2. Edwards reviewed the remaining SFEs to each parcel and said he doesn't see anything wrong with the reallocation application. Edwards reported that the developer is proposing 36 units for Tract 2 at 1 SFE for each unit. According to Director Shropshire, the BSOA has been told that the tennis courts and clubhouse will be conveyed to the park.

Director Shropshire moved to approve Rothacher's reallocation application to move 36.3 SFEs to Sweetgrass Hills Tract 2 as presented. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

(At 10:25 am, Director Shropshire left the meeting.) President Cronin stated that the District needs to re-examine SFE calculations as there are so many applications being submitted with dens, offices, loft, unfinished areas and suggested considering just square footage. Edwards said to go to square footage, the District will need to take a sampling from previous applications and calculate averages for SFE numbers. *President Cronin directed Edwards to present recommendations to the Board for changing the SFE calculations.* Edwards asked for a committee to work on ideas for change-Edwards, President Cronin, Director Olson, and Director Dick Fast will meet on Monday, August 21. Once the committee has met, the District may hire a consultant for help in the transition. Edwards stated that he would also like assistance in calculating plant investment charges for water connections. President Cronin felt that the sewer plant investment charges should also be revisited. Edwards stated that if the Board wants

to change the PIC rate, a public hearing would be required, and then the Board could adopt changes.

NEW DEVELOPMENTS & SUBDIVISIONS

Mountain Club Phase 1 Subdivision: This development is west of the old water tank on the mountain. From all indications, Boyne's future developments will be moving up the mountain towards the bowl. Muscat sees the biggest problem is that all the annexations do not take in the big picture with service. Muscat would like the development steered into a long term plan and not what works best for the developers' cash flow situation-the District should have some say in the big picture and the logical location of a new tank. Muscat would like to maximize the efficiency of the systems as they come on line. Muscat reported that has heard that there is a new master plan coming out August 30. And if this is true, Muscat would like the District to see and evaluate a master plan before approving all these island projects. *President Cronin directed staff to comment on these new developments in relation to the overall mountain development.* Muscat said maybe the District could approve boosters as "temporary" that must be replaced as new development comes on line.

Spanish Peaks Thumb Development: Edwards explained that this piece of land in Section 29 was going to be annexed in to the District previously, but was withdrawn. Edwards stated that they will want to tie into the District's water and sewer. However, this area is not in the District and Edwards feel that they will petition to annex by using their existing SFES and just expand their area. President Cronin stated that the District may want to clean up how SFES are calculated prior to considering any annexing. Edwards would like to include developers when recommending changes in how to calculate SFES as they may be able to identify problems that the District would not be aware of.

Big Sky Town Center Block 5, Lot G:

Edwards included a map of the development in the board packet.

ORDINANCE 97-1001 & ORDINANCE 97-1002

The SFE committee will meet on Monday, August 21, to work on these ordinances.

GENERAL CORRESPONDENCE

There was no general correspondence requiring Board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, September 19, 2006, at 8:00 AM.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 11:15am. Director McRae seconded the motion. Motion unanimously passed.



Dick East, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -July 18, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, February 21, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, and William Shropshire. Director Bill Olsen was not present. WSD staff present were Ron Edwards, Terry Smith, Jim Muscat, and Grant Burroughs.

PUBLIC FORUM

President Cronin called for public comment at 8:15AM.

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

MEETING MINUTES

Director Shropshier moved to approve the minutes June 20, 2006 ,as written. Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin not voting.

FINANCIALS

Smith reviewed the financials noting that the overall operations were either on target or favorable as shown on the budget to actual report. Smith noted that there are expense items not contained due to timing issues at fiscal year end and that additional expenses of approximately six thousand dollars should be expected.

Director McRae moved to approve the financials as presented. Director Shropshire seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin not voting.

Smith reported that the District received four bids from local audit firms. The District selected Holmes & Turner based on the low bid.

Smith explained the past-due account list and that this year's list is typical. Smith also said that the final list will be approximately ten to fifteen thousand in fees that will be turned over to the counties for collection.

Director Allgood moved to amend agenda to Operators reports and move Mae Nan to later in the meeting. Director McCrae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin not voting.

Mae Nan did not have the bond election resolution prepared yet. She will have it prepared and email to Ron for review to approve at the next meeting. According to Mae Nan this will not be a problem as long as it is adopted before the end of August 2006. Ron will meet with Shelly from the Gallatin County Election Office to confirm election schedule.

SEWER OPERATIONS

Edwards discussed the sewer line hit by construction work for the new brewery. The line was hit by the preliminary work on the Brewery in the minor sub in the meadow. The line feeds into storage pond three and it may go underneath the phone building and runs 25 feet parallel to the lot line outside District property. This was the old pipe alignment dating back to the 70s. Work is underway to abandon and install a new line on the District's side of the COS boundary. Burroughs has ordered five hundred feet of pipe to move it over. The District is not the only utility that appears to be in the lot and as a result, the Brewery project will have to wait until all the phone and electrical utilities are also moved. The sewer part of the utility work should take about a week according to Burroughs. The price of the project is undetermined at this time. Asset replacement funds will be used to finance the project.

SEWER OPERATIONS.

Burroughs-reported the flows are about the same as last year. No other information. Burroughs discussed his proposed changes to the ordinance to tighten up the rules for the contractors connecting to mains. Burroughs recommends a \$5,000 limit for fines to contractors where damage to sewer utility lines and the liability for leaving dangerous situations. Burroughs wants the contractors to notify the District whenever there has been any damage. Right now the contractors do not seem to care and just leave damaged District sewer lines without notifying the District. Burroughs believes that fines will get the contractors to begin to understand the problem and pass the word to other contractors and deal with the issues on a timely basis. Spanish Peaks was notified and fined \$500.00 for damaged and open manholes. Spanish Peaks has not yet replied to the notice.

Allgood asked about the agreements with Spanish Peaks and whether they signed off yet. Edwards said they had signed the agreements. The District is responsible for part of the system that has been transferred to the District. The contractors are working on other areas and in the process are damaging the existing lines. Other parts of the system that are not in the District are having problems as well. Burroughs and Edwards are aware of the problems and are addressing them with Spanish Peaks Engineer, John Olsen.

A discussion regarding the limit of \$5,000.00 was discussed by Edwards to cover both the cost as well as a motivator to notify the District. Burroughs believes the limit will work in both cases. The Board will make the changes that staff presents at the next meeting.

Edwards discussed including the SFE issue within the proposed changes. Cronin requested that the staff present at the next meeting all the proposed changes to the ordinance required at this time. The Board can then make decisions and then follow the procedure for changing the ordinance, public hearings, publishing in the paper etc before adopting the proposed ordinance amendments.

The Board also discussed the SFE reallocation section of the ordinance. Edwards discussed the fact that since the SFE process has been in place for years, changing it now could create some problems. The SFE is tied to the sewer capacity. The state moratorium and facility planning was the impetus for starting the SFE system. Since, the plant has been expanded and other changes have occurred to the system a review of the SFE allocation system is necessary. A discussion of freezing SFE transfers was discussed with its inherent flaws. Edwards said the Meadow with the zoning in place would not be a problem, however, Madison County does not have zoning so it probably would not work on the mountain.

WATER OPERATIONS

Muscat provided the water flows for Board review. The system is saving about 100,000 gallons per day from leak repairs. Aspen Groves has high usage though. The meters were changed out and may be more accurately reading the flow. The leak detection contractor was not able to find any leaks at Aspen Groves, however, Muscat believes that he may have found a small leak. He will repair that potential leak, but the supply for Aspen Groves is tight. Allgood asked about the July flows, Muscat believes that the flows are not outside of the norm. The leak repairs are paying off and are shown in the monthly flows. Muscat and Edwards believe that we will make it through the summer based on the current flows.

The new water line off the mountain has been submitted for DEQ review. They have filed for a stream crossing permit for the creek crossing and it should be approved. The project should go to Bid by the end of July. Barry Drake of SMI is looking at the project and said that material for the project could be out at least one month. Edwards said that we are shooting for an August 13, 2006 bid date. It will be a fall project. The bid will have several alternate parts allowing for different sections for bid. The base bid will be from Low Dog Road to Lone Moose including the booster to the million gallon tank. The cost estimate is about \$2.7 Million for the pipeline project.

Director Allgood, moved to amend agenda to Mitch Furr and the BSOA park proposals. Director McCrae seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin not voting.

Mitch Furr discussed the proposals the BSOA are interested in starting. The plan was put up for the BSWSD Board to review. A copy of the plan that BSOA favors was shown to the board. The access for the District sewer plant will never be denied according to Mitch Furr. Mitch discussed the amphitheater project and the capacity of 2000. Mitch believes that this project will have a positive long term impact on Big Sky. President Cronin said that overall, the Board looks favorable on the proposal, but it's the BSOA's project. The permanent access easement will be written upon the Big Sky Community Corp. obtaining ownership of the remaining park property.

LEGAL

Westland vacant lot charge proposed settlement. According to Smith, Simkins paid the past due charges for the current year approximately \$1,700.00. According to Edwards, the county has received the letter from Simkins to release the protested funds. The fees held by the county should be in the Districts accounts soon. No other legal issues are outstanding at this time.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Meadow Wells- The bids were received and turned over to the engineer, Mark Cunnane for review. Edwards is recommending to go with two 16 inch wells and the low bidder.

Director Shrophire moved to accept the low bid on the well drilling(16 Inch). Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin not voting.

Edwards discussed the chlorination of the new wells. The state may demand that all the wells now be chlorinated. The District will attempt to get an exemption for the existing wells from the state.

Director Fast asked about the water rights for the new wells. Edwards said the District will be using existing water rights appropriation for the Meadow Village and because so, should not have problem moving unused appropriations of water rights to the new wells.

Edwards said the new wells should be online next summer. The Chlorination is the only part of the project that may be a wildcard that could delay this.

SEWER & WATER PERMITS

Edwards reviewed the sewer permits issued this month. Edwards reported that 9 SFE's were permitted last month. No permits need Board approval.

NEW DEVELOPMENTS & SUBDIVISIONS

Sweet Grass Hills project 36 units. The property has no SFE's right now so the board has nothing to discuss.

Meadow Village Tract E. – Edwards just wanted to bring to the attention of the Board that it is the last vacant tract in the Meadow that is being developed. Tract 4 has a small development but room for much more density.

Bing's SFE reallocation for Meadow PUD lot unit 1A for 0.44 SFE. The Board will wait for Mike Wheat to review the corporation and ownership interest documents before any action is taken on this request.

GENERAL CORRESPONDENCE

Edwards discussed the BSOA's request for Edwards to consider running for the BSOA board. The board instructed Edwards to accept the board seat if he wants to run.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, August 15, 2006, at 8:00 AM.

ADJOURNMENT

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



Dick Fast, Secretary

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

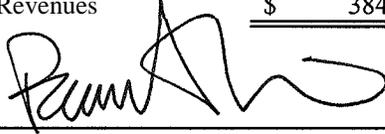
Acceptance of Monthly Financial Statements

Date 9/11/2006

The Board of Directors at its 9/19/2006 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	8/31/2006
Assets:	<u>\$ 45,491,864</u>
Liabilities	<u>\$ 18,298,269</u>
Equity	<u>\$ 27,193,595</u>

2 Income Statement as of	8/31/2006
Total Revenues	<u>\$ 830,386</u>
Total Expenses	<u>\$ (445,964)</u>
Net Revenues	<u><u>\$ 384,423</u></u>



Paul Cronin, President

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

Acceptance of Monthly Financial Statements

Date 8/9/2006

The Board of Directors at its 8/15/2006 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	7/31/2006
Assets:	<u>\$ 45,159,906</u>
Liabilities	<u>\$ 18,235,284</u>
Equity	<u>\$ 26,924,622</u>

2 Income Statement as of	7/31/2006
Total Revenues	<u>\$ 335,280</u>
Total Expenses	<u>\$ (219,509)</u>
Net Revenues	<u><u>\$ 115,771</u></u>



Paul Cronin, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Public Hearing Minutes: FY 2006-2007 Budget
Regular Meeting Minutes
June 20, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a public hearing and a regular meeting for 8:00 AM on Tuesday, June 20, 2006, in the WSD Community Room. President Packy Cronin chaired the meeting with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (left at 10:10 am), and William Shropshire (via telephone). Director Bill Olson was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Grant Burroughs, and Terry Smith (via telephone until 8:44 am). Others present were HKM Engineers Ray Armstrong and Rick Zalinski.

PUBLIC HEARING: FY 2006-2007 BUDGET

Without any public in attendance, President Cronin called the public hearing to order at 8:25 am. Smith provided a quick overview of the proposed budget, noting that there were no proposed changes in the rates and that the budget was also presented at the May meeting. Receiving no comment, the public hearing was closed at 8:27 am.

REGULAR BOARD MEETING

With no public comment, President Cronin called the regular meeting to order at 8:27 AM.

MEETING MINUTES

Director McRae moved to approve the minutes of May 8, 2006, as written. Director Fast seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith reported that we are pretty much on target, or favorable, as shown in the budget vs actual on the operating summary and that there are no surprises in the budget. Smith is still working on capital contributions, but estimated that they will also be on target.

Director Allgood moved to approve the May financials as presented. Director McRae seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

Auditor: Smith reported that three bids have been received for a new auditor to provide a fiscal year end audit.

FY 2006-2007 Budget: Edwards noted that \$109,000 would be used in reserves to balance the new budget, which will allow the District to maintain the same rates. Edwards commented that as the customer base increases, the reserves will then not need to be used.

Director Allgood moved to approve the FY 2006-2007 Budget as presented. Director McRae seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

Bond Election: Edwards reported that December 5th has been identified as the election date and the Board would need to adopt a bond election resolution by August 31. Ray Armstrong will provide a budget and short project description for Mae Nan Ellingson and then she will draft a resolution for the mail out vote. According to Edwards, Ellingson will try to attend the next meeting to present the resolution. Edwards explained that all people registered to vote in the District-property owners and renters-could vote. Edwards reported that with the new law that requires a minimum 30% voter turnout, it makes it a little harder to pass a bond. Edwards will do a newsletter mailing to customers that will also explain to absentee owners how to vote. Director Fast stated that the District will need to use the newspaper to encourage voting for renters registered to vote. Edwards reported that time-share owners can vote and at Lake Condominiums there are approximately 1,500 owners. The District has never solicited this group to vote and Edwards said that the District could go after that group of eligible voters, too. Edwards said the District needs to talk with MaeNan Ellingson about the time-share group of voters and whether this group is calculated into the 30% voter turnout requirement and to also clarify if 30% could be just the number of registered voters in the District. *The Board directed Edwards to follow up on what constitutes the 30%--Edwards will discuss this with Ellingson and Vance.* Edwards stated that the District will be charged by Gallatin County for running the election. Edwards informed the Board that Shelley Vance, Gallatin County Election Administrator, has announced that she is retiring at the end of the year.

(Smith left the meeting at 8:44 am)

SEWER OPERATIONS

Burroughs reported that the plant has been running good along with the irrigation. A few leaking manholes have been identified and will be repaired. The flows have been reduced.

Director Allgood reported that through his discussions with Burroughs regarding Spanish Peaks, he has learned that the work such as the flow meter, repair of manholes, etc. that should have been done, is not done. Director Allgood stated that it is important to know what flow is coming from Spanish Peaks. Burroughs noted that District staff talked about the problems at Spanish Peaks and recommended amending the District ordinance regarding manhole damage as this has been a major problem this year. Burroughs would like to see a fine instituted as the District is not being notified of the damage and he wants the manholes fixed before they become a liability, or maintenance problem. Edwards explained that the problem is that developments are not paved for 2-3 years after the installation of the manholes and the damage is done during that interim. Burroughs sees the problem being that the District is not being notified of the damage and would have no problem going and fixing it if the District was notified. Edwards feels there would be a problem proving who did it and the District would just have to deal with the owner. Burroughs reported that the damaged manholes caused a lot of I & I in addition to the expense and time in cleaning out the debris. President Cronin said the District needs to charge for time and material in fixing the damage and to also charge a penalty if the District is not immediately notified of damage. Burroughs reported that the District has the same problem with water valves and recommended the same fine and charge as President Cronin proposed for manhole damage. *For the next meeting, the Board directed staff to present a draft ordinance amendment that deals with these problems.* Edwards stated that there is a warranty security to fix some of the problems and the District has talked about going back to a two-year warranty period which will help with

this issue. Burroughs' concern is that there is a liability issue with open manholes that needs to be fixed immediately and to make the damage punitive with a hefty fine. Burroughs reported on a manhole incidence on the mountain where the manhole cover was left off all winter and when he talked to the owner he was told that they couldn't watch their employees. Edwards and staff will work on the ordinance change.

On the flume issue, Burroughs reported that Spanish Peaks was not to have been allowed to have sewer service without an operating flume, but Spanish Peaks pulled the District's sewer plug without his knowledge. Edwards reported that he had talked with Spanish Peaks about the work that needed to be done and that the District was going to stop issuing permits until the work is done. Burroughs commented that he doesn't know what is going on at Spanish Peaks.

Burroughs reported that he had originally offered to help them program the meter, but he now doesn't feel that it is his job. Burroughs knows of at least four sewer tie ins that have been done on lines that the District has not even accepted. Edwards reported that he is honoring the old Spanish Peaks permit letters, but he will deny new permit applications until the work is done. President Cronin stated that the plug should never have been pulled without the flume being operational. Edwards reported that last year Spanish Peaks said they would have the work done by last December and they have not made any progress. Director Allgood asked if the District could start fining Spanish Peaks. Edwards responded that since the District needs easements through their property for the water line, he cautioned the Board that we don't want to turn this thing into an Armageddon. Edwards has a meeting with Jon Olsen this afternoon to go over all the things that need done. President Cronin commented that the full circle things work both ways and the District needs to take a stance at getting these things fixed. *The Board directed Edwards to notify the owners of the problems, and to meet with Jon Olsen on identifying the problems. Director Fast will get the name of the owner that has three lots in Locati's development that Edwards may want to contact for access for power to the flume. Edwards is to keep the Board informed on what is going on and he will email Board members after today's meeting with Jon Olsen. Director Fast asked that Edwards inform Boyne on what is going on with the water supply for the Spanish Peaks restaurant as Edwards reported that he was told that YC and Spanish Peaks worked out something on the water supply to the restaurant.*

WATER OPERATIONS

Production Report: Edwards reported that the total meadow production is down about 28% from last year as leaks have been fixed and this has been a wet June. Mountain Village is up about 10 million gallons from last year that Edwards attributed to increased development. Director Fast noted that the April and May mountain flows seem high. *Edwards will run data on pump run times on the mountain system and present it to the Board at the next meeting.* The District has been doing leak detection and repair in the meadow. According to Edwards, Muscat has not indicated that there are any problems on the mountain.

Cascade Powder Ridge Phase 3: Edwards reported that the lines are now unfrozen and the problems are being corrected. There is work scheduled for July to fix one section of the line. Nic Wellenstein noted that the water at one cabin was also shut off and that line may never have been frozen.

Spanish Peaks Condos Fire: Edwards estimated that at the Spanish Peaks fire about 80,000 gallons of water was used and if the District charged it would be about \$500 for the water use. Edwards did not recommend charging to fight a fire even though some communities do charge for this water use. The Board agreed with Edwards that the District should not charge for the water use. The Board directed Edwards to send the fire department an FYI letter on the amount of water used.

MEADOW VILLAGE WATER SYSTEM DEVELOPMENT PROJECT

Meadow Village Well Exploration: Edwards briefly summarized the work as stated in his manager's report. Two wells will be completed with the anticipation of doubling the current meadow production. The District will have to demonstrate that we will not impact surface water recharge. A bid advertisement has been issued for two wells with a bid opening scheduled on July 7. According to Edwards, the District prefers 16" wells. Pipe alignments and motor controls will be worked on. Edwards reported that state regulations will require chlorination on the new permitted wells and that will require additional engineer work. For future water source, Edwards recommended going for confined aquifers so that we don't have to deal with the recharge issue.

Mountain/Meadow Water Line Interconnection: Edwards noted the new timelines in his manager's report with a bid opening the 3rd week in July. Ray Armstrong introduced co-worker Rick Zalinski and reported that they were in Big Sky today to look at options at getting the line across the stream. Armstrong updated the Board on the project plans and state submittal. Armstrong reported that he has talked with Towsley and Drake regarding the project. Both contractors felt that getting the pipe should not be a problem. There are two bid schedules, one from the meadow to Aspen Groves to Lone Moose and then from Lone Moose to the mountain via Low Dog Road. According to Armstrong, this will allow flexibility in awarding the bids. Armstrong would like construction drawings on the bridge at Lone Moose and will contact Mike Hickman of Morrison & Maierle to obtain them. Armstrong stated that he prefers burying the pipe under the stream. If this stream crossing is done, then Armstrong will need to work with Fish, Wildlife & Parks and the Corp of Engineers. For future water storage capacity, Edwards would like to get easements from Boyne on mountain property before all the land is developed. Edwards would like Armstrong to work on one easement by using the existing outfall line easement. Edwards asked that Armstrong add insulation to the pipe in the bid document. Armstrong feels that we are on schedule and the work should be done by the end of the year. (Daniels left the meeting at 10: 10 am.) Edwards stated that the election on the bond will not be done until December and we can give a notice to proceed by using PIC funds. He will discuss this with MaeNan Ellingson and the State to get approval on the notice to proceed. The Board felt that the project needs to proceed and the District needs to get the mountain work done by November so as not to interfere with the ski trails. Vice-President McRae recommended that the lower part of the route be done first. Armstrong will push to get the bid documents finished and needs to provide Edwards with the project estimates for Alternate 1 and Alternate 2. Director McRae noted that on one of Armstrong's diagrams the pond drawn does not exist.

RESORT TAX ALLOCATIONS

Edwards summarized the allocations as listed in his manager's report. Edwards reported that there was an additional \$223,000 available in funding that was not awarded and Les Loble did state at the resort tax meeting that he felt that the District was already getting their fair share and the water project was not funded.

POND LINER PROJECT

Edwards offered to take Board members on a tour after the meeting to view the sample pond liner covering. The rock filling is very labor intensive as the rocks have to be hand placed and Edwards has asked Burke to provide accurate records of his labor. Edwards stated the project is purely aesthetics, but felt that it would be supported by the resort tax. If the Board wants to proceed, Edwards would view this as a long-range project, possibly five years. Edwards did not feel that there was a possibility of the liner puncturing, but there might be an ice issue. We will put more covering in this year to see how it winters. Edwards said the liner is designed to last 40-50 years and this liner cover could increase the life of the pond liner by providing it coverage. Armstrong stated that the replacement of the liner would be a problem. Edwards reported that this section cost about \$13,000 and we have about \$100,000 in resort tax for this project.

STOCKPILE MATERIAL

Edwards reported that Smith Trucking is not working on removing the excess fill on the pond embankment and will not finish by their contract deadline; which is the end of July*. Edwards would like to get the top end knocked down and contoured. The Board informed Edwards that they do not want the mound left as is. Vice-President McRae will talk to Smith Trucking about the project.

(*Note to Board from Kennedy-the contract with Smith states the deadline is July 1, 2007.)

LEGAL

Edwards reported that he had emailed the draft settlement document to Board members and received positive feedback from five Board members. President Cronin explained that the document is a settlement where Simkins pays the interest and penalty and the issue goes away.

Director McRae moved to approve the settlement agreement, as prepared by Simkins and Gallik, regarding the Town Center vacant lot charges. Director Shropshire seconded the motion. President Cronin called for discussion. Director Allgood asked if the District should assume that Simkins will pay future assessments. President Cronin hopes that Simkins will pay future assessments, but this agreement only resolves past due assessments that tie to the lawsuit. The Board directed Edwards to instruct legal counsel to have Simkins release the escrow funds and taxes. Motion passed, 5 yea votes to 0 no votes with President Cronin voting. The Board directed Edwards to personally call Bill Simkins to thank them for offering the settlement.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards noted the new developments as listed in his manager's report: Muddler Condos in Town Center, Huntley Addition in Town Center, Cascade Ridge, Cascade Phase V, Cascade Powder Ridge Phase IV, Moose Ridge Meadows in Westfork, and Spanish Peaks Resort.

NEW DEVELOPMENTS & SUBDIVISIONS

The Lodges at Elkhorn Creek: Edwards reported that this development is on Tract 1, Cascade Subdivision. They are working on water and sewer extensions, but the District has not seen any plans.

Silvertip: Edwards reported that he was contacted by another potential buyer.

SEWER & WATER PERMITS

The permit application for 5.25 SFEs for the Blue Grouse Commercial project on Lot 3A in Westfork Meadows, which is west of the Gallatin Alpine Sports building, required Board approval. As the developer, Packy Cronin stated that he may start the project this summer.

Director Fast moved to conditionally approve the permit application at 5.25 SFEs for Blue Grouse Commercial project. Director McRae seconded the motion. Motion passed, 4 yeas to 0 no votes. President Cronin abstained from voting.

GENERAL CORRESPONDENCE

Michael Wilson sent a request to the District for a reduction in his 1st quarter bill for Alpenglow Unit 22D. Wilson's letter said there were no reasons for the high water use and he believes the readings are from equipment malfunction. Edwards said no one has been able to identify why the water use was high. *Per the Board's instruction, Edwards is to send a letter stating that the District would offer a reduction in the summer averaging and allow additional time to pay the bill.*

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, July 18, 2006, at 8:00 AM. Director Shropshire is planning on attending the meeting.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:52 am. Director Allgood seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

06-20-06. min (Board Approved 7/18/06)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -May 8, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Monday, May 8, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, Bill Olson, and William Shropshire (via telephone at 9:00 am). WSD staff present were Ron Edwards, Marlene Kennedy, Jim Muscat, Grant Burroughs, and Terry Smith (arrived at 8:55 am). Others present were Resort Property Management representative Tim Ryan, Spanish Peaks representatives Jon Olsen and Brian Tate, Yellowstone Club representative Mike Ducuennois, and HKM engineer Ray Armstrong (via phone from 9: 15-1 0:45 am).

PUBLIC FORUM

President Cronin called for public comment at 8:09 AM.

Silverbow Condo #55 Water & Sewer Bill: Resort Property Management representative Tim Ryan, explained that a faulty flapper in a toilet inflated Tom Lacey's last two quarterly statements, \$503.82 for 4th quarter 2005 and \$1,342.06 for 1st quarter 2006. Ryan asked the Board to consider a reduction in Tom Lacey's most current bill as the \$1,342.06 is a financial burden to Lacy. Ryan suggested possibly meeting him half way on the most current bill. Edwards reported that the District has been consistent in how they handle high water use charges; which is by allowing customers more time to pay the bill, not reducing the bill as the water was used and did flow into the sewer system. The District has never reduced a customer's bill because they used excessive water. President Cronin said the policy has been that the District has to charge for the use. Edwards reported that the District has made adjustments on the winter averaging and will do this for Silverbow #55. *President Cronin asked Ryan to have Mr. Lacy contact the District's financial officer to arrange for more time to pay the charges.* Director Fast asked that the District agree to let Mr. Lacey pay the bill over the next four quarters. Edwards explained that some meters call in weekly and he believes that this meter is one that does not call in routinely. According to Edwards, the District does not require phone lines that would provide weekly reads, and in this instance that was a problem.

With no further public comment, President Cronin called the meeting to order at 8:21 am.

MEETING MINUTES

Director Olson moved to approve the minutes of April 18, 2006, as written. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director McRae moved to amend the agenda to discuss the water supply for Spanish Peaks Resort's restaurant on Andesite Mountain. Director Olson seconded the motion. Motion unanimously passed.

SPANISH PEAKS RESORT RESTAURANT WATER SUPPLY

Jon Olsen and Brian Tate distributed a drawing of the restaurant that Spanish Peaks will be building on Andesite Mountain this summer. This will replace the Dug Out that burned down. It will be in the same location as the Dug Out, but with a different foundation. Spanish Peaks is requesting that the District supply the building with water by November with a supply line from the Yellowstone Club water tank that the District already provides water to. They are planning on a need of 5-10 gallons a minute. They do not estimate that they would go over the YC agreement, but on paper they need the extra 5-10 gallons a minute to get DEQ approval. Tate clarified that their request is only for a temporary water supply, maybe 5 years, until Spanish Peaks' infrastructure is done. Jon Olsen explained that no portion of the approximately 3,000 sq. ft. facility would be a private use amenity for Spanish Peaks, all of it will be open to the public and will be available to any person skiing at Big Sky Resort. The building will have public bathrooms, but they are intended for use by restaurant patrons. The facility only needs water service as the drain field will be sized to accommodate the new building and the existing restrooms operated by Boyne. According to Tate and Olsen, they are just asking for a point of diversion, since the Dug Out restaurant already had water service from the District through Boyne's line to their restrooms. However, they do not want to tie into Boyne's line as it has frozen in the past and it is not a reliable line. The peak demand for the restaurant will be in the wintertime and Spanish Peaks does not feel that there would be a problem with what the YC is currently allowed. President Cronin stated that the District does not want to tinker with the YC agreement and suggested addressing the request by YC expanding their area of use. Then this would be an agreement between YC and Spanish Peaks. President Cronin said the District would resist having them tie into the Boyne line and would like to see that line go away since there have been problems with it. Muscat said that Boyne's line does have a meter on it and another solution would be to have Spanish Peaks fix Boyne's existing line. Muscat commented, that, from an operations stand point, he would like the water to go through a properly installed, non-leaking pipe. Director Olson stated that, from the District's production report, YC's usage goes up and down, ranging from 1.9 million to 3.3 million. Muscat reported that the fluctuation was from a leak that has since been fixed. Mike Ducuennois stated that YC is about 1/3 built out and feels that they are on track with their allowed maximum use. Edwards stated that the YC agreement would have to be amended to show the place of use has expanded if Spanish Peaks is provided water through YC. Jon Olsen reported that the YC agreement of 150 gpm will be a deficiency on paper, and to get DEQ approval that they will need an additional 5-10 gpm supply to serve the Spanish Peaks restaurant. Ducuennois noted that the water cannot come off the YC line, it would have to come from the tank. Director Fast commented that Boyne's existing restrooms are critical to skier service, and Boyne needs to weight in on the Spanish Peaks proposal. Director Fast recommended that Spanish Peaks work with Boyne in making a one stop operation and not segregating who uses what restroom. Jon Olsen estimated that the restaurant water service line would be 1,600 feet. Muscat felt that the best way to serve the bathrooms would be to tap off the YC tank and feed the bathrooms and new restaurant with one new line and then abandon the Boyne line. A meter would also be installed to this service. Director Olson stated that the agreement could be that the existing restrooms have to be provided service and then Spanish Peaks and Boyne can work out an agreement on who manages it. Muscat recommended that Spanish Peaks work with Boyne at abandoning Boyne's leaking line and to provide service to the bathrooms through the YC tank. According to Jon Olsen, the restaurant will be a winter amenity

for the time being. There may be an after ski service, possibly sleigh ride dinners to the restaurant. (Shropshire joined in at 9:00 am.) *President Cronin asked Edwards to clarify that the property is in the District and to research if there was an agreement, or history, with Boyne and the Dug Out on how the service was to be provided.* Smith reported that the Dug Out was not a billing customer and Boyne receives a water bill for the metered line. Muscat recommended that the Boyne line be abandoned. *President Cronin wants to make sure that the area is in the District, find out the history of the Dug Out service, and to have legal counsel review the proposal and determine the legalities of who is responsible for maintaining the line prior to the Board acting on this request.* Ducuennois said that YC will need an agreement with Spanish Peaks on the maximum gpm and that they will be shut off if they exceed the allowed amount. Muscat said if YC uses over their 150 gpm, they get shut off; which would also shut off service to the restaurant and restrooms. Edwards asked where YC is at with meter pits for the houses. Ducuennois said they need to work on that as they do not know who uses what amount. Jon Olsen asked, if they replaced the existing Boyne line, then would the District supply the water. Edwards stated that he feels that the property is in the District, but he will have to review the boundary lines to be sure. Ray Armstrong (participating at 9:15 am) said his interpretation of the YC agreement is that the service is 150 gpm, 24 hours per day. Tate reported that Spanish Peaks' long reaching solution is that they will install their infrastructure in about 5 years. Ducuennois said that YC is willing to work with Spanish Peaks as long as it doesn't jeopardize their 150 gpm DEQ requirement for YC. Ducuennois suggested that maybe it can just be a service connection from YC, but this would be a commercial use and it would require DEQ approval. Jon Olsen said that the District would need to write a letter stating capacity to provide the additional 5-10 gpm for service to the restaurant. Director Olson said the big concern is, what the District's responsibility for the YC line is. Edwards said the YC agreement states they will be responsible for their line. Ducuennois estimated about \$40 per foot for replacing the Boyne line, plus the cost of probably replacing their booster station. Director Olson stated that as long as the District doesn't gain any additional liability out of an agreement, then he could support the service. *The Board directed Spanish Peaks & YC to figure out the technical aspects of providing service, and Edwards is to have legal counsel review the legality of the District providing water through the YC tank.* Ducuennois would rather have the District be responsible to provide the service by providing an easement to Spanish Peaks restaurant and the District & indemnify the force main maintenance responsibility. Director Fast stated that the District needs to figure out how to get the service done with the proper paper work. Ducuennois reported that if Spanish Peaks uses more than 5 gpm, then they would need to upgrade YC's booster stations. Muscat stated that the Board has two options, either allow the increased water to YC and provide a line from the YC, or replace Boyne's existing line. Edwards distributed a map that showed the restaurant was clearly outside of the District boundary. Jon Olson commented that Spanish Peaks needs to follow up with annexing in the property. *The Board turned the issue over to Edwards, the developers, and legal counsel to figure out a solution to present to the Board for review and approval.* Jon Olson asked if the District would support service if they either proceed with working through the annexation option, or to upgrade the existing Boyne line. President Cronin stated that if the property is annexed into the District, then the District would be legally obligated to serve the property. The Board needs to make sure, legally, the service can be supplied through the YC line. Director Allgood stated that, at the last meeting, the Board rejected an annexation request for water service because of the excess capacity issue and he does not want the Board to flip-flop on this criteria. *President Cronin would like the issue of annexation addressed before the Board proceeds.* Director Olson stated that another option is to just sell them water. Edwards said that annexation would clean up the

service area and is his preferred option, but just selling water is also an option. Jon Olsen stressed that they want the restaurant open by November and wants to know the Districts' preference for water service. Edwards prefers that service be provided through annexation. Edwards recommended to Spanish Peaks to try to do a one-time annexation figuring out their entire service area. They would still be limited under the 1900 SFEs through the YC agreement. *Jon Olsen will work with Edwards to get something to the Board for consideration at the next meeting.* (Discussion with public participation ended at 9:52 am.)

Director Allgood does not want to see an increase in water supply to YC and does not want the YC agreement amended. Director Allgood also wants Spanish Peaks to fix all the delinquencies on the sewer side before the District concedes on the water request. President Cronin reminded the Board that the District is only obligated to serve within the boundaries of the District and that the Board should not feel rushed to meet Spanish Peaks' November building deadline. Additionally, anything that needs done, needs to be done correctly. Director Allgood stated that he does not think this is a replacement for a service as Boyne took water from a service line that was in the District by running a line outside of the District to serve bathrooms and then at some point a line was ran into the old Dug Out restaurant.

FINANCIALS

There were no April financial reports prepared. Smith reported that Boyne made their annual payment.

Draft Budget: Director Olson noted that a percentage change column was in error on the draft budget. Smith said he is looking at using reserves to balance the budget, using approximately \$113,000. Last year, Smith estimated using \$107,000 in reserves and projects now using only \$60,000-\$70,000 and he anticipates a similar use next year. Director Olson commented that if it appears that we need additional revenue, the Board could always change the rates during the fiscal year, but he prefers having the rates stay the same. Edwards recommended having a budget hearing even though the District is not required to. *Smith will correct the percentage change column and present it to the Board for review and adoption at the next meeting.*

SEWER OPERATIONS

Edwards reviewed Burroughs flow data, commenting that these are the highest numbers since we replaced the outfall line. Director Allgood reported that the flow meter from Spanish Peaks is not operational and the District is accepting their flows, but we do not know the amount of their flow. Burroughs reported that he found about five very leaky manholes and leaky pipe, and that they will TV lines later this week. Burroughs also does not have any idea of the flows out of Spanish Peaks. *The Board directed Edwards to draft a letter to Spanish Peaks that this work must be done before the Board considers additional requests. Edwards will also state in the letter that the District will be suspending any additional permits until the flow meter is operational, and that the conveyance and warranty must also be completed.* Burroughs also reported that the golf course irrigation started last week.

WATER OPERATIONS

Director Olson reported that a hydrant was knocked over on Swift Bear on the mountain. Muscat reported that the YC water use was up due to a leak and this has been fixed. Muscat is doing ongoing leak detection in the Meadow and Aspen Groves areas. Muscat reported that he does not know where we are at with main replacements this year as he has not had any communication with Armstrong on this. The Aspen Groves system looks good and Director Fast thanked Muscat for getting that work done. Muscat reported that the Aspen Groves tank will be inspected and cleaned this June. Muscat feels that the Lone Moose system is tight and doesn't think there is much leaking going on there.

MEADOW VILLAGE WATER SYSTEM

Meadow Village Well Exploration: Edwards reviewed the locations of the three test wells that will be drilled by Dave Potts before June 1. Director Olson asked if Edwards has talked with Boyne about the location for test well #3 as he believes they plan on further golf course development in this area. Edwards said the District will need an easement for pipeline work once the District knows where the wells will be. *President Cronin directed Edwards to communicate with Boyne of the Districts 'plans and to get preliminary approval.* Edwards stated that the water rights will be taken out of the existing meadow water rights.

Mountain/Meadow Water Line Interconnection: Ray Armstrong reported that the survey work was completed last week. This week, the plan and profile sheets will be done and Armstrong anticipates that by the first part of June they will be ready for District review. Submittal to DEQ should be by mid-June, or the first part of July. Armstrong feels that DEQ should be able to review the plan and profile sheets submittal within 2-3 weeks. President Cronin asked about putting it out for bid prior to DEQ approval. Armstrong responded that the project could go out at about the same time it is submitted to DEQ. Armstrong said a bid opening could be the end of July, with construction starting early August, and then completion within 60-90 days. Vice-President McRae asked Armstrong if SMI & Towsley will be bidding. Armstrong reported that both companies are aware of the project and he thinks they will be bidding on it. Armstrong does not have the capital improvements timelines and budgets yet, but will have something to Edwards within the next couple of weeks. *President Cronin asked Armstrong for deadlines and wants them adhered to. Armstrong will submit these deadline confirmations to Edwards for DEQ submittal, documents for bids, construction, etc. Edwards will email these deadlines to the Board.* (Armstrong left at 10:45 am.)

RESOLUTION 06-01: REIMBURSEMENT RESOLUTION FOR WATER PROJECTS

Edwards reported that the county will put the GO bond on the ballot in November. This document allows the District to borrow money from within its budget for water projects until a bond is passed.

Director Allgood moved to approve Resolution 06-01: Reimbursement Resolution for Water Projects as presented. Director Shropshire seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting

BLESSEY ANNEXATION

Edwards still needs to draft a letter to Blessey responding on the denial of his annexation request from the Board's April meeting and to note that future requests for annexation will be a two-step process per the April minutes. President Cronin stated that the main reason why the Board considered Blessey's request was that Blessey's property was in the District at one time. Additionally, Armstrong had submitted a memo dated April 17 regarding the Meadow Village water source capacity where there would be a surplus in the meadow with the Lone Moose wells connected to the meadow system.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Mountain Area: Edwards reviewed the extension work that will be closed out. The freezing problems in Powder Ridge will be addressed.

Mooseridge and Brownstone Condominiums: Edwards reported that both projects will be starting soon. The water for Brownstone will have to be brought under the highway.

RESORT TAX APPLICATIONS

The resort tax applications for allocations will be reviewed at the question and answer meeting on May 10, 1:00 pm at Big Sky Chapel. Smith explained the pond liner rollover and the filter plant annual payment. The awards will be on May 3 1.

STORAGE POND LINER COVER PROJECT

Edwards reported that Burke started mobilizing material and equipment this week for the gabion mattress liner. The small pond will be done within the next two to three weeks. Edwards noted that the rock sample provided by Director McRae was probably too angular for this use.

SEWER & WATER PERMITS

The two sewer and water connection permit applications requiring Board review and approval were Snowy River Company for 16.00 SFEs for Buildings 3, 4, and 5; Units 8-17, of Cottonwood Crossing Condominiums in the Town Center and Rosa-Johnson LLC for 11.60 SFEs for 8 units in a new residential condominium complex in the Town Center. The Board discussed Simkins unpaid vacant lot charges and whether to continue issuing permits in the Town Center, or to suspend permitting for the lots with the delinquent vacant lot charges. President Cronin said he doesn't feel the Simkins' next step in this issue is eminent, as they know the District is working diligently to provide water and sewer capacity for future development, including their land. Director Allgood asked if the District could make a request to Gallatin County to release Simkins payments of prior transferred delinquent balances. Smith said that only Simkins can ask for the release of this disputed fee.

Director Olson moved to conditionally approve the sewer and water connection permit applications for Snowy River Company at 16.00 SFEs and Rosa Johnson at 11.60 SFEs as noted by staff. Director Fast seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

The Big Sky Owners Association submitted a water connection permit application for irrigation of the Crail Ranch property. They requested a variance to use a frost free hydrant as their sole water use. Additionally, they asked the Board to consider waiving the connection and inspection fee of \$100 and to donate the approximate \$700 in equipment required to provide the water. Edwards reported that Nic Wellenstein has contacted our vendors and they have donated everything except the hydrant and back flow preventer. Director Olson stated that this is a nonprofit corporation, and the Big Sky Community Corp is 501C3. Edwards noted that, in the past, BSOA has waived architectural fees for the District.

Director McRae moved to waive the \$100 connection and inspection fee for the Crail Ranch water supply. Director Daniels seconded the motion. Motion passed, 7 yeas votes to 0 no votes with President Cronin voting. The Big Sky Owners Association will be billed for any equipment that the District cannot get donated.

GENERAL CORRESPONDENCE

Silverbow #55 Water Use (continued discussion): Smith reported that the unit has a meter pit on a radio read that a read is done once a month-the meter does not automatically call in through a phone line. Additionally, Smith does not do a report on the radio reads. Director Olson asked if it is the District's responsibility to monitor people's use and, if it is not, he doesn't think the District needs to take it on as a responsibility. Edwards explained that notification to a customer of high water use is only a courtesy. Smith stated that he always tells people that the District is only providing the high use notice as a courtesy. Edwards said the District does encourage people to get a phone line and, when a meter is being installed, the District tells them to install the meter wire by the telephone. Director Olson reiterated that it is not the District's responsibility to provide weekly reads to customers and we are not obligated to do so-it is only done as a courtesy.

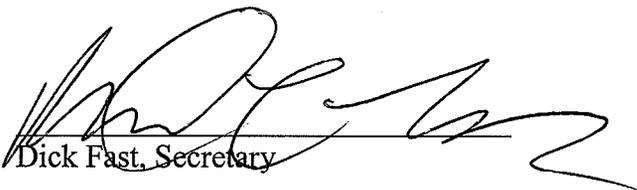
NEXT MEETING

The Board directed Edwards to forward Armstrong's deadlines for the water projects.

The next Board meeting is tentatively scheduled for Tuesday, June 20, 2006, at 8:00 AM. Director Olson will be absent.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 11:25 AM. Director McRae seconded the motion. Motion unanimously passed.


Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes -April 18, 2006

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, April 18, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae (left at 9:38 am), Secretary Dick Fast and Directors Dick Allgood, Jeff Daniels, Bill Olson and William Shropshire (via telephone). WSD staff present were Marlene Kennedy, Jim Muscat, Terry Smith, and Grant Burroughs. HKM Engineer Ray Armstrong was present along with Dorsey & Whitney representative MaeNan Ellingson who participated via telephone in only the discussion on water project financing.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve public hearing minutes and the regular meeting minutes of March 21, 2006, as written. Director McRae seconded the motion. Motion passed, 7yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith reported revenues are approximately 3% above budget and expenses are right on. The total contributed capital is the only item not on target, and that will change when Spanish Peaks lines are accepted. Smith said the expenses should be slightly under what was budgeted. Smith explained that the unrestricted assets have been used on water projects. Smith noted that Edwards' report was in error on the restricted assets. Smith explained the "Farmhouse Project" line item related to the Big Sky Apartments. Regarding interest rates, Smith reported that Big Sky Western Bank will match any other offers out there and all the money market accounts are doing well. Director Shropshire directed Smith to check Wells Fargo and Shropshire will check a bank in Illinois. Smith reported that 1st Security offered 4.7% and Director Shropshire recommended that Smith work on investing in higher rates.

Director Fast moved to approve the March financials as presented. Director Shropshire seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

Draft Budget: Smith reported that he has prepared the draft budget, but did not have it available for board review.

SEWER OPERATIONS

Burroughs distributed the flow reports and noted that some of the flow data had been deleted from the computer system and he is now recreating that data. Burroughs in currently investigating I & I and reported that the flow is greater than he has seen in years. Burroughs speculated that the I & I has to be coming in the manholes and staff will be inspecting the outfall line tomorrow, plus other key manholes. Any problems identified will be fixed this summer. If needed, the District can pump to Yellowstone Club. The flow meter below Spanish Peaks still has not been installed.

WATER OPERATIONS

Muscat reviewed the production report. Meadow Village has the expected number with the repair made last year, and well 1 was down for a couple of weeks with the tank levels lower than Muscat liked. There is a lot of extra use on the Mountain system due to letting the water run on Powder Ridge cabins that have been freezing up. The District will be meeting with Boyne today on how to get the lines fixed and Muscat believes these lines are still under warranty. In February, the Lone Moose system was overflowing and that is why those numbers were up at that time. Overall, Muscat reported that the numbers are okay. President Cronin noted that the Yellowstone Club's pool had been leaking and asked if staff had any knowledge of what is going with that. Muscat responded that he does not have access to YC, but that YC has fixed leaks in the past. Muscat would like to know how many people are in YC using the 1.9 million gallons a month. President Cronin stated that the agreement allows a maximum capacity and they can use what the agreement permits, even though the District would like YC to be responsible with their use and to practice conservation. The agreement defines excess capacity and until use becomes an issue the District cannot do any thing about their use. *The Board asked that Edwards follow up on what the maximum water use capacity is for YC is and for the District to offer its expertise on using their water wisely and to fix any problems.*

Muscat reported that he has not received any calls from Aspen Groves owners, so he feels that the system is working. Muscat noted that flushing and chemical use is time consuming.

Director Olson noted that a owner on Chief Joseph Road had complained of a musty smell in their water. Director Olson had recommended that they change their charcoal filter system. Muscat reported that homeowners on Red Feather Lane had red iron bacteria and the lines were flushed in January, or February, and they will be re-flushed in the spring.

AMEND AGENDA

Director McRae moved to amend the agenda to address water project financing. Director Fast seconded the motion. Motion unanimously passed.

WATER PROJECT FINANCING

MaeNan Ellingson called in at 9:45 am to discuss water project financing and reported that the county will not be handling an election for the District any time soon. The District does have the authority to issue revenue bonds without having an election. The difference with revenue bonds is if there is a deficiency short fall, you cannot generate funds through tax revenues. And, the other difference from a GO bond, is that a revenue bond is a little bit more costly with a debt service reserve fund being required. President Cronin reviewed the past legal issues on paying the impact fee on the SFEs and asked if the revenue bond comes from just user fees plus the vacant lot fees. President Cronin wants a bond to be fair and funded by both the current user and future users. Ellingson feels that a GO bond is the fairest way to go. Director Allgood stated that GO bond election requirements on getting voter turnout could be a problem. Ellingson noted that a minimum turnout of the registered voters is required and felt that this should not be a problem. Director Allgood noted that when the Director election verification was done, there were many people on the list that shouldn't have been there. Director Olson stated that Shelly Vance has reported that it takes the county about seven years to get people off the list. Ellingson

stated that she did not understand why it would take that long to clean up eligible voter lists and that this new election requirement is for all district elections, too. Ellingson clarified that property owners only have a right to vote in water and sewer issues, where they don't have to be District registered voters. President Cronin asked what the District should do if Shelley Vance has said that December is the earliest than an election can be done. Smith stated that the District could use plant investment charges temporarily and just shuffle money. Director Olson asked what is a special assessment and how it could be used. Ellingson reported that a special assessment is not really a one time fee, the capital costs get spread, or divided, based on a defined assessment methodology, and then you are able to collect equally whether it be a vacant lot or improved lot, but it cannot be applied to the taxable value. Ellingson also explained a GO bond noting that it doesn't become a lien against your land like a special assessment and it is more flexible. President Cronin suggested moving ahead by using the PIC funds. Mae Nan Ellingson reported that an Expenditure Reimbursement Resolution should be done before the PIC funds are used. Armstrong explained the water project for Ellingson stating that it will connect the Mountain to Lone Moose and then to the Meadow, costing approximately \$2.5 million. A new meadow well will also be drilled, but Armstrong did not have cost estimates on that part the project. Replacement of some old lines that are suspected for primary leakage will also be included at an additional cost of approximately \$2.5 million. Armstrong will provide Ellingson with the well costs tomorrow. Ellingson will prepare the resolution document for \$5 million. The Board consensus was to get the temporary funding in place by using PIC funds that will be refunded and to proceed with a GO bond and only use a revenue bond, or special assessment bond as a last resort. Ellingson felt that a potential draw back that may be caused by the District using PIC funds is that voters may feel that if the District has the money they may not want to incur any other debt. President Cronin stated that if funding it is not approved by GEO bond, then funding will have to be a revenue bond. *President Cronin said that the District will have legal counsel review and approve the use of loaning PIC funds for water projects.* Director Fast asked if the District should be looking into a PIC for water. President Cronin said he is hesitant to support the PIC for water as it puts all the burden on new construction. President Cronin did not like the use of a special assessment unless it could be tied to the assessed tax value. Director Allgood reported that the special assessment could not be variable from year to year. The intent of the Board is to borrow from the PIC fund and to repay it by either a GEO bond or revenue bond. Director Allgood asked if both a special assessment and revenue bond could be used. Smith reported that there would be about a 60% increase in base charges is using a special assessment. Vice President McRae recommended that the Board proceed with the project as he does not want the District to run out of water. (McRae left at 9:38, empowering President Cronin to vote in favor of the resolution on his behalf.). The Board directed Ellingson to prepare a draft resolution for the Board to review and adopt today. The Board will review the resolution to be sure that the language does not lock them into a GO bond repayment, they also want the options of a special assessment and/or revenue bond available.

Mountain/Meadow Water Line Interconnection:

Ray Armstrong reported on the progress of the project. HKM is using several surveying data from other engineering companies and there are a few points that will need shooting due to discrepancies. The water model should be done within the next couple of weeks and they are on track to have project construction start by late summer. DEQ review is required, but Armstrong expects quick turn-around time with bid opening in late June. President Cronin asked that the project go out to bid as soon as we can. Muscat suggested that advance notices be put out to contractors informing them that the project is coming out. Armstrong will talk with SMI and others that may be interested in submitting a competitive bid.

ORDINANCE 06-1002: BLESSEY ANNEXATION REQUEST

Armstrong corrected his excess capacity definition from the March meeting. According to Armstrong, the District has to meet maximum day demand with the top producing well out of service. Armstrong reported with 796 gpm with all wells, the MV well #1 out of service will drop production down to 501 gpm. Peak day demand was 936,000 gpd in July and the District cannot meet this demand with a well out of service. With all the wells in service the District can barely meet its peak day demand. The wells have to meet the peak demands and the storage tanks cannot be factored in. With the District's current capacity, and using the State's definition, the Board cannot annex in the Blessey land. Muscat said the Blessey application is just the tip of the iceberg, and asked if we should be allowing expansion with main extensions to all the new developments. President Cronin fears that if we have capacity today, we may not in the future when the current District boundary is built out. President Cronin stated that if the Board wants to consider Blessey annexation solely on the fact that the property was once in the District, then the Board could possibly consider his request when there is capacity. Director Shropshire stated that given the information presented by Armstrong today, he does not feel that the District can annex in his property. The Board agreed.

Director Shropshire moved to approve the second reading on Ordinance 06-1 002: Blessey Annexation. Director Allgood seconded the motion. President Cronin called for discussion. The Board discussed the engineer's interpretation of capacity, (Section 7-13-2341, paragraph 5) where the District cannot meet excess capacity and the only reason that the Board is considering the request is that the property was once in the District. Motion unanimously passed, 6 yea votes to 0 no votes.

Director Olson moved to waive the third reading and approve the Ordinance 06-1 002: Blessey Annexation. Director Shropshire seconded the motion. President Cronin called for discussion. The Board noted that the District cannot meet excess capacity based on the engineer's interpretation. Additionally, in the future, if any property owner requests annexation it will be a two-step process that will only be considered if they were previously in the District and if there is excess capacity. Motion failed, 0 yea votes to 6 no votes. Edwards will need to write Blessey of the Board's decision, stating the two-step process the Board will require for any future requests.

ORDINANCE 06-1001: RELEASE 300 SFES FOR PERMITTING

Director Shropshire moved to waive the second and third readings, and to approve Ordinance 06-1 001 for releasing 300 SFEs for sewer permitting. Director Fast seconded the motion. Motion passed, 5 yea votes with President Cronin voting to 1 no vote cast by Director Allgood.

Muscat asked what guidance the District needs to define water capacity and for allowing more water connections. Armstrong stated that he has never seen where a community development has been shut down by the State because of water capacity, he has only seen intervention on water quality issues. Armstrong felt that the District is on tract in expanding its water source. The Board said that there would be ways to decrease consumption by raising rates, not allowing irrigation, requiring xeroscaping, and also have incentives for customers that use fixture that use less water.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Sewer & Water Conveyance Warranty Periods: President Cronin stated that warranty periods will be addressed at a future meeting when Edwards and staff present a plan to the Board for review and consideration.

RESORT TAX APPLICATION

Smith noted that there will be four projects requesting a total of \$600,000 in resort tax funds: GO Bond Debt service for wastewater projects at \$170,000; GO Bond Debt Service for the water project for \$30,000; estimated annual debt service for the water projects at \$350,000; and pond liner covering project for \$50,000. Director Olson stated that the District has the ability to tax and that the District's tax request needs to be a fair request in addition to keeping our customers' costs as low as we can. Director Olson noted that the pond liner is for aesthetics and the other requests are for capacity issues. Smith reported that we have \$850,000 left in the SRF loan. Smith stated that the \$350,000 water project request could be reduced in half since we wouldn't use it all this year. The debt service for water projects request will be reduced to \$175,000.

TRANSPORTATION DISTRICT REQUEST FOR LAND

President Cronin reported that the Transportation District has requested that the District sell, or lease, them 2 acres of land. Director Olson stated that the Board needs to consider this request similar to the Search and Rescue request, in that the District needs to have a 50-year master plan in place prior to making any commitments to any of these types of requests for land use. The Board will have Edwards write a letter to the Transportation District, similar to the letter to Search and Rescue, denying their request.

NEW DEVELOPMENTS & SUBDIVISIONS

South Fork Phase III: President Cronin stated his conflict of interest in that he is the developer of South Fork and explained the implication of Table 3.01 where it was originally designed to be an engineer design tool in building a treatment plant and then it became the District's legal obligation. President Cronin explained that South Fork was allotted 1.7 SFEs per lot, which has been the average thus far. The problem is that South Fork III has 5 lots and one lot is approximately 6 acres with only 8 SFEs, according to Table 3.01, and now Cronin has come up short in being able to develop it. President Cronin reported that, in comparison, a smaller Westfork lot had almost 100 SFEs. Chad Rothacher had asked how many SFEs he has on his commercial Southfork lot and this has triggered the issue. Director Allgood said it should be a zoning matter, but Madison County does not have zoning and the planning in Town Center doesn't seem to be implemented to well if you look at parking, traffic flow, etc. Director Olson stated that eliminating SFEs and changing the playing field would be unfair. Director Allgood felt that once a project is built out, then the unused SFEs should not be reallocated. President Cronin stated that transferring off the last of the SFEs is an abuse of the system. Director Olson felt that the system should be changed, but that it has to be carefully done and Edwards' five suggested options may not be the solution. Director Fast suggested that the District meet with both Madison and Gallatin Counties planning departments. Director Olson reported that the counties have not done planning from top down thus far. President Cronin asked if the SFEs should go away with the properties located in Gallatin County. Director Daniels stated the need for an SFE buffer for community projects and remodeling requests.

SEWER & WATER PERMITS

Director Fast moved to conditionally approve the permit application, as noted by staff, for the following projects:

--Chad Rothacher/Townhomes at Crail Ranch, Units 68, 78,125, & 135 at 7.20 SFEs,

--Muddler LLC (Justin Buchanan) Essentia Condos, 8 units at 15.20 SFEs,

-Meadow Montana LLC commercial building in the Meadow Center, Lot 1A, not to exceed the maximum 7.06 SFEs allocated to the lot, and they will have to reconfigure their plans submitted at 7.11 SFEs; and

--Steve Nordal/Lone Peak Land Holdings commercial building, Meadow Center, Lot 3A, at 5.44 SFEs but not to exceed the 5.49 SFEs allocated once the basement square footage is calculated and the uses are designated.

Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

GENERAL CORRESPONDENCE

There was no general correspondence requiring Board action.

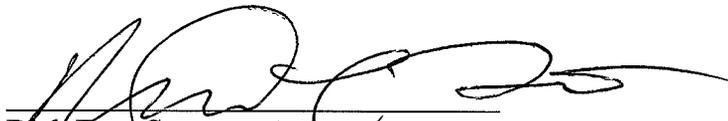
NEXT MEETING

Taking into account board members' travel plans, the next Board meeting is scheduled for Monday, May 8, at 8:00 AM.

Since Ellingson had not submitted the draft Resolution for Expenditure Reimbursement for the Use of PIC Funds prior to the end of today's meeting, the Board will review the resolution at the May 8 meeting.

ADJOURNMENT

Director Shropshire moved to adjourn the meeting at 11:30 AM. Director Fast seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Public Hearing & Regular Meeting Minutes – March 21, 2006
WSD Community Room

On Tuesday, March 21, 2006, the Big Sky County Water & Sewer District No. 363 scheduled a public hearing to begin at 8:00 am and the regular monthly meeting to follow, with both held in the WSD Community Room. In the absence of President Packy Cronin, Vice-President Gary McRae chaired the public hearing and the regular meeting with the following Board members present: Secretary Dick Fast (left at 9: 15 am) and Directors Dick Allgood, Jeff Daniels, Bill Olson and William Shropshire. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. HKM Engineer, Ray Armstrong, participated via phone. Others in attendance for the public hearing and the SFE reallocation requests were Walter Blessey, Ernie Hall, Chad Rothacher, Jamie Roberts, Brian Wheeler, and Alexis Mante.

PUBLIC HEARING: BLESSEY ANNEXATION PETITION

Vice-President McRae called the public hearing to order at 8:08 am.

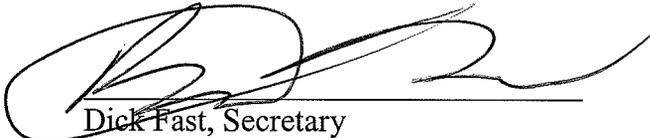
Edwards reviewed Blessey's petition for annexation, noting that public hearing notices were published in the Lone Peak Lookout and all correspondence on the property was provided in the Board packet. Edwards briefly reviewed the history of the parcel, which was in the District. In 2001, the parcel was removed from the District when boundaries were adjusted prior to bonding for water and wastewater improvements. Prior to removing the parcel from the District, letters were sent to the Rolanders, owners of the parcel at the time, at their Big Sky and London address notifying them of the District's intent to exclude their land from the District since they did not receive any service. According to Edwards, the District did not receive any comment from the Rolanders, either in writing or in person at the public hearing in 2001.

Edwards reviewed Mike Wheat's letter of 1/23/06, advising the District on Blessey's annexation request. Edwards noted the key term in the letter is "excess capacity" in the meadow village. Edwards distributed the pumping records from August 1-3, 2005, from the existing three MV wells. The maximum daily pumping record for August was 908,000 gallons per day. Maximum production for all three wells is 1,038,240 gallons per day. Per Ray Armstrong's opinion in January, to determine excess capacity the District has to back out the largest producing well, which is Well 2 at 347,040 gallons per day, leaving the District a deficiency of 216,800 gallons per day and failing the excess capacity test. Armstrong agreed with the data assessment. Vice-President McRae asked how the District should proceed. Edwards said that the District could delay acting on this request until water system improvements are made, where excess capacity could be proven. The other option would be to go to an election. Director McRae stated that the District may be putting the cart before the horse if the Board annexes this property now, and then asks the voters for bonding to increase our water supply. Director Olson stated that if we don't get the funding for the water improvements, then the Board cannot approve annexation. Edwards stated that the District is working on connecting the mountain and meadow water systems and then the District could meet the excess capacity criteria. The Board discussed the excess capacity issue, which would allow the Board to pass an ordinance to annex property. The statute does not address future needs, it is current needs. Director Fast asked if others outside the District could petition for service if excess capacity is established. Director Shropshire cautioned that the Board cannot pass an ordinance unless excess capacity is established. An alternative to property owners wanting annexation is for the owner to get 40% of the District property owners

to approve an election. HKM Engineer Ray Armstrong corrected his earlier statement on "excess capacity," saying that the statute says that water production has to meet the peak day with all wells in service, and referenced DEQ Circular 1, Section 3.2.1. Director Allgood stated that the Board had earlier made an agreement with the Silver-tip development in the mountain service area; which is for selling excess capacity but the agreement could be terminated if there was not excess capacity. Directed Allgood asked if the District should consider a similar arrangement to Silvertip's if entering into an agreement with Blessey and recommended considering the annexation at a later date after water improvements are made. Using the average production with one well out, Director Olson calculated 540,000 gallons a day, which substantiates an excess. Blessey explained that his property is allowed only one house and they have drilled three wells on the property with horrible water that has shale and is unusable except for outside use. Edwards asked Armstrong if this request meets the criteria for excess capacity. Armstrong feels that it does with one well out of service assuming 24-hour day pumping. Vice-President McRae asked if the District can proceed with what Director Allgood suggested. Director Shropshire asked, "If the District exceeds its pumping capacity in the summer, then do we interrupt service to Blessey, shutting him off?" According to the DEQ definition, and the opinion of HKM Engineer Ray Armstrong, the District can meet the excess capacity issue. Director Fast stated that he would hesitate to annex on just the excess capacity issue and said the convincing thing for him is that the property was in the District and that the District maybe should have looked at the exclusion closer. Director Olson and Vice President McRae both agreed with Director Fast. Vice President McRae also noted that President Cronin had expressed the same opinion via an email. Edwards asked Blessey for the water demand for his single family home. Blessey commented that he doesn't think it would be much. Edwards said, in the course of handling this petition and potential future petitions, the District should have this use data. Blessey stated that whatever he is using at his Sweetgrass Hills home should be virtually the same use for this new house. Edwards explained that the District initiated the removal of this property in 2001, to more closely fit our service area; but the District did have to notify property owners, have public hearings, and an election to adjust the boundaries. If this annexation request is approved, the water line would have to start at the cul-de-sac and a booster station would be required, and Edwards has reviewed all of this with Blessey. Now that Armstrong has revised his "excess capacity" stance, Director Shropshire felt that the Board could approve the first reading and then get clarification from legal counsel and engineers on capacity for Board review prior to the second reading. To approve and waive the three readings, five board members would be required.

Director Olson moved to approve the first reading of draft Ordinance 06-1 002: Blessey Annexation, with the understanding that legal counsel review the draft ordinance and that engineers review the capacity calculations prior to the second reading. Director Shropshire seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice president McRae voting. The Board asked Blessey to submit a copy of the house plans, and water records from his house in Sweetgrass Hills prior to the April meeting.

With no further public comment, Vice President McRae closed the public hearing at 9:00 am.



Dick Fast, Secretary

REGULAR BOARD MEETING

PUBLIC FORUM

With no public comment, Vice President McRae called the regular meeting to order at 9:00 am.

Director Shropshire asked that today's meeting minutes include Armstrong's correction on the excess water capacity issue. Kennedy assured the Board that the public hearing minutes reflected Armstrong's correction.

MEETING MINUTES

Director Shropshire moved to approve the minutes of March 21, 2006, as written. Director Olson seconded the motion. Motion passed, 6 yeas votes to 0 no votes with Vice President McRae voting.

AMEND AGENDA

Director Fast moved to amend the agenda to address the reallocation applications. Director Olson seconded the motion. Motion unanimously passed.

SFE REALLOCATION APPLICATIONS

Edwards noted that ownership interests are common on the properties and the requests can be made for the reallocations as they fit within the ordinance. Edwards and Wheeler explained the reallocation requests. All of the SFEs will be subject to the Boyne surcharge.

Boyne Properties, Meadow Village, Tract 8: Wheeler explained that the 40 excess SFEs on Tract 8 would go to waste without the transfer and that is why they purchased the property and have requested the transfer to the SFEs to the Boyne SFE Pool.

Director Olson moved to approve Boyne Properties' reallocation application to transfer 40.0 SFEs from Tract 8, Meadow Village, to the Boyne SFE Pool. Director Fast seconded the motion. Motion passed, 5 yeas votes to 0 no votes without Vice President McRae voting.

Chad Rothacher/Rocky Mountain Rustics, Sweetgrass Hills, Tract 2: Edwards explained that Sweetgrass Hills Tract 2 will be left without SFEs for a short time until a transfer of 34.2 SFEs from the tennis courts goes to Tract 2, and then the tennis court property will be donated to the park. Wheeler asked, "If the tennis court building on Sweetgrass Hills Tract A-2 is torn down, can those SFEs be reused?" The Board did not discuss this inquiry as it was not related to the SFE transfer request from Tract 2.

Director Olson moved to approve Chad Rothacher/Rocky Mountain Rustics' reallocation application to transfer 32.0 SFEs from Sweetgrass Hills, Tract 2, to Cascade, Lot 5C. Director Fast seconded the motion. Motion passed, 5 yeas votes to 0 no votes without Vice President McRae voting.

FINANCIALS

Smith reviewed the budget vs. actual expenses, noting we are on target or favorable with operating revenues and expenses with the exception of donated capital because of the Spanish Peaks project. Director Olson asked about the restricted and unrestricted funds sitting in the bank at 4% and asked if the District should be looking at a different investment to get better returns. Smith reported that the District is limited to 1-year investments. Director Shropshire stated that a 7-month CD with Wells Fargo may pay more and suggested that the District shop the rates. *Smith will look into short term CDs.* Director Shropshire wanted to know if the District will be in line with revenue projections. Smith anticipates that the District revenues will improve over the next few months, and we may not need to use as much of the reserves as projected.

Director Allgood moved to approve the February financials as presented. Director Shropshire seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice President McRae voting.

FY 2006-2007 Budget: Smith noted that the District staff are working on the budget for next fiscal year and invited any Board members interested in participating to coordinate with him. The new budget will be on the next meeting agenda.

Billing Insert Request: Smith reported that the Montana Historical Society has asked to put an insert into the next statement and also requested the District to put a note on the bill. The Historical Society would pay any additional costs associated with it. Smith noted that some other communities are using this distribution of information for other entities as a revenue generator. Directors Olson and Allgood asked if including this information in a District mailing then means that the District is endorsing their cause. Director Daniels commented that is would set a precedent. The Board agreed to allow Smith to put a note on the bills on how to contact the Montana Historical Society and Edwards will put a link to the Historical Society on the District's website.

SEWER OPERATIONS

Influent Flow Total--Correction: Edwards noted that December flows were reviewed as requested at the February meeting and adjustments were made. The data indicates that the mountain village is 58% of the total flows.

WATER OPERATIONS

Edwards reported that corrections were also made to the water production reports as requested at the February meeting. Director Olson asked about the fluctuation on the Lone Moose water productions. Muscat explained that the tank was overflowing for about 24 hours due to a malfunction of the pumps, which is controlled by tank level. Vice-President McRae also explained that there will be months of low use and then use will peak if there is heavy irrigation or a leak, pipe break, etc.

Aspen Groves Water Treatment System: Muscat displayed a water sample pulled from the Aspen Groves system. The sample was clear, but Muscat informed the Board that there will be continued settling and the tank will require cleaning about every 10 years. In regards to the chlorination, it will be kept to the minimum but chlorination is required by the State. Muscat said we have to sample at the end of the system, which means that we may have to increase the chlorination so that it does not dissipate before the end of the line sample point. Muscat informed the Board that the Aspen Groves owners have been extremely patient in waiting for the Aspen Groves water improvements. Edwards stated that the system is better, but they will continue to work on improving it.

Mountain Village & Aspen Groves Water Line Connection: Edwards noted that Armstrong is working on the 70% draft drawings and they should be done at the end of this week. A meeting has been held with Lone Moose representatives and they have approved the crossing at the bridge. There should not be a problem with freezing as the line will be insulated. The only issue is that Lone Moose has one lot where a re-alignment will have to be done so that they can develop the lot. The easements through the corridor will need to be expanded and there should not be any problems with this. HKM is finishing the hydraulic model for the meadow with a few little things to clean up.

LONG TERM COMPLIANCE WORK PLAN

Edwards noted that the storm water discharge permit will be terminated.

MEADOW VILLAGE WATER SYSTEM DEVELOPMENT PROJECT

Meadow Village Well Exploration: Edwards reported that Mark Cunnane has finished the model and has submitted a contract for test boring, borehole logging, test reporting, design reports, etc. According to Edwards, exploratory wells end up being used as an observation well and a new well would be drilled approximately 100' away. Edwards said the model will show that the new wells will not impact water supply and the exploratory well drilling will begin soon. Cunnane has estimated approximately ¼ million for three new wells and this work will have to go out to bid. Edwards said there is additional opportunity to develop more wells on the south side of the Middlefork. DNRC approval would be required to use the exploratory wells for emergency purposes. In regards to inquiry about the spraying of treated wastewater on the horse pasture, it may no longer be needed now that we can pump to Yellowstone Club. Additionally, last year the pasture was only used at the end of the season to get rid of the excess water.

Director Shropshire moved to approve Mark Cunnane's contract for \$26,170 for hydrogeology test reporting, design reports, etc. for the three new wells in the Meadow Village. Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice President McRae voting.

Water Project Financing: Edwards reported that he has talked with Mae Nan Ellingson who has been informed by Gallatin County that they are implementing new election software and they will not take on any other special polling place elections in the June election because of the complications they may encounter. Ellingson will be talking to other election departments to see if they are taking the same stance. The Board discussed doing a PR campaign on the bond election. Edwards said we could furnish the newspapers with articles in addition to publishing and distributing our own newsletter. Edwards will meet with Shelley Vance, Gallatin County Election Department, to determine if we can do a polling place election. If not, the District can always do a mail ballot election. According to Edwards, the state statutes have changed from 60% of voters voting in favor to have a ballot issue pass, to where now a minimum of 30% of registered voters must vote or the election fails no matter how they voted. The election department determines what constitutes 30% of the registered voters.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Sewer & Water Conveyance Warranty Periods: Edwards recommended extending the warranty period to two years on water and sewer extensions as we have received several calls with water and sewer line freeze ups on two new projects that are outside the 1-year warranty, but within a 2-year warranty. For instance, the Lone Peak Townhomes lines were completed in November 2004, it took a year to finish the units, and now we have frozen lines and the warranty has expired. Edwards noted that one-year warranties were set as developers only have their contractors on a one-year warranty. Edwards also suggested that the warranty could start from one-year from date of first occupancy. Muscat stated that one year is clearly not a long enough time period for a warranty with the problems that we have experienced this year. Burroughs reported that on Middle Rider Road, two years after the fact, we are stuck with the developer's mess. Vice President McRae suggested that the District adopt an ordinance that dictates what season the work could be done. Muscat reported that the developer now hires a full time inspector to watch the installation and this is like the fox watching the hen house. Muscat also doesn't feel that there should be a warranty limit on defective workmanship. Edwards recommended going through two full winters on line for a warranty, with a bond required. Director Shropshire suggested a 30-month warranty period, which would cover two winters. As an incentive to build in weather that allows a quality product, Vice-President McRae suggested a shorter warranty period if the lines are installed for instance from May through October. *The Board directed staff to draft an ordinance to present at the next meeting.* Grant Burroughs noted that the ordinance has a provision for fining, and believes that the District needs to take a hard stance with violations and start fining people. *The Board agreed and directed staff to agree on and set work procedures and schedules, and then to implement it with consistency.*

ORDINANCE 06-1001: RELEASING 500 SFEs FOR CONNECTION PERMITTING

Edwards explained that releasing 500 SFEs for permitting would make it administratively easier than releasing a less amount. The Board stated that the ordinance reads "capacity for water and sewer service" and recommended dropping it to 300 SFEs since the District is working on increasing the water supply. Director Olson suggested that water capacity also be calculated when permitting. Edwards did not agree with factoring in water capacity when permitting. Muscat commented that, in the big picture, the District may want to recognize the fact that we need to have the water capacity to fit the sewer capacity. Director Olson stated that the District has the responsibility to make people think about xeroscaping. The Board discussed having a tiered water rate system that is based on winter time use and any use over those gallons would go up another level.

Director Shropshire moved to approve the first reading of Ordinance 06-1001 with changing the release to 300 SFEs for the second reading. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice President McRae voting.

SEWER & WATER PERMITS

Edwards noted that no sewer permits required Board action. Permits are now being issued to the Spanish Peaks area, with condition of occupancy subject to acceptance of the sewer system by the District. The District had a preconstruction meeting with Spanish Peaks a couple of weeks ago and they will start laying pipe.

NEW DEVELOPMENTS & SUBDIVISIONS

Town Center – Huntlev Addition: The sewer lines already run through this development area, but the water lines will need to be extended from the Avenue West line. The development is planned for 245.2 SFEs at build out, with construction to begin in the summer of 2006.

GENERAL CORRESPONDENCE/MISCELLANEOUS

Westland/TM Vacant Lot Charge: Edwards reported that he met with Mike Wheat on the Westland TM vacant lot charges and there are no changes since the last directive from the Board. Edwards also reported that a title company recently sent payment for vacant lot charges on a parcel that Westland sold. With other transfers, the title company has sent payment to Westland's legal counsel for holding until the legal issue is settled.

Annexation: Edwards will have Mike Wheat review the Blessey annexation ordinance.

Aerial Map: Vice President McRae suggested that a new aerial be done since we have had so much development since the last aerial.

Taylor Land Sale: Edwards noted the IRS correspondence in the Board packet regarding the Taylor land sale below the treatment plant. According to Edwards, IRS is trying to get the District's perspective on the land sale.

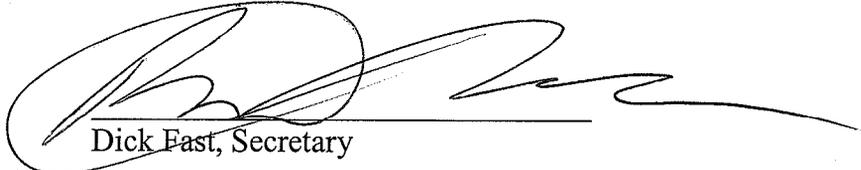
Stockpile Material: Edwards reported that a check was received from Smith Trucking for the stockpile material and Taylor has been paid his share.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, April 18, 2006, at 8:00 AM. Edwards will be absent, but will try to be available via telephone.

ADJOURNMENT

Director Shrosphire moved to adjourn the meeting at 11:22 am. Director Allgood seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – February 21, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, February 21, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Vice-President Gary McRae, and Secretary Dick Fast (left at 9: 17 am), and Directors Dick Allgood, Jeff Daniels, Bill Olson and William Shropshire. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Grant Burroughs. Others present were Search and Rescue representative Ed Hake and HKM engineer Ray Armstrong.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of January 16, 2006, as written. Director Olson seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith reported that there were no surprises in the financials. The total contributed capital is still under, but Smith expects it to turn around once Spanish Peaks comes on line. The reserves are where the District projected. The reserves are still stable at this point, with approximately \$200,000 used on the mountain pump station and \$90,000 on the aspen groves water system. The final audit report was provided in the board packet.

Director Olson moved to approve the December financials and the FY 04-05 Audit as presented. Director McRae seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

SEWER OPERATIONS

Edwards reported that the Spanish Peaks' sewer warranty is five years and it can be pushed out. Edwards reviewed Burroughs flow reports that shows the mountain flows increased approximately 21%. Burroughs will start up the pumps to Yellowstone Club in the next week. The Board inquired about the flow data numbers, as they looked bigger than they should be. Edwards could not answer the question, but stated that it is possible that the formula information is incorrect. *The Board directed Edwards to have Burroughs review the numbers and report to the Board via email.* Edwards reported that the telemetry on the upper pump station has been installed and the initial test shows that communication works. The District is now able to process the new wastewater outside of irrigation season. Edwards plans on pumping between 1 to 2 million gallons to Yellowstone Club ponds. The District is obligated to serve the meadow golf course first and then excess treated wastewater will be pumped to Yellowstone Club. Edwards explained that the District also has to use its water rights and suggested using that water in the early part of the year, and then go to the treated wastewater. Edwards suggested leasing out the water rights instead of just pumping to Yellowstone Club to keep the water rights. The upper section line will be pressure tested in the spring, but the tests done so far indicate that everything is working properly. The Yellowstone Club has to provide up to 130 million gallons of storage under the 2001 agreement. Burroughs stated that he probably made an error on the flow reports at 6:00 am this morning when he prepared it, and will recheck his work.

WATER OPERATIONS

Director Olson questioned the production report numbers, as there may be errors in the Aspen Groves numbers since it showed a decrease and the Mountain Village showed an increase of 50% in January. *The Board directed Edwards to have Muscat reread the meters and check the numbers and to email board members with an updated report.* President Cronin inquired if the District should have Boyne check for waste of water use, i.e., leaking toilets, sinks, etc.

Cascade PRV Correspondence: Edwards reported that letters were sent out to homeowners in the upper Cascade area regarding PRVs. About 3 people have called regarding the letters and they will check the PRV they have to make sure they have an adequate PRV. Nic Wellenstein would like the District to do the same notification to owners in the Low Dog Road area.

Water Rights Invoice: Edwards reported that the water rights is a big mess with the new law, where they are billing water rights holders according to classification. Edwards has filed an appeal on the District's classifications and statements as some of them are wrong. The District needs to reclassify its rights from commercial to municipal. Even though the District filed for change of ownership for the Aspen Groves wells years ago, the State never changed the owner. Edwards has since copied the State all of the information for ownership change and the State will look into it and try to get it straightened out. The bill has not been paid, while the appeal is pending.

Director Olson asked if areas of Hidden Village have low water pressure since the new tanks was installed. Edwards reported that the elevation of the new tank is the same as the old tank, but there are a few units in upper HV that have to boost their water. *Edwards will find out from Nic Wellenstein which units have booster stations and follow up with the Gumps to let them know if they need a booster station, or a replacement,*

AMEND AGENDA

Director McRae moved to amend agenda to address the search and rescue request. Director Daniels seconded the motion. Motion unanimously passed.

SEARCH & RESCUE LAND REQUEST

Ed Hake explained that the Big Sky Search & Rescue is in need of space and they would like to build a permanent structure on 1 to 2 acres. They have no money and are looking for a donation of land, but would ask for resort tax funding. They would build a 40-80' two story building with an apartment in the upper level. Hake asked the Board to work out a deal with the Search & Rescue on a land donation, or lease donation with long-term payments. Hake reported that they wouldn't ask the county for money, as the county would then take ownership. Hake stated that if the Search & Rescue is dissolved, the agreement for a land donation could be written where the land and building would go back to the WSD. According to Hake, the reason for an onsite apartment is for security and to trade out work. Edwards reported that the land by the stockpile area would require a lift station for sewer service and water would also be a problem. This land also has high visibility and possibly more value. The site by the sewer plant is better for providing water, but a lift station for sewer would also be necessary. President Cronin stated that

the District needs to decide what their master development plans are before carving out chunks for any other entity. Edwards stated that the District will need future expansion, but may not need all the land. Edwards reported that the District is getting more calls from infrastructure suppliers such as propane, telephone, etc. that are asking for storage. Hake noted that none of these other organizations are nonprofit. Hake asked that the Board respond to their request soon, as they would like to go to the resort tax for funding this year. Director Olson reported that he is working on another project to acquire land in the canyon and, as part of that, they are looking at putting some land aside that could possibly include Search & Rescue. And, there are other things in the works that could also be beneficial to Search & Rescue. Director McRae suggested that Search & Rescue proceed with a resort tax application and that Hake also talk with BSOA about being included in the master plan park area since this is also a nonprofit agency. Hake asked that the Board discuss the possibility of providing land to the Search & Rescue. President Cronin said the Board will consider the District's long-term plans and then decide if there is room to provide land for community service.

LONG TERM COMPLIANCE WORK PLAN

Booster Station Start-Up: Edwards reported that the three mountain wells are being controlled from the booster station and everything is being wrapped up. Cascade wells 5 and 6 are still shut in because of H₂S, but we did receive a bill on the water rights for the wells. President Cronin asked if we could transfer those water rights to new wells in the meadow and have a new meadow water supply this summer. Edwards responded that it would be possible.

Director Fast asked if the plan is to connect all the water systems and also inquired if the Aspen Groves treatment system is taking too much of the operators' time. Edwards reported that the District is working with engineers to develop plans to connect the systems. Edwards stated that the operation time at Aspen Groves will be decreased after the system starts working as designed. (Director Fast left at 9: 17)

Pond Cover Project: Ray Armstrong reported that all the cost estimates for the pond were in line with the engineers' estimates, except for the fill. HKM had fill estimates at about \$9,000 and Armstrong now feels that is a little low. Director McRae said he hopes to get a sample of the conda gravel, which goes for \$1 SO yard, for the next meeting. Armstrong stated that, with using the cushion, they could use an angular material such as the conda gravel if they are careful with the placement. Armstrong would like to look at how angular the material is before a decision is made to use it. Armstrong suggested possibly going with a heavier 16 oz cushion to compensate for angular material. *Vice President McRae asked Armstrong to provide him with a tight spec on the fill material today.*

Director Shropshire moved to approve the new estimate, at approximately \$14,000, for the fill material. Vice President McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

President Cronin asked Armstrong who is taking the risk in this project-meaning, what if this doesn't work and there is a pile of rock at the bottom of the pond or a hole in the liner. Armstrong commented that it would probably be everyone's problem and we would have to research what went wrong; was it the engineering, the rock placement, etc. Director Allgood asked if the District is pioneering on this project-has this rock cover been used on a liner and

basket wire like the District's Armstrong reported that similar projects have been done, but not with the same liner material. President Cronin said the District is messing with a very expensive system and asked if the rock would leach something into the water. Director Allgood reminded Board members that this project is totally for aesthetics. Edwards said the test panels will be done this year, but he would like to use the resort tax money to expand the scope with four test panels. Armstrong reported that the fill material spec was 42 yards of D50 with 4-6" minus. *Vice-President McRae will follow up with getting samples of the conda rock.* Director Olson asked what the life of the gabion basket wire. Edwards said the wire is galvanized and doesn't feel there will be a problem. *The Board asked Armstrong to investigate everything as the District does not want to fill its ponds with rocks if the system fails.*

MEADOW VILLAGE WATER SYSTEM DEVELOPMENT PROJECT

Meadow Water Project: Edwards reported that Mark Cunnane is working on the groundwater model project. The observation wells will be drilled this winter and meaningful result of possible yields should be obtained from this. Edwards will need to work with Boyne at getting access and an agreement will have to be entered into. The Board directed Edwards to stay away from drilling on Tract 4 (Sarah Hall's property). *Edwards will have Dave Potts drill the 6" exploratory wells within the next 30 days.* Edwards expects the depth to be at around 150 feet.

Mountain/Meadow Village Water Line Connection: Edwards, Muscat, HKM, and Potts met last week on the connection. Armstrong reported on the Meadow to Lone Moose pipeline timelines with the following estimates: 1) 3rd week in March for finishing 70% drawings, 2) final drawings in mid-April, 3) then submittal to DEQ with a 60-day approval process, and 4) start construction in June. According to Armstrong, 200-300 feet of construction could be done per day and realistically the project could be done in the fall. Armstrong has not yet included Lone Moose developers to make sure the proposed crossing line does not interfere with their development plans. *Vice-President McRae directed Armstrong to work with the developers (starting with Peter Forsch) now.* Armstrong said the permitting process can be started for the stream crossing. The Lone Moose to the Mountain connection would be another schedule. Armstrong reviewed a map that outlined all the piping for connections. Armstrong estimated costs at \$2.5 million and that included one new well.

Armstrong discussed the line replacement at Silverbow and estimated it would be \$150,000-\$200,000, which is only a rough estimate, and this project needs more work on how this would be done. Armstrong reported that he is away out to put all the projects together for a bond. Edwards has talked with MaeNan Ellingson and reported that there should not be a problem at getting the bond information together for a June election. Edwards suggested phasing the Silverbow project into two falls, but finance it through the bond. Armstrong's rough estimates included pipeline to tie the Mountain to Lone Moose to Aspen Groves at \$1.3 mil, Hidden Village at \$213,000, Mountain Village to Lone Moose at \$560,000, and Mountain Village to Aspen Groves to Hidden Village at \$500,000. Edwards said a few public meetings and a newsletter mailing could be done prior to an election. Director Allgood suggested bypassing Lone Moose if there will be a delay at getting approvals and to go directly to the mountain. *The Board directed Edwards, Armstrong, and Muscat to get all the projects prioritized and estimates and presented to them at the next Board meeting.* Armstrong will have to verify if a water line

can be slip lined or pipe bursted. *The Board directed staff to have the water improvements presented for a June bond election.* Edwards will work out the timelines with MaeNan Ellingson. Edwards asked the Board if they wanted a mail ballot election or polling place election--no Board direction was given. Edwards will get a clarification from Mae Nan Ellingson and the State as to what they will cover from the upfront work that the District will incur before the election. Once Armstrong has 70% drawings, Armstrong and Edwards will meet with the State before the District submits for final review.

On Cascade wells 5 and 6, Kevin Johnson has looked into treatment and Edwards will get additional information on the treatment and whether it is cost effective. *Armstrong will provide the information of what would be the best treatment and costs.* Edwards wants to expand the supply and he stated that this could be a reliable source.

ASPEN GROVES WATER SYSTEM

Two more filters were set on Friday with turbidity decreasing substantially. Armstrong reported that they are still tweaking the chemical dosing. The piping has been changed out along with the back wash pump. Edwards commented that it will take sometime to get the tank refilled with clean water. Letters have been sent to Aspen Groves' homeowners on what has been done and the WSD website also includes the status of the project. Through December, we were at \$86,000 for AG water improvement project and will be over \$100,000 by the time we are done.

BLESSEY ANNEXATION PETITION

Edwards received a legal opinion letter from Mike Wheat that recommended that a public hearing be held, which was included in the Board packet. After the public hearing the District would have to draft an ordinance. If the District held a Board meeting on March 21, notices would need to be published on March 9th and 16th.

Vice-President McRae moved to hold a public hearing on March 21 on the Blessey Annexation Petition with the intent to consider the annexation. Director Allgood seconded the motion. President Cronin called for discussion. Director Olson stated that according to Wheat's letter, the statute says we have to have excess capacity to expand our boundaries and our whole focus now is meeting capacity. Edwards said that the District could make a case that there is capacity. Director Allgood said there is a concern for water capacity. Director Olson asked if the Board could be at risk if they allow annexation if the bond doesn't pass. Director Olson suggested waiting to consider annexation until after the bond election, and possibly put it on the ballot. Director Shropshire concurred with Director Olson in that the District should wait until the bond issue passes, ensuring that we have capacity to serve Blessey. Edwards said that the Board could allow annexation through ordinance, but legal counsel recommended the public hearing route. Edwards commented that excess capacity is not defined in the statutes; it is up to the District to define excess capacity. Armstrong stated that you would have meet peak demands with the largest well out of service to determine if excess supply is available. Director Shropshire said that the District is going to have to argue strongly that we need the water improvements in the bond issue, but on the other hand to approve Blessey's annexation says we have excess capacity. Director Allgood stated that the land used to be in the District. President Cronin called for a vote. *Motion passed, 4 yea votes cast by Olson, Daniels, Allgood, and McRae to; 1 no vote cast by Director Shropshire. President Cronin did not vote.* *The Board directed Ray Armstrong to provide better peak flow numbers by the March 21 meeting.* Edwards will do the public noticing as required.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Cottonwood Crossing: Edwards said that two buildings are ready to come on line and a conveyance agreement has been done.

Crail Ranch Townhomes, Tract 8 SFE Correspondence: Mike Wheat's letter on the SFE reallocation issue was provided in the Board packet, which stated that Boyne could transfer the SFEs if they purchased the parcel before it was built out. Wheat recommended that the Board define built out. Director Olson stated that at sometime the District needs to look at the SFE assignments, Director McRae suggested that the District consider SFE build out at the time the developer comes in for permits.

Moose Ridge Condos: The plans have been received and staff will comment on them.

SEARCH & RESCUE REQUEST FOR LAND ACQUISITION-Board Discussion

Director McRae recommended that Search & Rescue approach other Big Sky nonprofit organizations for a land donation, or space. Director Olson stated that the District needs to develop a facility plan, instead of reacting to crisis. Edwards suggested developing a 50-year plan. Director Daniels said the Search & Rescue needs space for storage, but the apartment may have been pushing the request. The Board discussed having an agreement written that would revert the land back to the District if the District needed it, but they felt reverting land back would be difficult. Director Shropshire asked why the District feels it has to be responsible to provide land for admittedly worthwhile organization; when we don't have any criterion to make this decision. Additionally, any decision made will set a precedent without giving our future needs planned. President Cronin stated that next to the pump house would be a likely building site, but the whole site needs a master plan. Director Allgood said a consideration could be a lease of the land to Search & Rescue with the right to cancel the lease with a 120-day notice. Director Olson said there are other community alternatives out there that Search & Rescue needs to explore. President Cronin remarked that if a lease was granted, the District realistically could never rescind the agreement. Director Olson suggested the community park area next to the old Golden Eagle building as it is an area that has only been used for parking. Director Olson stated that there will be a park master plan meeting on March 2 and asked Director Daniels to have Search and Rescue follow up with Mary Jane McGarrity at BSOA to discuss their needs to have them included in their master plan. The Board will discuss the Search & Rescue request at the next meeting.

SEWER & WATER PERMITS

Edwards said we have 45.73 SFEs available for permitting and he will *prepare an ordinance to release 500 SFEs for permitting for Board consideration at the next meeting.*

NEW DEVELOPMENTS & SUBDIVISIONS

Cascade Powder Ridge Phase IV: Edwards said sewer and water extension work will be constructed this summer.

Beaverhead Condos: Edwards reported that there will be four more buildings.

WATER & SEWER RATE COMPARISONS

Edwards did a rate comparison of Big Sky against Bozeman and Belgrade. The District is on target with Bozeman on the water charge, but the Big Sky sewer rate is higher. Bozeman will be doing about \$30 million in sewer upgrades in the new future, so Edwards expects that difference will change. The impact fees in Bozeman run close to \$7,000 for a single family home. The Board stated that they are comfortable with the current rates.

GENERAL, CORRESPONDENCE

There was no general correspondence for Board action,

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, March 21, 2006, at 8:00 am and will include the Blessey Annexation Hearing. Since President Cronin will not be in attendance, either Director Shropshire or Vice-President McRae will chair the meeting.

ADJOURNMENT

Director Allgood moved to adjourn the meeting at 11:30 AM. Director McRae seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

02-2 1-06. min (Board Approved 3/21/06)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -January 17, 2006
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, January 17, 2006, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Vice-President Gary McRae, and Directors Dick Allgood, Jeff Daniels, Bill Olson and William Shropshire. Secretary Dick Fast was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Jim Muscat, and Terry Smith. Others present were Boyne representative Brian Wheeler, Rocky Mountain Rustics representative Chad Rothacher, and auditor Marjorie Knaub.

PUBLIC FORUM

President Cronin called for public comment at 8: 10 am. Wheeler stated that he was at the meeting to have the Board address the reallocation requests on Tract 2 and Tract 8. With no further public comment, President Cronin called the meeting to order at 8: 11 AM.

MEETING MINUTES

Director Shropshire moved to approve the minutes of December 20, 2005, as written. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting .

AMEND AGENDA

Director McRae moved to amend the agenda to address the Boyne reallocation request. Director Shropshire seconded the agenda. Motion unanimously passed.

SFE REALLOCATION

Edwards noted that the reallocation application submitted by Boyne should be amended to only remove 40 SFEs from Meadow Village, Tract 2, to their SFE Pool. If the reallocation is approved, 32 SFEs will remain on Tract 2 which is zoned to be multi-family. All of the SFEs would be subject to the surcharge. Wheeler explained that because of the topography, all the SFEs allocated could never be used on Tract 2. The future plan for Tract 2 is to build it out at about 1/3 of density allowed.

Director McRae moved to approve Boyne's amended SFE reallocation application to transfer 40 SFEs from Meadow Village, Tract 2 to the Boyne SFE Pool. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

Edwards reviewed the Tract 8 SFE transfer request, saying that the District has not received an opinion letter from legal counsel, Mike Wheat. Edwards expects counsel's letter to arrive soon, Wheeler will wait for an update from Edwards and then Boyne will submit a reallocation application to strip Tract 8 of SFEs that will be transferred to the Boyne pool.

FINANCIALS

Draft Audit Report: Marjorie Knaub explained that this is only a draft audit report and the commitment footnote will be changed to include the District attorney's comments. Smith's comments from the management discussion will also be included. Overall the audit was unqualified with no major findings; everything was clean with a couple of minor adjustments. Knaub noted that the District is receiving SRF funds and a single audit will be required as long as the District receives those funds. Director Shropshire noted that the cash flow category needs a net change bracket. Knaub and Smith will fine-tune the audit before it is submitted to the State by the March 31, 2006, deadline. The final copy will be submitted to the Board for approval at the February board meeting. Knaub informed the Board that she will not be providing an audit service in the future and she has talked to several of the firms that will be bidding on the District audit. President Cronin thanked Knaub for her six years of auditing service to the District.

December Financial Reports: Smith reported that he was a little ambitious in his projected water revenues and we are \$30,000 into reserves, but overall the budget is on target. Smith opened a new account at the 1st Security Bank and they will match the interest rate provided from American Bank. President Cronin thanked Smith for getting the District through another audit without any major findings.

Director Shropshire moved to approve the December financials as presented. Director Olson seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

SEWER OPERATIONS

Edwards reviewed Burroughs flow reports, noting that the increase in flows is coming from the mountain. InControl is here working on the upper booster station and tying it into the meadow system. The system will then be pressure tested. Edwards said we should be able to move water within the next two weeks. HKM will have to verify pressure tests on the upper section. The lower section already passed the pressure tests. The annual one-year completion document will need to be filed with the State once the system is complete. The leak test on the new liner will be done in the spring. The plant has been working well, even in the cold weather. The District is still retaining money on the contractor, Bodell, and that can be released once everything is done.

WATER OPERATIONS

Muscat reviewed his production reports; overall production is up from last year. Lone Moose total is down, but they had a leak last year. A punch list on the Aspen Groves treatment system was given to Pure Water Technology about ten days ago and that is being worked on and, by the next Board meeting, the District should be able to determine if the system will provide the results the District desires. The Aspen Groves and Hidden Village systems are separated by about 600' and Edwards said that the District could connect the systems. Director Olson said that he has heard from a few Hidden Village owners that there is sediment in their water. Edwards reported that in the process of construction at The Pines, this might have caused the sediment to be stirred up. President Cronin said that the District has to maintain a safe water level in the AG tank for fire protection even if it takes a little longer to get treated water to the AG tank. Prior to Edwards submitting the production reports to the State, Muscat will review the data to be sure there are no errors in the numbers typed.

Water Facilities Planning: Edwards updated the Board on the status of the water improvement projects, noting that the SRF form will need to be submitted to the State. Armstrong still needs to complete the survey, but he was given all the information he needed prior to leaving Big Sky after the December meeting. Edwards said the development plans for Lone Moose might be at about 200 SFEs. President Cronin said the pace of completing water improvements keeps being extended and *the Board wants the staff to keep pushing at getting things done.* Edwards noted that he is still working on getting the new meadow wells, which will provide more production. Edwards feels that it will take about six months to get their water rights. Edwards noted that the Lone Moose water rights are for a very small area and it needs to be expanded. *President Cronin directed Edwards to redo the water rights on Lone Moose.* President Cronin said the District has to have the completion goal of this summer for adding water supply to the meadow system. Muscat reported that the District is very close to maxing out water production in the meadow in the summer and if a well went out, we would run out of water. President Cronin commented that if an event happened that drained the tank, it would take weeks to till the tank and people would be out of water. Muscat said the easiest way to prevent water from running out is to increase supply and the connection of the mountain and meadow would provide a proactive approach for now and for emergencies, and then the long term approach would be to provide more wells. Director Olson stated that the Board had already asked for the emergency solution of connecting the mountain to the meadow system. Edwards said that a bid could go out to connect Lone Moose to the Meadows. HKM has a preliminary alignment, but the hardest thing will be the crossing of the stream. Vice President McRae believes that connecting with the Lone Moose system should be fairly easy. Muscat reported that the meadow leak repair would save about 180 gpm, but cautioned that finding a leak like we did was by accident. The District didn't know it was there because it is hard to detect leaks with that type of pipe. Muscat recommended that the Board not hang their hat on supply by fixing leaks and warned the Board that we are on the edge of capacity. Muscat reported that there is leakage at Silverbow, but there is no one thing in fixing leaks that will cover demand--growth is tapping demand. *Director Olson noted that at the December meeting the Board asked for a 5-year plan. Muscat said he would be meeting with Armstrong and felt that a preliminary plan could be presented to the Board at the February meeting.* Muscat said the District is on track with the original facility plan, but it now needs to be expedited. Edwards reported that he talked with Bill Simkins and they are willing to work with the District at getting the water rights for the well they drilled sometime ago, but were unsuccessful at obtaining a water right because of objections saying it might affect other wells. *The Board asked if the District could file for a water right on that well if the District had an option to purchase it.* Edwards reported that he has talked to Mark Cunnane about the well and Cunnane felt that, since the District is a municipality, there is probably a good chance of getting a water right. *President Cronin directed Edwards to keep on track at connecting the Mountain to Lone Moose to the Meadow, in addition to drilling wells in the meadow. The Board directed Edwards to follow up with Armstrong with the anticipation of laying pipe by the end of April.* Director Shropshire commented that if the District really has eliminated a leak of 180 gpm, then it would provide some time. Both Muscat and Director Allgood responded that the Board needs to be aware that the District does not know when the leak appeared and that repair in itself may not be enough to cover demand. President Cronin said the District needs to push Armstrong to get this project moving forward. Director Olson asked if the District compares the metered water usage to production. Staff reported that the production and metered volume is off by about

double and that could be because of leakage, or meter error. Edwards has not seen any liner application for water pipe. According to Muscat, the approximately 5 miles of AC pipe just needs to be systematically replaced. Additionally, the size of pipeline installed in the 70's was sufficient then; but, with the growth, the size of the line needs to be increased. Muscat said the District needs a source of water and likes the ability to share water between systems. Muscat stated that, if we could share water between systems, the Aspen Groves situation would go away. Director Olson reiterated that he thought the Board directed staff to pursue this. Edwards said he doesn't have a good feeling on being able to bond a \$2 million project to lay the pipe. The funding could come from plant investment charges. Smith didn't feel that SRF funds could be used to reimburse costs already incurred. Edwards noted that previous SRF funds have reimbursed engineering, etc. President Cronin said the Board does not want the District to run out of water and would like staff to proceed at getting improvements done, and doing everything proactive that the District can do. *The Board directed staff to secure funding, have HKM finish engineering, get bids, etc.* Edwards noted that he prefers a GEO bond to a revenue bond. *The Board asked the staff to proceed with a \$2 million bond.* Edwards said an election could be done concurrent with a special election, or be done with a mail ballot. Director Olson reported that the Board has talked about this issue on the pipeline, at least from Lone Moose to the Meadow, since last year and the work needs to proceed.

The Board directed Edwards to have HKM do a report at the February meeting, with a proposal of what they can guarantee with timelines. Edwards is to present to HKM that the Board wants the SRF application completed, the bond election and engineering done, and the work started in the middle of April with the completion date at the middle of July. Edwards will meet with Armstrong on Monday. Vice President McRae offered to assist Edwards if needed. President Cronin wants the District to do everything they can to get the work done by this summer.

Vice President McRae reported that SMI & Towsley have a staff of engineers that could get this water line design and connection done and directed Edwards to inform HKM of that availability for assistance in getting the work done. Director Olson stated that the District keeps moving from one crisis to another and asked that the District have a 5-year plan to follow that is based on what we know with growth today and the previous facility plan. Additionally, the District needs to get beyond crisis intervention, plan projects, and communicate these planned improvements with our customers. Muscat said it is time to take our water facility plan and focus on getting the system updated. *Muscat will provide a list of projects with timeline sequences for the next meeting.* Muscat said he will need to talk with an engineer about his wish list and formulate it into planned, sequenced projects. Muscat will continue to push the District to bring the water system up to the class that the sewer system now is. Muscat will be meeting with HKM next week. HKM has the water model that was prepared by Allied Engineering so they can proceed. Director Daniels asked if the perceived water crisis will cause a building moratorium. Edwards responded no, in that the District can control irrigation thereby eliminating the spike in water use in the summer. President Cronin commented that if the District has the ability to provide the water so that people can irrigate, we have to do it.

Cascade PRVs: Edwards reported that he has drafted a letter to the upper Cascade property owners with a recommended PRV. Edwards recommended to the Board that the District do the inspection of each homeowner's PRV as he feels that it will protect the District. Edwards said that District staff could identify if a PRV needs to be installed and then hire a plumber to do it, or the District could just send a letter identifying what needs to be done. *The Board recommended that the District staff do inspections during the spring and summer and then send a follow up letter to the homeowner on what was found and if a PRV needs to be installed.* Muscat said staff will be able to make a recommendation on the PRV to withstand 300 psi. The Board feels that the District is going above and beyond its responsibility by doing an inspection and recommending a valve. The Board wants the PRV replacement and installation to be left up to the homeowner, but with the PRV being available through the District at cost. *Edwards will send the letter to Cascade homeowners, with language modified as discussed.* Edwards noted that the District is also looking at putting in a second PRV on the mainline at White Otter this summer. Director Olson said the District needs to be cautious at not setting a precedent at accepting responsibility beyond the curb stop. *President Cronin directed Muscat to report to the Board at the next meeting at what improvements will be done.*

LONG TERM COMPLIANCE WORK PLAN

Pond Cover Project: Edwards reported that Burke is trying to get a source for the fill material specified. Vice President McRae suggested that Burke contact him for information on "conda" rock fill. Vice President McRae will get a sample of the material to have Edwards show Burke.

LEGAL

Westland Enterprises--Town Center Vacant Lot Charges: Edwards reported that district counsel has answered the complaint and a copy of it was in the board packet. However, Mike Wheat will be District counsel now that John Brown has taken judgeship. *President Cronin directed Edwards to keep lines of communication open to resolve the complaint.* Smith reported that Gallatin County is holding about \$16,000 that has been paid in protest.

Blesses Annexation: Edwards has also provided Wheat information on the Blessey annexation request and the District should have an opinion on the request next month.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Spanish Peaks Resort: Edwards reported that he has the conveyance agreement for President Cronin to sign.

Town Center Avenue West: Edwards reported that the engineers are pushing for completion of the Avenue West area of the Town Center.

STOCKPILE REMOVAL

Edwards reported that he met with the parties, and Smith asked for an extension of time. Edwards felt it was a good meeting. Smith will work on cleaning up and restoring Taylor's land this spring and, if needed, he will fix the irrigation. Edwards has asked Smith to work within District land when he returns to work on the stockpile this year. *President Cronin directed Edwards to write down ground rules and present them to Smith prior to Smith beginning work in the spring.* Edwards said he also plans on periodically meeting with Smith.

SEWER & WATER PERMITS

Edwards asked for Board action on the Lone Sky Development's sewer and water permits totaling 18.40 SFEs for 10 Black Eagle Condominiums, Units 9-12 and Units 27-32. Edwards discussed the creative "Jack-Jill" bathroom design and has informed the developers on how the District views this. If a sink is added, the SFEs must be increased. Edwards reported that permitting has slowed down and there were 7 new water and sewer permits issued. President Cronin noted that even though the structures are much bigger, people have become creative with eliminating closets in possible bedrooms; thereby reducing their permit fees. *President Cronin recommended reviewing how the District calculates SFEs.*

Director McRae moved to approve the permit application for Black Eagle Condominiums, Units 9-12 and Units 27-32 at 18.40 SFEs. Director Olson seconded the motion. With President Cronin voting, the motion passed; 5 yea votes to 1 no vote that was cast by Director Allgood.

Edwards reviewed the growth the District has experienced in total SFEs permitted in the last 10 years. The District is now at about 40% of total build out with a maximum at about 10,000 SFEs. Edwards reported that he received a call from the new owners at Silver-tip requesting information on water and sewer service and he referred then to Terry Threlkeld for information on the sewer system.

Edwards noted that when Simkins-Taylor transferred their land, they gave 10 SFEs to the District for use on public projects.

GENERAL CORRESPONDENCE

Edwards presented the resolution, recognizing Skip Radick's service to the District, for President Cronin's signature. *Edwards will get it framed and present it to Radick.*

NEW BUSINESS

Director Daniels directed staff to look at obtaining personal identification badges for District staff. Daniels also recommended that staff carry pepper spray for defense in case of a charging animal.

Edwards noted that the Blue Water Task Force is meeting tonight on total maximum daily flow. They are involved with this project so that they have some say on what and how the work is being done. The Department of Environmental Quality is doing an EIS concurrently.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, February 21, 2005, at 8:00 AM.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 10:30 am. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.


Dick Fast, Secretary