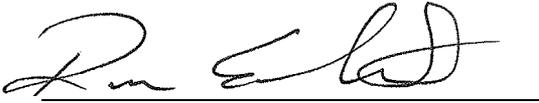


BIG SKY WATER & SEWER DISTRICT NO. 363
Meeting Minutes Notes -December 2007

The Big Sky County Water & Sewer District No. 363 did not hold a board meeting during December of 2007.

A handwritten signature in black ink, appearing to read "Ron Edwards", written over a horizontal line.

Ron Edwards, General Manager

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -November 20, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, November 20, 2007, 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, and Bill Olson. Director William Shropshire participated via telephone. Director Jeff Daniels was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8 : 13 AM.

MEETING MINUTES

Director Fast moved to approve the minutes of October 25, 2007, as written. Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting. Director Shropshire was not present for this vote.

FINANCIALS

Smith reported that the October financials are either on target, or favorable. The \$20,000 electrical expense for Lone Moose Meadows' well pump go back to the date from when we took the system over, but we are still on budget. The reserves are at about \$300,000 for both water and sewer. The water asset funds are low, but Smith stated that will turn around. According to Smith, there are ample PIC funds that the Board could move to the water side if needed.

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

Delinquent Accounts: Director Shropshire asked about the large number of receivable accounts that are over 120 days on the financials. Smith reported that the past due notices will be going out in the next week. Many of the past due accounts are from Farm House Partners where they run about one quarter behind. Director Shropshire said there are about 107 accounts past due and if allowed to be past due they will continue to be. Director Shropshire said that collecting receivables takes some effort. Smith reported that every quarter any past due accounts are sent past due letters charging 10% interest. Edwards said the subject of delinquent accounts has been debated before and, by law, the District can put delinquent accounts on the tax roles. Edwards also reported that with the infrastructure and shut off valves, as they are, the District cannot individually shut off all services. Edwards commented that, administratively, the current collection system works. Edwards reported that the interest has been 10% for at least ten years and maybe that is what we could work on. Director Shropshire said the interest rate needs to be raised and it should be effective by January 1, 2008. *Director Allgood asked that staff research what percentage can be allowed and present it at the next board meeting.*

BOARD OF DIRECTOR OFFICERS

Director Shropshire moved to nominate the existing slate of officers as follows: Packy Cronin as president, Gary McRae as vice-president, and Dick Fast as secretary-treasurer. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

SEWER OPERATIONS

Grant Burroughs was not available to present a sewer operations report.

WATER OPERATIONS

Without distributing a written flow report, Jim Muscat stated that the flows appear normal for this time of year with the exception of the mountain village; which is higher than normal because of the water use by Yellowstone Club. The new meter at Aspen Groves shows a much higher use but Muscat doesn't know if the old meter had inaccurate readings. Leak detection is being done in Aspen Groves, but it will be hard to detect leaks on the PVC pipe used in AC. The engineers are looking into having a PRV metering vault between the AG and HV systems as, without it, it will be hard to monitor flow in AG once the new mountain to meadow water system is on line. Muscat stated that the future use of the AG well would be for emergency purposes only. Muscat explained the AG waiver letter reporting that the District passed the initial round of testing. If the Aspen Gove wells are used, the District is eligible for reduced chlorine residual monitoring and that chlorinating will not be required. Edwards distributed a couple of articles published in the New York Times that reported on a diminishing water supply.

Mountain Lake: Edwards reported that the District would have the developer re-drill to an 8" well as that will increase production. Their on-site sanitary system will initially be the one originally proposed by Bobby Berlin/Silvertip. They have hired Allied Engineering to design an Advantec system. The District received a line of credit letter for the water main extension warranty for the Mountain Lake development.

Well #6: Boyne's snowmaking, Well # 6 will run until about the end of the year. Boyne paid for the improvements to install a hydrant that would allow the water to run into the Middle Fork. Edwards stated that there is no problem with putting the water into the stream. Muscat reported that the well is producing only about 135 gpm and it has a definite sulphur smell. After the well has been in use for a while, *Edwards said that the District would run samples to see if the sulphur disappears.* Edwards said Boyne wants to find a new well source location for the District and then they can have wells 5 and 6 for augmentation of their snowmaking.

MEADOW VILLAGE WATER SYSTEM PROJECTS

Edwards reported that the District is in very good shape on both projects.

Mountain to Meadow Pipeline Project: Edwards reported that the pipeline project is wrapping up with the entire pipe in. There was a leak that has been found and fixed and the repaving has been done. The mountain to the meadow system will be ready to run once the vault work is done-possibly around the 1st of the year. Muscat said he doesn't want to start the system until it is fully operational as there will be a disturbance to the AG water-possibly even wait until spring. *Edwards informed the Board that the District will need to sort out the DEQ permitting requirements with our mountain to meadow water system now that it will technically be one system.*

Hidden Village Water System Repairs: The water and sewer line replacement in HV is complete and the road base is also done. Johnston Excavation installed the water main across the Middle Fork and the connection has been made by the Lone Mountain Ranch skier tunnel. The only issue is the damage to the skier bridge where wood surface deck boards will need to be replaced. Lone Mountain Ranch is coordinating that work and will order the wood, the District will pay for the wood, and our contractors will do the work. *President Cronin directed Edwards to get the bridge fixed as quickly as we can so that we do not interfere with the x-country ski trails.*

Edwards stated that the pipe from Hidden Village to Pinewood Hills will be done next spring by Johnston at the same unit cost. Edwards reminded the Board that Johnston's bid was about \$700,000 less than other bids for the HV project. General clean up work is being completed and Edwards will also have the ditch area drainage cleaned up this year before he approves a winter shut down. *President Cronin directed Edwards to have everything cleaned up before shut down is allowed so that no skier interruption is caused.* President Cronin reported that there is also trail area near Holmes' lot that needs to be cleaned up as there is about 3 feet of dirt on that biking/hiking trail. *Edwards said he would get that cleaned up in the spring.*

South Fork Pump House: Since the District no longer had a need for the pump house, the building has been moved to the park and the easement has been vacated. Paul Cronin, Sr. paid for a portion of the cost to move the pump house. *President Cronin directed Edwards to make sure the clean up is done and Cronin will also go look at what he can burn.* According to Edwards, the rest of the building restoration is up to the BSOA.

Meadow Well Drilling:

Edwards did not have any new information to report on the new meadow wells.

Meadow Village Water Projects Costs:

A summary of costs for water projects was provided in the written manager report.

MOUNTAIN VILLAGE WELL GROUNDWATER CLASSIFICATION

Edwards reported that he has written to the State requesting suspension of any further testing, but he has not received a response. Edwards feels that the State will still require the testing in the spring. *As directed by the Board, Edwards is to send another letter to the State requesting suspension of the testing.* President Cronin feels that it is critical to get the well situation worked out by July. Edwards stated that, based on the testing results, there was no microscopic organisms that show that the well is affected by surface water. *President Cronin asked that Edwards' letter state the necessity to have this resolved by the spring so that the District has adequate water supply. Director Allgood asked that Edwards' letter to DEQ have a specific deadline.* The Board felt that follow-up correspondence will assist the District by having the necessary ground work in case of litigation. Director Allgood asked if we could hire someone that can assess the data that has been produced. Edwards reported that Mark Cur-mane essentially did that data review. Edwards feels that if the District hasn't received a response by spring, then we should involve an attorney. The Board wants this resolved before we need the water.

DEVELOPMENTS & SUBDIVISIONS

Powder Ridge: The Phase 3 repair work is totally done. Edwards has not received a response from Boyne regarding his letter requesting 100% reimbursement of the costs.

Northwestern Energy Substation Site: Edwards reported that Northwest Energy ran into a bit of a problem with the proposed site because of geotech work reporting that the site is in a slide area. Edwards does not support moving the site lower as it may interfere with the District's future needs in addition to it being more visible. *The Board directed Edwards to inform Northwestern that they have to build where the District originally agreed and that they will need to do more work to shore up the site.* The Board stated that they would only consider moving the substation site if the geotech report says it is a problem with everyone's safety.

Town Center Easement Releases: Edwards reported that the Town Center easement releases have been done to clean up the initial easements that are no longer needed with the new plats. Edwards stated that he does not have a problem with the easement releases as long as the new plats take care of the District's needs.

ORDINANCE 97-1001 & 97-1002 AMENDMENTS

Edwards stated that he has not sent out the square footage information and ordinance amendments to the developers yet. *Edwards will have this information sent prior to the next meeting.*

WATER SYSTEM CAPACITY ANALYSIS

Edwards reported that he signed the contract with Mark Cunnane.

SEWER & WATER PERMITS

The District is running at about one-quarter of the permitting volume from the previous year. Edwards reported on possible development areas such as Town Center, Spanish Peaks, South Fork, and Boyne's Montana Club, but had no idea on what to expect for new projects next year.

Canyon Wastewater Project: Edwards reported that HKM is working on a wastewater study with the initial numbers being about 1 million gallons per day with full build out. HKM calculates the population equivalent is about 10,000. There will be a meeting on December 5 at 5:00 pm at Buck's with HKM presenting their initial findings.

GENERAL CORRESPONDENCE

Edwards distributed some interesting articles relating to water that have were published in the New York Times.

ANNUAL DINNER

The Board asked that the dinner be held on either Friday, January 18 or Saturday, January 19.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, December 18, 2007, at 8:00 AM.

ADJOURNMENT

Director Allgood moved to adjourn the meeting at 9:42 AM. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -October 25, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, February 21, 2007, 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 10:06), and Bill Olson. Director Shropshire was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Holmes & Turner auditor Rosalie Bamdt was present during the financial report. .

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8: 13 AM.

MEETING MINUTES

Director McRae moved to approve the minutes of September 25, 2007, as written. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Audit Report: Rosalie Bamdt, CPA of Holmes & Turner, reported that the audit went very well and that no separate management letter will be prepared. They have already submitted the report to the state. Smith is to send in the annual filing fee. There were no questions from the Board at this time.

Director McRae moved to approve the FY 2006-2007 audit as prepared by Turner and Holmes. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

September Financials: Smith reported that the September revenues are favorable and the expenses were unfavorable. He expects the expenses and revenues to smooth out as the year progresses

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

DIRECTOR ELECTIONS

Packy Cronin, Dick Allgood, and Dick Fast petitioned for re-election for the three seats open for four-year terms. With only three candidates for the three openings, the candidates are elected by acclamation and Gallatin County provided the Oaths of Office forms to be signed and returned. Edwards stated that in January an officer reorganization could be done if the Board wanted. Director Olson stated that his name was not on the Gallatin County list of WSD Directors. Edwards will notify the county to include Olson on their list even though he was appointed by Madison County.

Director McRae moved to approve the re-election of Packy Cronin, Dick Allgood, and Dick Fast by acclamation. Director Olson seconded the motion. Motion passed, 3 yea votes to 0 no votes with Directors Olson, McRae, and Daniels voting.

SEWER OPERATIONS

Burroughs distributed the flow reports, stating that the numbers are a little higher than last year. Burroughs reported that the golf course has been blown out. In the spring (May) about 30 million gallons of water was sent to the YC, but that was all-their pond can store about 80 million gallons. According to Burroughs the District is at the point where we need to send water to YC in the spring as the ponds are quite full from the winter. *President Cronin directed Burroughs to talk with YC about their pond levels so that they will have the capacity in the spring to accept treated water from the District.* Edwards stated that the District's first obligation is to Boyne's golf course. Edwards said that Spanish Peaks does not have storage capacity to accept treated water from the District. Burroughs reported that the bulk of the compost has been sold to Western Pines. *For next summer, President Cronin directed Burroughs to hold a supply of compost for the local community and to advertise the availability of the compost.* Edwards reported that engineers from Livingston would be touring the compost facility next week.

WATER OPERATIONS

Muscat reported that we are on par for water use, with a drop in use without irrigation. YC is still under their allotment, but they are close to their maximum use. Generally, there are no big surprises in the flows.

Mountain Meadow Pipeline Project: Muscat reported the last section of pipe for this project would be done this week. Edwards reported that the schedule 40 piping from the old trailer court needs to be replaced and that will occur next spring. He said he would recommend asking Johnston to do this work with a change order to their contract. According to Edwards, that is private land so there are some easements issues that will need to be worked through. Muscat expects to be able to put the mountain water on line to Aspen Groves which will replace their water supply. There will be a few days of transition with discoloration of the Aspen Groves water. Muscat said there are automated valves in place that will shut down if there are problems. Muscat stated that we will need to monitor the water and keep an accurate count of where the water is used so that we know it coincides with the amount of water coming from the mountain. Edwards reminded the Board that the Lone Moose tank would also be online. *Muscat will work with Director Fast for notifying the Aspen Groves owners when the mountain water will come on line and when the flushing will be done.*

Hidden Village Water System Repairs: Edwards said everything has been going good and the project will get done before winter.

Meadow Village Water Projects Costs: Edwards reported that his manager's report included the water improvement cost summary.

Mountain Village Well Groundwater Classification: Muscat reported that weekly water quality analyses are being done. His impression is that the state does not take any stock in that testing. They base their standards on the microscopic sampling and this is done in the spring and fall and the fall sampling has been completed. The MPA sampling costs around \$2,000. In light of no detects of microbes being found, Edwards said that he has asked the state to suspend the sampling for the winter and to allow the District to put well #3 back on line.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards reported that he is working on getting things finalized with the sites for the Northwestern Energy substation and the Search & Rescue building and he has both parties working with HKM engineering. NW plans to get their road started this year. Search & Rescue would like to get their building started this year as they are afraid of losing the resort tax funding if it isn't used prior to next year's allocations. Search & Rescue is working with Ken Walker, who has been advising them to start in the spring.

Powder Ridge IV: Edwards said the transfer documents have been received and the new Lakota Cabins are now coming on line. Muscat's write up of the work done for fixing their freeze-up problems has not been forwarded to Boyne yet. President Cronin doesn't feel that the District should be paying to fix their problems of improperly installed lines. *The Board directed Edwards to send Boyne a bill for 100% of the repair work.* The cost of repair is about \$30,000. Muscat believes that, in the future, Boyne will be a little more careful and review their engineer's work.

Pinnacle & Boyne Restrooms Water Service: Edwards reported that Spanish Peaks is not asking the District to change its agreement with YC. The water to Boyne's restrooms would come from the YC tank. Edwards said the line is from the YC tank to the Pinnacle and then there is a 2" T-line and it needs to be a 3" service line. Edwards supports connecting the bathrooms to the Pinnacle water service and he asked the State to allow Boyne's restrooms to connect to the Pinnacle line as he would like to have Boyne abandon their water line going up Andesite. President Cronin asked what if they attached a bathroom addition to the Pinnacle and then be able to use the water. According to Edwards, they could do that & still use the two drain fields. *President Cronin directed Edwards to suggest to Boyne and to Spanish Peaks that they add on an exterior restroom to the Pinnacle.*

ORDINANCE AMENDMENTS TO 97-1001 & 97-1002

Square Footage to SFE Analysis: Edwards reported that the data showed there is .55 SFEs per 1,000 sq ft. The implications for changing the SFE formula would be a problem with developments such as Spanish Peaks where they are only about 40% built out. The committee came up with a tiered SFE calculation – the problem would be that the bigger homes would pay quite a bit more. The tiered proposal presented was homes with 2,500 sq ft @ .75 SFEs, homes from 2,501 to 4,000 sq ft @ .60 SFEs, and homes over 4,000 sq ft @ .45 SFEs. The larger homes will pay about 4% more in plant investment charges. Homes over 3,800 sq ft are using more SFEs and, in areas like Spanish Peaks, they will probably have a problem with the change in calculations. Edwards will work at getting the numbers more even so there is a zero change. Once the District gets a formula figured out, then it will be presented to the property owners/developers. Director Olson stated that, from a defensible standpoint, the District wouldn't be increasing its income. Director Fast asked if there is something that we are not thinking about that would lead the developers into building something different, which would create a capacity issue. If it were a structure with more than one unit, it would be classified as a condominium. Director Olson suggested using the term multi-family structure and single-family structure. If the structure has lock-off use areas that can be used independently, then it would be a multi-family structure. The Spanish Peaks cabins would be classified as multi-family since they have lock off areas. Edwards doesn't feel that there shouldn't be compensation in SFE allocations if a tiered system is used. Director Daniels noted that there would be an advantage to build a few more square feet to put the calculations into a lower bracket. Other Board members didn't think that would be a problem given the cost per square foot to build as compared to the

few thousand for a permit. Edwards said he has not thought of employee housing situations yet. Director Allgood feels that a single base charge for buildings such as Boyne's Golden Eagle employee housing building needs to be looked at. The District should consider changing how it charges the base charge, possibly 1 base charge for so many (15) doors. Director Allgood suggested changing the SFE factor to .45 for single-family homes over 4,000 sq ft. Edwards *will distribute the proposed SFE calculation to developers, etc. and a narrative for comments by the November meeting.* The rationale is to simplify the process, and to avoid the current loopholes. There needs to be a caveat that the Board can make changes as necessary. The District will also revisit the issue of employee housing. Edwards said he isn't sure if a full-blown budget hearing will be required. Director Allgood suggested that all issues relating to SFEs and fees needs to be incorporated in a public hearing.

WATER SYSTEM CAPACITY ANALYSIS

Edwards requested Mark Cunnane, Western Groundwater Services, to submit a proposal regarding development of new source capacity for the Meadow and Mountain water systems. Edwards would still have HKM provide an analysis of peak demand, etc.

Director Fast moved to approve Mark Cunnane's proposal at an estimated total cost of \$17,570, as presented. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. Dr. Daniels left the meeting at 10:06.

SEWER & WATER PERMITS

Edwards reported that Jim Jones is working on his connection in Aspen Groves. One permit from Eisenberg for a remodel for 1.2 SFEs requires board approval as it was over the 1 .0 SFE remodel limit. Since this limit is proposed to be eliminated in the ordinance amendment, Edwards recommended approval.

Director Fast moved to conditionally approve the permit application for Eisenberg at 1.2 SFEs as presented. Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

GENERAL CORRESPONDENCE

There was no general correspondence for the board to address.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, November 20, 2007, at 8:00 AM. Dr Daniels will be out of town. Kennedy will check with Director Shropshire on his availability. Kennedy will also check on dates and locations for the Christmas party in December.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:20 AM. Director McRae 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 11/15/2007

The Board of Directors at its 11/20/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	10/31/2007
Assets:	<u>\$ 50,059,836</u>
Liabilities	<u>\$ 19,763,966</u>
Equity	<u>\$ 30,295,870</u>

2 Income Statement as of	10/31/2007
Total Revenues	<u>\$ 1,363,178</u>
Total Expenses	<u>\$ (1,057,658)</u>
Net Revenues	<u>\$ 305,520</u>



Paul Cronin, President

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

Acceptance of Monthly Financial Statements

Date 10/25/2007

The Board of Directors at its 10/25/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	9/30/2007
Assets:	<u>\$ 49,752,492</u>
Liabilities	<u>\$ 19,470,841</u>
Equity	<u>\$ 30,281,650</u>

2 Income Statement as of	9/30/2007
Total Revenues	<u>\$ 1,096,992</u>
Total Expenses	<u>\$ (805,955)</u>
Net Revenues	<u>\$ 291,037</u>



Paul Cronin, President

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

Acceptance of Monthly Financial Statements

Date 9/14/2007

The Board of Directors at its 9/25/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of **8/31/2007**

Assets:	<u>\$ 49,436,126</u>
Liabilities	<u>\$ 19,690,268</u>
Equity	<u>\$ 29,745,858</u>

2 Income Statement as of **8/31/2007**

Total Revenues	<u>\$ 762,918</u>
Total Expenses	<u>\$ (546, 334)</u>
Net Revenues	<u><u>\$ 216,584</u></u>



Paul Cronin, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -September 25, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Tuesday, September 25, 2007, 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 Olson was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Jim Jones, Jim Holmes, Brain Wheeler, Jamie Roberts and Ray Armstrong. .

PUBLIC FORUM

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

MEETING MINUTES

Director Fast moved to approve the minutes of August 21, 2007, as written. Director Daniels 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 service issues as requested in correspondence from both Jim Holmes and Jim Jones. Motion unanimously passed.

PINEWOOD HILLS, LOT 10, HOLMES

Jim Holmes submitted a letter to the Directors explaining that Edwards rescinded District water service to his Pinewood Hills, Lot 10, via a letter dated 9/12/07 and requested that the Board intervene and grant service. Edwards explained that Holmes' water issue came up because of the water line work being done through his property where hardship between Holmes and our contractor was created when our contractor cleared trees without contacting the lot owner. Subsequently, Edwards reviewed the subdivision documents discovering that Holmes' lot was to be served by a well and then sent Holmes a letter explaining the reasons that water service would not be provided by the District. Edwards reported that adjacent lots 9 and 11 have public water and Pinewood Hills is in the District and that a water extension is being run into the cul de sac, but the other lot owners are paying 100% of that. Holmes confirmed that the conflict on the tree clearing issue is over. President Cronin felt that if the other lots are serviced by water, then the District should probably find a way to serve this lot with water. Director Fast noted that, since this lot is in the District, Holmes would have to petition the District to drill a well even though this lot was to be served by a well according to the subdivision documents. According to Holmes, this 4-acre lot is zoned for single family and a possible guesthouse. Edwards explained that since Pinewood Hills is in our service area, we have tried to serve the lots. The District would need to make sure it is in the water tax levy that goes back to 2004, as if it had been on the tax roles from the beginning. Director Shropshire said that a precedent has been set by providing water service to other Pinewood Hills lots, but wanted to know if the District is breaking a law by providing water. Edwards does not know if there is a legal problem with that and the District could ask for a legal opinion. *President Cronin directed Edwards to contact legal counsel.* Director McRae feels that if water is sitting on both sides, then the District should provide service.

Director Shropshire moved to allow Pinewood Hills Lot 10 hookup to water service. Director Daniels seconded the motion. President Cronin called for discussion. Director Allgood asked if originally there was not potable water to the lots and that is then why they had wells stipulated. Edwards explained that now there is a water main that goes through the lot. Edwards recommended that Johnston not to do the work to put in a curb stop service in light of the previous conflict. Edwards stipulated that the lot should be added to water improvements tax roles back to 2004. Motion passed, 6 yea votes to 0 no votes. The Board stated that in consideration for water service, Holmes will not be able to drill a well with this service agreement and will have to adhere to any water restrictions. Holmes stated that he would pay whatever back taxes will be due.

PINEWOOD HILLS, LOT 6, JONES

Edwards reported on the issues regarding the lot owned by Jim Jones and documents back to 2004 were provided in the board packet. Jones requested an exemption from the District for public sewer service as stipulated by the county. Jones explained that he purchased the lot from Skip Radick at about the same time that Aspen Groves was being created and that his existing well and septic were installed in 1995. Jones said in order to hookup to the public sewer system, he will need to install a lift station and he feels that he has a good septic system with a replacement system available and doesn't feel like he needs to hookup to sewer. Edwards explained that the District ordinance states that if the house is within 300 feet, then the property has to connect by District Ordinance, but there can be exemptions approved by the Board. President Cronin asked what happens if Jones septic system fails in the future, then would he be allowed to hook up to the public sewer system as a hardship. Director Fast stated that if Jones' system is working why would we require that he hookup to the sewer now, but allow him to hookup in the future if he is already paying on the sewer bond. Edwards reviewed the language in the ordinance. Director Allgood asked how does Jones know the system is perfectly good. Jones said that he has never had a problem with it, and has never had it pumped. Edwards read the language on variance for hardship, where financial loss is not a hardship. Director Shropshire feels that if the District exempts the sewer connection because of a financial hardship, then it would set a terrible precedent and we should not go against the Board decision made years ago. President Cronin said the District had visited this issue in the past, and we are under pressure to get septic systems out of the ground. Additionally, the Board had previously asked Jones to connect to the sewer within 6 months and that connection was not done. Now he has decided to divide the lot and the District should not change its original decision. President Cronin said that the District Ordinance is black and white, and we should not be trying to reinterpret it. Edwards stated that he is not aware of any other variances granted for similar situations. Edwards explained that in Pinewood Hills those lots were required to hook into the sewer. Edwards reported that Grey Drake Subdivision is in the District but beyond the 500 feet connection requirement.

Director Shropshire moved to deny Jim Jones' request for a variance to not connect his house to the public sewer system. Director McRae seconded the motion. President Cronin called for discussion. Edwards said the house needs to be connected to the sewer and water and the new lot will be provided water and sewer service also. Motion passed, 5 yea votes to 0 no votes with President Cronin voting and Director Fast abstaining.

FINANCIALS

Smith reviewed the budget vs. expenses, reporting that the operating revenues are favorable and that when the approximate \$30,000 in expenses for Boyne's Powder Ridge repair is received then the expenses will be favorable. Smith stated that the District is on budget overall.

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

Golden Eagle Account: Smith sent a letter to Boyne on their Golden Eagle account, which was a response to their letter. The District will refund approximately \$18,000 for base charges for 1 year back from their August 2007 letter. Since this follows District Ordinance, no Board action was required. Future bills will be for two base charges-the commercial unit and the housing units. Edwards said he didn't find a definition of what would constitute employee housing so he provided a definition in his manager's report. Brian Wheeler said that Gallatin County Planning and Advisory is working on an employee housing definition and the District may want to review their extensive document. Director Fast asked if SFE calculations would change if the property were defined as employee housing.

Past Due Accounts: Smith reported that past due accounts were turned over to the counties. The Madison County delinquent accounts were mainly from the old Mountain Inn, where the hotel is now condominiums.

SEWER OPERATIONS

Burroughs was not present to report on sewer operations. Edwards reported that the golf course irrigation system would be blown out in the second week of October.

WATER OPERATIONS

Muscat reported that they have reviewed three tank sites with Boyne. The Hidden Village project is going as well as can be expected and we have fixed a few leaks there. Muscat did get a quote on updating the telemetry, at a cost of about \$51,000. Muscat said he now has an alarm system set at 216,000 gallons on the YC system. Now that we are out of the irrigation season, the water supply has not been an issue. Muscat feels that this summer there was just a lot of irrigation water use going on and anticipates a water supply shortage again next year. He said that YC would have to look at another water source, conservation, or whatever it takes to not exceed their 216,000 gallons per day. Director Shropshire stated that the District needs to solve the impending water problem on the mountain now, so that we don't have a lack of water supply for our mountain customers next year. Muscat said that updating the telemetry with a quicker response time should only take about a week-it would be new hardware and software. Muscat said now that we will have the meadow taking water from the mountain, we need to consider updating the telemetry. Director Shropshire suggested that the District perform water facilities review and if the fail safe is for upgrading the telemetry, and then we need to do it. Smith said he should have an answer from SRF funding on whether the telemetry would be an allowed expense. If the telemetry were upgraded, the District would be able to pump a dramatic increase in water. President Cronin said the concept of a facility plan needs to have a specific focus, with a useful look at what we need-not a big full blown report where there are no specific conclusions. Edwards said if the telemetry expense is not SRF eligible then the expense

Director McRae moved to allowed staff to sign a purchase order of up to \$54,000 for telemetry upgrades. Director Fast seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

President Cronin directed Edwards is to proceed with a demand analysis report. Director McRae asked that the District begin the water restrictions next year in June and to not wait for a crisis. Muscat said when someone gets over 10,000 gallons per day for irrigation, then a higher rate structure should be instituted-maybe punitive. Director Fast would like an additional irrigation restriction sign placed by the pond and would like language added to "check your irrigation clocks." Director Fast asked if the fire in Yellowstone Club, lot 70, affected the mountain tank levels. Edwards will call Glen Wood and find out the status on the fire and water use.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: Edwards reported that the easement with Stoney Creek is done and it feels that is a win-win situation. In consideration, a fire hydrant will be installed and two lots will be provided service. There should be about 3 weeks left of work, with the last section of pipe being between Hidden Village and Aspen Groves. Edwards is to talk with Olson about the work that will be done.

Hidden Village Water System Repairs: Edwards reported that the stream-crossing permit for the water line was received.

Meadow Village Water Projects Costs: Edwards reported that the final bond documents have been received.

MOUNTAIN VILLAGE WELL GROUNDWATER CLASSIFICATION

Muscat explained that there are two types of sampling that will be required-one that Muscat is currently doing and another that will include a microscopic sampling. This test will be done in October. Edwards said DEQ would make their decisions next spring.

ORW WASTEWATER SOLUTIONS PROJECT

Edwards reported that the group will meet again today and that they received an additional \$15,000 grant.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Mountain Lake Condos Water Line Extension: Edwards reported that the Mountain Lake well looks good for public water supply according to Mark Cunnane's review. If this is added to the District's mountain system, it will increase the water supply. There is no formal agreement with Mountain Lake for the District's use of the well. Edwards reported that the developer has covered all expenses for the test well. According to Edwards, the deal would be to allow them to tie into the District public water system. The District would have to apply for the water right, and Mountain Lake would have to drill an 8" completion well. There would be no consideration for sewer. They would have to pay quarterly water charges like other customers. According to Edwards, Mountain Lake's ability to get water service from the District is a benefit. If Mountain Lake did their own system, they would have to have a tank for storage and a back up well. *Edwards is to prepare a MOU that stipulates there is no provision for sewer service and the gallons of water to be provided.* Edwards feels that this well is far enough from the lake that it does not fall into the state's testing requirement. Muscat said the Board needs to be aware of their density and the drain field requirements if the District does not allow sewer connection to this development-the District needs to make sure Mountain Lake's drain field does not impact the well. Director Fast asked if they came back with a sewer plan within the SFEs, then would we allow sewer service. If they did come back with a SFE proposal, the Board could approve it and then have the issue go to an election.

ASPEN GROVES-JONES SUBDIVISION AND SEWER AND WATER CONNECTIONS

Jones' request was discussed earlier in the meeting.

DIRECTOR ELECTIONS

The three petitioners were the current three board members and no election is required. Charlotte Mills, Gallatin County Election Office, will have the paperwork available for the October meeting.

ORDINANCE AMENDMENTS TO 97-1001 & 97- 1002

Edwards commented that Director Olson would like to be present when the amendments get adopted. Edwards reported that square footages were taken from the Department of Revenue records and some were reviewed with BSOA records. The sampling was not random, Edwards tried to get a variety of developments for sampling and the results were provided in the board packet. Edwards reported that the overall average did not change that much from pre 2000 construction. *Director Fast asked that a committee be created to review the SFE data and amendment proposals.* Edwards said that the data needs to be looked at from a revenue standpoint, but feels that there needs to be two categories-single family and multi-family. *President Cronin and Director Olson will be on a committee to work with staff.* Brian Wheeler said that they would like to be involved prior to a meeting.

STORAGE POND LINER COVER

Edwards reported that Burke will be coming back to do some more work and the ponds have been drawn down for this work. Smith reported that there is about \$38,000 available from the rollover. Edwards reported that there does not appear to be any impact from the freeze-thaw from last winter. The last cost estimate was about 3 million dollars to line all of the ponds. To decrease the costs, Edwards said the lining could be shortened. Director Fast said the issue is if the District wants to spend \$3 million on the appearance of the ponds. Director Shropshire feels that the District should proceed with improving the appearance as we did get the one-year test results in --the liner did not harm the pond.. Edwards stated that the project could also be bid and then the District could go back to the resort tax with the bids. Edwards felt that this is probably what the District should do if the whole project is to be done. Director Fast asked if there are any maintenance costs. Edwards said that once the original liner is covered, then it would be hard to even find the leak and it would be a nightmare to replace the liner and you would probably have to just go over the rock with a new liner. Edwards reported that he has not heard much of a response from the community on the test liner.

MOUNTAIN VILLAGE WATER TANK SITES

Edwards reported that he took a contour line of the three proposed tank sites and this information is provided in the board packet. Two sites are feasible, but the lower/south site would be a better choice. The upper line for Boyne's Mountain Club development needs to be determined and the site location information has been sent to Boyne and their engineer.

NORTHWESTERN SUBSTATION/SEARCH & RESCUE BUILDING

Edwards reported that Northwestern will be roughing in a road this fall and a draft lease will be provided by Northwestern. The construction for the Search and Rescue building will begin this year.

ACTION ITEMS--FOLLOW UP SYSTEM

President Cronin and Director Fast talked over an idea for following up on action items from meetings. Director Fast suggested preparing a list of action items from the meetings that would be included in the board packet-this will not be an agenda, but a follow-up/checklist document. *The Board directed Edwards to prepare an open-ended project list of each meeting--telemetry for the mountain, water facilities review, etc.*

The letter for Jones will include that the District will require that his house must be hooked up prior to the board approving the subdivision.

SEWER & WATER PERMITS

There were no permits for requiring Board approval.

GENERAL CORRESPONDENCE

There was no general correspondence requiring Board action.

NEXT MEETING

The next Board meeting is scheduled for Wednesday, October 17, 2007, at 8:00 am as Director Fast and Daniels will not be available on the 16th.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10: 55 AM. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -August 21, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, August 21, 2007, 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 Bill Olson. Director William Shropshire was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Mountain Lake engineer Terry Threlkeld and Boyne representatives Brian Wheeler and Jamie Roberts.

PUBLIC FORUM

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

MEETING MINUTES

Director Olson moved to approve the minutes of July 17, 2007, as written. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

July Financial Report: Director Olson asked about the system repair expense. Smith and Edwards explained that eight or nine Powder Ridge services were repaired. Most of the services were too shallow, and Edwards expects that the District will be reimbursed for most of the \$55,209 in expenses.

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

Tax Levy Certification: Smith requested board approval on the tax levies for water projects with a mill rate of 24.74 and for the sewer projects with a mill rate of 20.30. The combined mill rate of 45.04 is lower than the mill of 47.87 presented at the July meeting.

Director Olson moved to approve the mill rate tax levies at 24.74 for the water and 20.30 for the sewer as presented. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

SEWER & WATER PERMIT APPLICATION

Rockey Goertz submitted a permit application for a commercial condominium in the Town Center, Lot A, Block 5, for 8.42 SFEs. Edwards reported that there was not anything unusual with the permit application.

Director McRae moved to conditionally approve Lone Moose Holdings/Rockey Goertz permit application for 8.42 SFEs as presented. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

SEWER OPERATIONS

Burroughs was not available to present a sewer operations report. The Board discussed expanding the use of treated wastewater. Edwards reported that Spanish Peaks has always expressed an interest in using this water for their golf course irrigation, but that there has not been any formal dialogue on the issue. The Board wants the District to pursue the sale of the treated wastewater. Edwards stated that the Yellowstone Club is second in line to Boyne to receive the treated wastewater, but there is no specified limit to YC in our agreement with them.

In regards to the District taking wastewater from the canyon, there is a need to build more storage and the onus can be put on YC, or Spanish Peaks, to have more storage so that there would be more treated wastewater available for irrigation. Edwards reported that the YC was pumped 30 million gallons. Director Fast stated that with the idea of new wastewater coming from the canyon, the District would be in a position to dictate where that water goes.

WATER OPERATIONS

Muscat reported that the District is now winning the battle on water supply vs. demand. Muscat reported that since the beginning of July the District was strapped for water supply and Sweetgrass Hill ran out several days. Muscat said a few small leaks in the meadow were repaired, but approximately 98% of use was irrigation. Once irrigation was restricted, the meadow tanks refilled and there are now adequate levels. With the Mountain, this is the first year that we have not had adequate supply. Muscat stated that the YC is using more than 100% of their allotment, plus we have found a couple of major leaks in the mountain system that have been repaired. The good news is that we now have water in the mountain tanks, but Muscat cautioned the Board that the District will always have a shortage unless we do something. According to Muscat, YC homes are using a substantial amount of water and YC is now installing meters at homes. Muscat said the District might have to look at using the two wells that have a sulphur smell. With the YC water distribution system, the District has to drive there and mechanically shut down their pumps and this is a problem. Edwards said that they have told YC they need to fix their telemetry so that their use can be monitored electronically. Edwards reported that he has told Bob Sumpter, YC, that they will be limited to their 150 gallons a minute (216,000 gallons a day) if their use is affecting the District's water supply. President Cronin stressed that the District needs to have a physical way to shut off the YC pumps with telemetry control. Muscat asked for direction from the Board--do we share the water available, or provide for the District first. In the case of these past couple of weeks, Muscat shut off the YC water when the levels were at a critical threshold for our mountain area. Muscat reported that Sumpter has made it apparent that they want their allotted water supply. The Board said the District needs to limit water supply to the YC to the agreement. Edwards reported that the District tried to work with YC the best it could but we had to shut them off when the District's supply was critical. Muscat said the pumps record the flow, but they do not react to shut off from the flow data-tank levels regulate it. The YC agreement states a daily requirement of a 7-day average. Director Fast noted that the agreement states that the water to YC is a sale of surplus water with a maximum daily use on a 7-day average. Edwards said the District could look at starting up the old 500,000-gallon tank. Muscat suggested that the District look at a new tank site with Boyne. *Director Olson requested that he would like the District to set up a special meeting to deal with this complex issue.* Muscat's ultimate goal would be to have enough storage on the mountain to have a gravity system starting from the mountain. Brian Wheeler stated that he knows where their development will be and that the District can build a tank above that. Edwards reported that the District's wells have had major improvements. Edwards believes that the District needs to design a system that would provide consistent pumping. Muscat stated that the District's weakest link is with pump controls. According to Muscat, the system was originally designed to have two tanks with the wells pumping to where they were intended and that is what the District should be working towards. Terry Threlkeld reported that their Mountain Lake well could provide for the total demand of YC in addition to their development needs. Edwards said that the District should consider looking at drilling new wells and spin off our water rights to the new wells. In regards to the District's next step, Edwards reported that we need to select a tank site, do a geo-tech study, and then decide the tank size. Muscat would like to get input from Ray Armstrong and then start moving forward to planning for a new tank with Boyne's input.

Brian Wheeler stated that the District has full access to their planners and can contact them to identify a perfect site to locate a new tank. *President Cronin directed Edwards to have the new tank issue on the monthly agenda.* Muscat suggested that it might be a good time to have YC commit to helping the District with finding and funding more water. *President Cronin directed Edwards to contact YC and ask them if they are willing to rewrite, or amend, the agreement to make it defined.* The agreement must be made clear so that a lawsuit is avoided. Edwards asked if the District is going to play hardball with YC by setting a limit. Directors Olson and Allgood noted that the agreement states surplus water and if there is not a surplus we should not send them water. Muscat said we tried to be good neighbors with YC--it was either them or us to run out of water and Muscat chose to shut off YC's water. *Director Fast said that the District needs to follow up with clarifying the agreement and that "surplus" cannot be dropped.* Director Fast asked if the YC rates apply to the tiered system that the Board discussed at the July meeting. Edwards responded that a tiered rate for YC could be applied. Director Olson commented that this water issue has been talked about many times-- the District just needs to make decisions, make improvements, and quit talking about it. Muscat said for the YC agreement, the Board just needs to make a decision on the limit and he will hold them to it. With the other water issues, the Board needs to dictate directions. Directors Fast and Olson feel that the District needs to work on the water issues now and plan for future needs. Brian Wheeler stated that the District needs to think big and solve the water issues. *President Cronin directed staff to clean up the District's agreement with YC, and to prepare a report on what the District can do with the sulphur wells, what the District's future needs are, and where the infrastructure will be.* Edwards stated that an engineering facilities plan will need to be done and he feels that money should be spent on new well sources on the mountain. According to Edwards, the water rights from the sulphur wells could be transferred to a new water source and the sulphur wells could be abandoned. Muscat said there are a lot of things to overcome--pumping detention times, Aspen Groves wells, etc--we need to look at the whole picture. Muscat encouraged the Board to start working on the engineering side of it now. *Director Fast wants the District to publish a progressive irrigation conservation system in early spring as a handout.* Brian Wheeler stated that the community needs to work together to limit the installation of sod and that the District needs to recommend drip irrigation, native vegetation, etc. Wheeler recommended that the District work on an information packet pertaining to the District's recommended landscaping that then could be distributed through the BSOA architectural committee to people building.

Edwards noted that he has not heard any information on BSOA's pond rehabilitation where they requested to use the WSD water rights and to drill wells.

MOUNTAIN MEADOW PIPE LINE PROJECT

Edwards provided a progress report on SMI's work. Edwards has not received a response to his request on the pipeline easement. *If we don't get an answer soon (by the end of next week as directed by the Board), the District will have to do a realignment around Stoney Creek/Locati's project.* The District has offered service to the two eastern lots. Edwards said that if we don't get the easement, we can swap out jointed-ductile pipe for zap-lock pipe. *Director Fast directed Edwards to not let the issue go beyond next week,*

HIDDEN VILLAGE SYTEM REPAIRS

Edwards reported that Johnson is about three days behind on their schedule. So far we have gotten very few calls, but the biggest problems have been when they hit a main and there are water outages for a few hours. *Edwards asked Smith to add the HV expenses to the financials.*

MEADOW WELL

Edwards reported that he is working on the meadow village water rights.

MOUNTAIN WELL GROUNDWATER CLASSIFICATION

Edwards reported that Mountain Well #3 is off line while the District is doing its sampling as required by DEQ. A follow-up letter of the plan, which was in the packet, has been sent to DEQ and approved.

ORW WASTEWATER SOLUTIONS PROJECT

Edwards reported that HKM and Great West were interviewed. HKM was hired because of their previous work with the District on its treatment plant system. Edwards will be applying for an additional \$15,000 TSEP grant. No expenses have been submitted through the existing grant.

RESORT TAX CONTRACTS

Edwards reported that he signed the contracts for the awards.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Mountain Lake Condos Water Line Extension: Terry Threlkeld reported that they have not received a response from the State on the water line. Edwards' concern is that the well was drilled as a 6" test well, it may need to be drilled to an 8" well for maximum production. Edwards has asked Mark Cunnane to review the data and make a recommendation. The developer can drill a new well at a nearby alternative location. Threlkeld said that if the water rights are over the allowed gpm, he would like the District to transfer some of its water rights to the new well. *Threlkeld said he will meet with Edwards to maximize the water rights with water production.*

DIRECTOR ELECTIONS

Edwards reported that the deadline is August 23, 2007. Only the current sitting board members have applied thus far. Edwards will call the Election office on Thursday to find out if others have applied and if an election will be necessary.

ORDINANCE AMENDMENTS TO 97-1001 & 97-1002

Edwards reported that square footage calculations have not been done, but he plans on having that information at the next meeting. Edwards will try to get at least 100 samplings from the District's permits.

SEWER & WATER PERMITS--SUMMARY

Edwards reported that there are 18 1 SFEs available for permitting and that permitting has definitely slowed down from last year.

GENERAL CORRESPONDENCE

BSOA Election: Edwards asked if the Board wanted to vote the BSOA annual meeting ballot.

Director Fast moved to give the proxy to the BSOA Board of Directors for voting on the director positions and the changes in the meadow village covenants. Director Olson seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting. Brian Wheeler reported that the WSD board has to vote, they cannot assign this as a proxy.

Director Olson moved to vote for the BSOA articles of incorporation and bylaws as presented and to not vote for the election the directors. Director Daniels seconded the motion. Motion passed, 4 yea votes to no votes. President Cronin and Director Allgood abstained.

Boyne Employee Housing/Former Golden Eagle: Smith stated that he will have a response in the September packet regarding Boyne's request for a monetary concession/credit on their designation on employee housing. Smith explained that when Boyne took ownership of the building, it wasn't employee housing. Brian Wheeler stated that since they purchased it, they have run it as employee housing. Smith said it needs to be determined if it is being used as a rental apartment house, or is it just Boyne's employee housing. Smith reported that, prior to Boyne's purchasing the building, the units were being rented as apartments. The District needs to determine if these are rental units. Brian Wheeler said these units are only beds, and the District should only base it on the physical structure. *Smith and Edwards said the District needs to define employee housing and will have an answer at the next meeting.*

Firelight Meadows: Edwards reported that septic haulers are hauling away Firelight Meadows overload waste. There were some federal people in looking at the situation. The District has received calls from people in the community wanting us to do something about it, but the District does not have any responsibility. Edwards said that at some point, this Firelight area along with Antler Ridge should probably be looked at for service.

Northwestern Energy: Edwards reported that the District has received drawings from NW Energy and he has given them to Rick Selinski, HKM Engineering, for review and alignment with District facilities. Edwards stated that the road could start this fall if we force the issue with NW Energy. Director Daniels stated that the Search & Rescue needs to move forward with their use of resort tax funds.

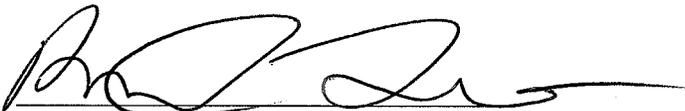
SFEs & Square Footage: For next months meeting, *Director Fast directed Edwards to provide data that looks at SFEs and square footages from the early 1990s before the "creative" rooms were added to plans.* Director Fast also wants to know what the baselines for square footages were when the SFES were determined for capacity. President Cronin stated that, as we move forward, the District shouldn't be limiting development for existing projects.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, September 25th, 2007, at 8:00 AM, as long as Director Shropshire is available. Director Olson is gone on September 9th - 26th and Director Allgood will be gone on the 18th.

ADJOURNMENT

Director Allgood moved to adjourn the meeting at 10:30 am. Motion unanimously passed.



Dick Fast, Secretary

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

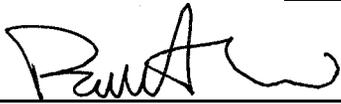
Acceptance of Monthly Financial Statements

Date 8/20/2007

The Board of Directors at its 8/21/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	7/31/2007
Assets:	<u>\$ 48,332,605</u>
Liabilities	<u>\$ 19,118,267</u>
Equity	<u>\$ 29,214,338</u>

2 Income Statement as of	7/31/2007
Total Revenues	<u>\$ 308,617</u>
Total Expenses	<u>\$ (280,212)</u>
Net Revenues	<u>\$ 28,404</u>



Paul Cronin, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Public Hearings & Regular Meeting Minutes -July 17, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, July 17, 2007, in the WSD Community Room. President Packy Cronin, called the meeting to order, with the following Board members present: Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, Bill Olson, William Shropshire and Gary Mcrae. WSD staff present were Ron Edwards, Terry Smith, Grant Burroughs, Jim Muscat and Nic Wellenstein. Others present were Mountain Lake representative Chuck Melber; Boyne representatives Brian Wheeler and Jamie Roberts; Gallatin Associates representative Jerry Scott and Al Malinowski, Big Sky Properties representative Ernie Hall; and Eric Ossorio.

REGULAR MEETING

No Public Comment.

President Cronin called the regular meeting to order at 8: 15 am

MEETING MINUTES

Director Shropshire moved to approve the minutes of June 19, 2007, Director Olson seconded the motion. Motion passed, 7yea votes to 0 no votes with President Cronin voting.

FINANCIALS

June Financials: Smith briefly reviewed the budget vs. actual summary stating that the District is 7.62% over on revenues and right on target with operating expenses.

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

BUSINESS ITEMS

- A. Ordinance 97- 100 1 Amendments (Third Reading Draft): Edwards stated no changes were made to the ordinance from the second reading draft. There was discussion of changing the SFE calculation to a square footage count. Edwards said the BSOA has the square footage information with their architectural review files so the data already exists for many of the permitted buildings in the District. Cronin discussed the projects that are already in construction and approved by the county. Edwards said that a grandfather clause could be included in the ordinance to cover existing projects. Cronin and Fast discussed the issue of other developers who are planning projects that may miss a grandfather provision. Shropshire reminded the board that the issue is to eliminate the abuses of the current ordinance SFE permitting. Shropshire favors the square footage measurement for SFE's. Shropshire said that the square footage will pick up any bonus rooms or other spaces that may be used as bedroom type spaces. The average used will be based on the history of the District thereby keeping our analysis to the Districts historical application of the SFE count. Olson said that within the analysis we use we will be able to see the trend and SFE's per square foot.

Olson said that this is a capacity issue. If in the future we have more capacity to distribute then we can expand. Shropshire agreed with Olson. Shropshire suggested that the District approve the ordinance and defer the bedroom count for SFE's until after the square footage analysis is complete. A discussion of the reallocation of SFE's ensued. Edwards said the intent of the changes to this section were to also stop some of the abuses of the reallocation procedure. Cronin brought up the issue of the 501c corporations that may be coming before the board. Cronin said the board needs some flexibility for allocating SFE's in special circumstances. Edwards pointed out the provision in the ordinance that gives the Board the flexibility to accomplish what Cronin described. Daniels asked if we should have separate rules for the multi-family or single family homes. Edwards said that District would be better served by keeping a single SFE calculation. Olson brought attention to sec 4.(b)(1), and asked if we should we add that "the board may use some discretion for special circumstances". Olson said that the District should not be forcing developers to do anything from a business stand point that they would not otherwise want to do. Edwards said the as long as the ownership is the same across parcels for reallocation then the District has accomplished the goal of the reallocation provision. Edwards said the definition of the corporation should be amended in the definition section of the ordinance. Shropshire asked about the status of a partnership in the ordinance. Olson suggested we add partnership as a definition in the ordinance. Edwards noted that most of the applicants are corporations.

Cronin asked for public comment

Brian Wheeler said that the definition of the bedroom as a room that could be used for sleeping is too broad. Wheeler said that effect of this will cause a quality of life issue. Wheeler said that the cost will burden all facets of the market and frighten buyers in the market. Wheeler asked about the reallocation goal? Wheeler has not seen any abuse in the reallocation process. Wheeler suggested using the zoning definition of a bedroom. Edwards commented on the Wheeler questions restating the Boards position and intent on the changes proposed in the ordinance. Wheeler said that the fee structure is prohibitive and that a per application basis would be better.

Al Malinowski thanked the Board for their consideration in listening to the users. Malinowski asked about adding SFE's to a parcel once the first permit was submitted. Shropshire said the ordinance is silent on the transfer issue into a parcel.

Jerry Scott- This is the first time he has heard the board discuss the issue of managing the SFE's not to limit them. Jerry said that when they buy a property they pay for the SFE's. Jerry also said that locking in SFEs from the first permit will cause issues in the event that the developer changes plans as a result of the market. Jerry discussed the partnership issues and the fact that they may change marginally to limit liability but are still the substantially the same people.

Eric Ossario asked about the finite issue of SFE's. Eric said the District has annexed Spanish Peaks Resort and the issue of the Canyon Study. Is the resource finite? Can the District be the banker for the SFE's. Cronin replied that the comments were good. Cronin said that the District is obligated to both Boyne and Simkins as a result of a settlement agreement and court order. Cronin continued that within Gallatin county there is zoning but Madison county does not have any zoning. If the District just let the developers build what they wanted it would become a problem. Olson described the problem of the community changing to more

occupancy and the increased flow as a result. Olson said that the Firelight project is now experiencing problems because the expected occupancy and the actual occupancy.

Cronin briefly discussed some of the issues involved if the District were to eliminate table 3.01 altogether.

Jerry Scott suggested that the District may consider requiring restrictive covenants on the subdivision approvals at the county level.

Eric Ossorio suggested a round table discussion with all the interested parties. The zoning boards etc.

Cronin said there is no burning need to adopt the ordinance at this point. Cronin said that we can look at the comments that were made today and take another look at the ordinance. Cronin said that once the changes are incorporated into the ordinance we can bring the changes to public for further comment. Cronin tabled the ordinance. The committee will take up the square footage issue and the SFE transfer issues at the next meeting.

B. Ordinance 97-1002 Amendments (Second Reading Draft): Tabled

C. Resolution 07-03 General Obligation Bond Resolution authorizing the sale of bonds to secure a \$5,000,000 SRF Loan. Edwards described the document to the board:

Shropshire moved to adopt, Daniels seconded, no further discussion 7 yea, 0 no votes. Motion passed.

D. SFE Reallocation Application:

1. Gallatin Associates-Meadow Village Center Lot 5BA MS 91 (15.25 SFE's) Edwards described the reallocation for Gallatin Associates. The reallocation meets the intent of the board regarding reallocation. *Allgood moved to approve, seconded by McRae, Olson said this reallocation is an example of why the board needs discretion. 7 yea, 0 no. Motion passed.*

E. 2007 Director Elections: Edwards discussed the process and provided the forms for the directors to reapply. Cronin, Allgood, and Fast are up for re-election this year. If no one comes forward to run for the Directors position the board can appoint by acclamation. The deadline for filing is August 23, 2007.

OPERATOR REPORTS

SEWER OPERATIONS

Burroughs was present to provide a sewer operations report. Grant said the flows are about the same as last year. He reported that he will change the golf course irrigation from the Middlefork water to the treated wastewater.

WATER OPERATIONS

Muscat was present to provide a water operation's report. He reported that District water usage has put us against the wall with the water supply shortages. Leak detection in the Meadow has found a few leaks but not enough to show up yet. The wells are running 24-7. Aspen Groves is showing dirty water. Aspen Groves is now at 50K usage when the average is 16K usage so the filtering system there is having a hard time keeping up. Muscat noted that the irrigation is the issue in Meadow and in Aspen Groves. The temperatures in Big Sky this season are unusually high and dry and as a result, more irrigation. Mcrae asked about an emergency line down the Mountain. Muscat said there really is not a way to connect the two at this point. Allgood asked about a more effective communication to the District property owners about the water supply issues. Daniels suggested a sign on "Edwards Hill" and a fence sign to notify the property owners of Big Sky of the shortage. The issue of water rates during the summer was also discussed. Edwards suggested using a tiered rate for summer periods be considered after this summer. Muscat said that the BSOA needs to look at their landscaping requirements for the homes built in the BSOA. Muscat suggested that we start a campaign to change the water usage mentality of the District customers.

Fast asked if we need an outright ban on irrigation. Edwards said the current restriction should work if people comply with them. Edwards said that if the status doesn't change we may need an outright ban. Olson suggested an editorial in the paper to alert more people. Cronin suggested putting up signs on wooden posts throughout the District. Cronin said a strong educational push must be made for the District property owners to recognize the issue. Edwards discussed a tiered alert system like the forest service uses for its restrictions and publish this in the paper and on the District's website so people become accustomed to the same type of noticing and restrictions.

OLD BUSINESS

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: Two homes have encroached on the easements in Aspen Groves. Edwards has contacted the Stony Creek subdivision owners to obtain a 20 foot easement to widen the working room to move the line over slightly where there are conflicts. They seem amenable to the easement if the District provides a hydrant and T. The District is trying to work with the property owners who have encroached on the utility easement without causing too much upheaval for both the property owner and the District. Edwards moved the pipeline crews up to the Low Dog Road area to get more time to finish the easement.

Hidden Village Water System Repairs: Edwards said the project is going well.

Meadow Well Drilling: Water rights were obtained by the District. The District will draft an RFP for engineering the connections to the Meadow system.

Meadow Village Water Projects Costs: Edwards noted that the costs were updated in his report.

ORW WASTEWATER SOLUTIONS PROJECT: Two proposals received and another meeting in a week or two. Edwards said he was not at the last meeting, so he has no news to share with board.

MOUNTAIN VILLAGE WELL GROUNDWATER CLASSIFICATION

Edwards said he met with the DNRC in Helena with our attorney and staff. The result was that the District will disconnect mountain well #3. They dropped their requirement for disinfection. Overall the meeting went well according to Edwards.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Nothing new to report.

NEW BUSINESS

SEWER & WATER PERMITS

There were no permits requiring Board action.

GENERAL CORRESPONDENCE

There was no general correspondence requiring Board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, August 21, 2007, at 8:00 AM.

ADJOURNMENT

Director Daniels moved to adjourn the meeting at 11:50 am. Seconded by McRae Motion unanimously passed.

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

Dick Fast, Secretary

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

Acceptance of Monthly Financial Statements

Date 7/17/2007

The Board of Directors at its 7/17/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of 6/30/2007

Assets:	<u>\$ 49,103,410</u>
Liabilities	<u>\$ 19,897,211</u>
Equity	<u>\$ 29,206,200</u>

2 Income Statement as of 6/30/2007

Total Revenues	<u>\$ 4,924,501</u>
Total Expenses	<u>\$ (2,669,621)</u>
Net Revenues	<u><u>\$ 2,254,880</u></u>



Paul Cronin, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Public Hearings & Regular Meeting Minutes -June 19, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, June 19, 2007, in the WSD Community Room. With the absence of President Packy Cronin, Vice President Gary McRae called the meeting to order, with the following Board members present: Secretary Dick Fast, and Directors Dick Allgood (left the meeting at 11:25 am), Jeff Daniels, and Bill Olson. Director William Shropshire participated via telephone until 11:25 am. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Mountain Lake representatives Chuck Melber, Terry Threlkeld, and Michael Nicklin; Boyne representatives Brian Wheeler and Jamie Roberts; Gallatin Associates representative Al Malinowski, S & D Development representative Skip Radick, and HKM Engineers Ray Armstrong and Rick Selinski.

PUBLIC HEARING: FY 2007-2008 BUDGET

Vice President McRae called the public hearing to order at 8: 15 am. Smith briefly reviewed the proposed budget noting the percentage changes in expenses and revenues. There are only minor changes from the report last month and Smith felt that the District is in a good financial position. With no public comment the public hearing was closed at 8: 19 AM

PUBLIC HEARING: ORDINANCE 97-1001 & 97-1002

Vice President McRae called for public comment at 8: 19 am. Wheeler asked when the Ordinance amendment would go into affect. Edwards explained that this is the third reading and then the Board could adopt it, but Board President Packy Cronin stated that he would like to be present for the vote so the adoption will probably be delayed until the July meeting. Edwards stated that the bedroom definition has been abused and the amendment will change to any area that can be used a bedroom will be counted as a bedroom. Wheeler asked about an office being flagged as a bedroom and stated that this new bedroom definition would penalize those that are truly using this room as an office. According to Edwards, the Jack and Jill bathroom will also be counted as two separate bathrooms. Edwards stated that the long-term goal is to go with square footage to calculate SFEs once we get enough data. Al Malinowski questioned the reallocation change where once a project is built out that SFEs can no longer be moved, i.e. where they moved SFEs to their post office unit. Malinowski asked about the ownership change and asked if the Board would consider a transfer as long as it is the same owners even though it is not the same corporation name. Edwards stated that the way the Ordinance is drafted that would not be allowed. Malinowski noted the post office unit partnership structure. Edwards explained the change in what is considered built out and what constitutes substantial completion to now when the first permit for the project is issued, this will lock in the SFEs for the property. Then, if the SFEs are not used, they revert to the District. The SFEs would then be used for projects that benefit the community. Wheeler stated he would like Boyne to be able to reapply for the SFEs that they have donated for community projects in the past; such as the fire station, chapel, and the park. Skip Radick questioned the bedroom definition change and how it will affect their

Deer Run, Moose Ridge, and Pines projects where they already have county approval on their floor plans. Edwards stated that changing the bedroom definition will change their ability to build out as originally planned, i.e. the Jack and Jill bath at Black Eagle and the loft and den at Radick's development. Edwards asked if there should be a grand-fathered clause and still be able to charge for the "bedroom" and Jack and Jill bath, but not affect their SFEs. Wheeler asked, if in a condo situation, if it is a first come, first serve for extra SFEs for remodeling. Edwards said that in the past, single-family and condos have been able to remodel and increase by one SFE. Wheeler asked if the District's existing data on use could be used to determine SFE calculations. Wheeler said that there isn't any one thing in the ordinance change that would limit growth, but overall the den and office space will limit the growth particularly in condominium development. Edwards said the District is trying to tighten up the gray areas of SFEs calculations and capacity. Vice President McRae stated that the District should consider grand-fathering in projects. Radick asked about the SFE transfer with different corporation names even though the names are the same. Director Olson said as long as the ownership is exactly the same then the District should consider that the same. Radick asked if one corporate entity bought out another entity could the SFEs then be transferred. Edwards explained that they would have a waiting period of at least one year before a reallocation could be approved. Radick asked about the Town Center land-Edwards explained that they could reallocate within the Town Center/Section 1 as they want, but to move to other areas there would be fees. Terry Threlkeld stated that with the unpredictability of SFE capacity, it seems it would be easier for a zoning district to be created in Madison County. Wheeler commented that Boyne is a small player when it comes to land holdings in Madison County. Wheeler said that the SFE reallocation change would be hard on the developers. Wheeler would like the District to look at the corporate ownership and entities should be able to transfer SFEs if the individuals are the same. Edwards stated that the District will continue to take written comment on the proposed ordinance amendments. Radick asked if today's comments will be taken into account before the adoption of the ordinance. Edwards said the grand-fathered thing is a consideration. Wheeler stated that the bedroom definition will change how they develop their plans and limit their quality of what they can offer and how they develop their property. Wheeler asked why the District cannot use their existing data to get to using square footage in calculating SFEs sooner instead of the bedroom/office scenario. Edwards said if adding to the criteria of how bedrooms/bathrooms are counted it will increase the SFEs. Radick asked if a loft has been a none living space forever, is the capacity really going to change. Edwards stated that the District's capacity has been conservative and he doesn't believe that capacity is an issue; the District is just trying to even the playing the field. Radick asked if it is a paying issue, then why restrict it on the SFEs. Edwards said maybe the District should create a different category for loft, etc. where it is charged but not counted as SFEs. Radick asked the Board to not limit a developer's creativity, and to charge for the lofts, dens, family rooms, but don't count it against SFEs. Edwards said the biggest wild card is the occupancy rate and if occupancy increases, then SFE capacity is an issue. Wheeler recommended that the District should stay with how they calculate SFEs, and then go to square footage. Edwards explained that condo units and homes in the rental pool use every livable space for bedrooms. Wheeler reiterated that he would like the District to go into arrears on using data and to go with counting square footage. Director Fast asked if Edwards go could in arrears at gathering SFEs and square footage data. Radick asked if the intent of the amendment is for the District to charge every project evenly, or because of limited capacity. If it is capacity issue, then there has to be a limit. If it is the money side, then don't count the creative rooms as SFEs,

just charge as if it is SFEs. Director Daniels asked if there is a limit to what we could charge that would also limit the developers building plans. Director Fast stated that if the creative rooms legally qualify as a bedroom, and how it can be sold, then that is how the District could determine if the space should be calculated as a bedroom. Edwards asked the Board if the ordinance will have a grand-fathering on projects already in progress, and if the bedroom definition will be changed where the spaces will be charged but not counted against SFEs. Radick commented that he likes the idea of the District not counting the space against SFEs, but to just charge as if the space adds to SFEs until the District can get to calculating SFEs with square footage. Vice President McRae asked how the developer will feel about getting charged for the dens/ family rooms if they are not using the space for bedrooms. Wheeler and Radick both stated that they didn't have a problem with paying for the space as long as it didn't increase the SFEs. Edwards noted that the state permitting requirement will be eliminated. With no further public comment, Director McRae closed the public hearing at 9:58 am.

REGULAR MEETING

Vice President McRae called the regular meeting to order at 9:58 am

MEETING MINUTES

Director Olson moved to approve the minutes of May 15, 2007, with the editing/deletion of 'the' on page 2. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President McRae voting.

FINANCIALS

Mav Financials: Smith briefly reviewed the budget vs. actual summary stating that the District is 5% over on revenues and right on with operating expenses. Smith added that the District is in a more favorable position than we had anticipated.

Director Olson moved to approve the unaudited May financials as presented. Director Fast seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President McRae voting.

FY 2007-2008 Budget: *Director Shropshire moved to adopt the FY 2007-2008 budget as presented. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President McRae voting.*

AMEND AGENDA

Director Olson moved to amend the agenda to address Mountain Lake's request. Director Fast seconded the motion. Motion passed, 5 yea votes to 0 no without Vice President McRae voting.

SEWER OPERATIONS

Burroughs was not present to provide a sewer operations report.

WATER OPERATIONS

Muscat was not present to provide a water operations report.

MOUNTAIN LAKE (AKA SILVERTIP/WEST BERLIN)

Michael Nicklin reviewed the pumping test on the 136 foot well, stating that it could continuously be pumped at 90 gpm, but that the pumping could be increased. Nicklin also reported that the water quality came back good. Threlkeld reported that the well can produce 100,000 gallons a day presently, but with a larger casing it could produce about 150,000 a day. Threlkeld said they would like to add this water supply to the District and they would like to be fully annexed into the District. Threlkeld said they do not need any more than 35 gpm for their development. Threlkeld's summary of well testing information was distributed, along with SFE allocation/data the mountain. Threlkeld stated that their original state approval was for about 1,830 gallons for the sand filter system. They would like to get temporary sewer service for their first building if they cannot get full annexation. According to Threlkeld, if fully annexed, they will need 65 SFEs with the District's change in bedroom definition and this is 15.1 SFEs per acre, which is less than any other development on the mountain. A "Temporary Sewer Use Agreement" prepared by Chuck Melber was presented that would allow the development to connect their first building to the District's sewer system on a temporary basis for a limit of two years. If they were unsuccessful in annexing into the District, they would then design an SBR for all three buildings. Edwards asked what if they didn't finish their development of a treatment system, would then the District have to make it a permanent service. Edwards said the temporary connection would eliminate their first on-site drain field system which they already have approval for. Director Allgood said if they have a temporary connection, it would be only for the 6 units and then they would have to apply for annexation. Threlkeld said that the temporary would have to be an 8" sewer main and would be installed as if it would serve the entire development. Director Olson stated that the big problem comes back to the SFEs and, to be fair to everyone in the past, no other development has been given that amount of SFEs per acre. Edwards stated that he would stick by his original number of 52 SFEs as they already have received a consideration on the whole platted acreage and no unbuildable acreage was taken into account. Edwards said the engineering and facility plan for capacity uses the 12 SFEs per acre. Edwards stated that if the 52 SFEs are not going to work, then why are the parties even talking, and the whole thing is dead as far as he is concerned. Melber said if the District is firm on the 52 SFEs, then the parties need to focus on water. Edwards said if their well can be added as a water supply source, then it makes sense to serve them with water, as it is a benefit to the District, but with the sewer service, it doesn't make sense to serve them. Director Olson said we are already looking at the canyon for a central sewer service, and environmentally it would make sense to serve the project. However, we have limited other developers and the potential for litigation will be created for providing sewer service for this property. Edwards said even if it goes out to a vote for annexation, it could be rejected. Threlkeld offered to work with Edwards on the 12 SFEs per acre and what they need for SFEs. When asked how SFEs were derived, Ray Armstrong stated that SFEs came from fixtures. Chuck Melber stated that they have not received final approval from Madison County. Director Shropshire asked the Board to address the issue of temporary sewer service. Vice President McRae stated that he would like to see the building completed.

Director Shropshire moved to deny the temporary sewer use agreement as it skirts the issue of the developer installing his drain field. Director Allgood seconded the motion. Vice President McRae called for discussion based on the developer having an approved alternative sewer system. Director Fast would be sympathetic if there was an agreement on the 52 SFEs. Director Shropshire called for question. Motion passed to deny the request to provide temporary sewer service with the vote as follows: 4 yea votes by Fast, Allgood, Shropshire, and McRae to 2 no votes by Olson and Daniels.

Edwards and Mountain Lake will continue to work on the water service.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: Ray Armstrong and Rick Selinski, reported that about 2000 feet of pipe were laid last week and the pipe is currently down about one mile from Lone Moose. The contractor is working seven days a week. Edwards reported an RFP was required for SRF funding and this has been done. Selinski has been the construction engineer on the project and reported that a connection from Lone Moose to Aspen Groves has been reconfigured and they are working on those submittals. Selinski said there will be a deductive change with some engineering changes. Selinski reported that the contractor has been asked to limit their corridor, but it will probably be a 15-20 feet easement. Director Olson has been asked by homeowners in Lone Moose to have the contractor keep their speed down on the road for safety reasons and for dust control. Armstrong will talk to the inspector to make sure SMI employees are informed of the homeowners' concerns. Vice President McRae suggested changing the staging station for the bedding material and Armstrong will talk with the contractor.

Hidden Village Water System Repairs: Edwards noted that yesterday Todd Teegarden gave the District verbal approval on the project and Teegarden will be following up with an approval letter. Edwards explained the reason why an environmental assessment wasn't necessary, was because the replacement project is not considered growth. The contractor will start work this week.

Meadow Well Drilling: The state has approved the change in water use at the new wells. Edwards said an RFP for the two new wells will be done since it is required.

Meadow Village Water Projects Costs: The cost summary of projects was provided in the board packet.

ORW WASTEWATER SOLUTIONS PROJECT

Edwards reported that RFPs have been solicited with a Friday, June 21, deadline. Funding on the project thus far is Resort Tax at \$20,000, TSEP at \$15,000, and the District at \$10,000. Edwards doesn't feel that the District should contribute any other funds, as there should be contributions from the environmental groups that originally brought the lawsuit, as they are not using their money to fight the ORW.

MOUNTAIN VILLAGE WELL GROUNDWATER CLASSIFICATION

Edwards reported that the District has an invitation to meet with the State. Edwards, Muscat, and Mike Wheat will participate in the meeting and Edwards invited Board members to also participate. The meeting should be within the next 2 or 3 weeks. *Director Fast asked Edwards to email the Board updating them on the issues discussed in the planned meeting.* Edwards said the Mountain Lake well is supposedly far enough away from the Lake so the water regulation affecting the District's mountain wells wouldn't apply.

NORTHWESTERN ENERGY SUBSTATION

Edwards received an autocad drawing with a footprint approximately 350 ft by 250 ft, which is 2.0 acres. Edwards will be overlaying the site plan from Northwestern and the Search and Rescue to see how it affects the District's plans. Dr. Daniels stated that Search and Rescue received \$225,000 from resort tax, which will be used for a storage facility. They would like to work on additional funding so that they could build what they originally proposed-including a training facility and office space. The Search and Rescue would like to start the project this year. Search and Rescue stated that they will need water and sewer service. Director Daniels stated that Search and Rescue would like to get a formal agreement/lease for the land.

(Director Allgood and Director Shropshire left the meeting at 11:25 am.)

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Thumb Area Development: Edwards reported that this area is part of the area that Spanish Peaks asked for annexation on last year. Edwards has been told that Spanish Peaks will come to the District for annexation on just this area. Development for this area will use SFEs already in the Lone Moose SFE allotment. Director Olson reported that Spanish Peaks has not followed through with any planning previously required by Madison County-they are where they were almost a year ago.

Boyne SFE Pool Adjustments: Edwards wrote a response letter on Scott Bechtle's letter and has not heard any from Bechtle. Edwards wants to see an allocation to Powder Ridge Phases. Brain Wheeler stated that the change in a bedroom definition will add 45 SFEs to the project. Edwards said that Madison County has requested District comment on Boyne's overall development plan.

RESORT TAX APPLICATION

Edwards reported that the new debt service request for \$250,00 for the three projects the District is currently working on did not received any funding. Resort Tax did award \$500,00 to IAWP debt service, which is a commitment that they cannot vote on, \$38,920 roll-over for the pond liner cover, and \$200,00 for the project debt service. The District's application for the Canyon study received \$20,000.

SFE REALLOCATION APPLICATION

Doug Bing/Medow Center Building Unit 1A: In July 2006, Bing had requested a relocation of .44 SFEs from Unit 1A Meadow Center to Mountain Village Lot 20 (Black Eagle). The District has been waiting for ownership documentation. Edwards requested Board approval once corporate structure meets District criteria.

Director Daniels moved to approve Bing's .44 SFE transfer as requested, but conditional based on District's legal counsel consent that the corporate ownership meets the District's criteria. Director Fast seconded the motion. Motion approved 4 yea votes to 0 no votes with Vice President McRae voting.

DISTRICT OFFICE-BASEMENT SPACE

Edwards received a bid for \$37,700 from Dan Pluth to finish the north half of the basement, which is lower than the \$45,000 bid received last fall. Edwards said if the District wants to pursue finishing the basement, then we would need a motion. The money would come out of reserves to fund the project, \$25,000 from water and \$25,000 from sewer. Due to other projects in full swing, Edwards stated that he probably would delay starting the basement project until fall.

Director Fast moved to approve spending up to \$50,000 to finish the basement. Director Daniels seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President McRae voting.

DISTRICT ORDINANCE 97-1001 (Third Reading)

Director Fast asked Edwards to present data on square footage and SFEs for the next meeting. The Board tabled action on the ordinance for future discussion on calculating SFEs.

DISTRICT ORDINANCE 97-1002 (First Reading Draft)

Edwards explained that this is the rate ordinance, with the fee going from Ordinance 97-1001 to Ordinance 97-1002, plus the inclusion of the SFE transfer fee. The exemption section for Westland's Section 1 allows them to use SFEs in a pool and exempts them from paying the transfer fee with SFEs staying in Section 1.

Director Fast moved to approve the First Reading of District Ordinance 97-1002 as presented. Director Daniels seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President McRae voting.

SEWER & WATER PERMITS

There were no permits requiring Board action.

RESOLUTION 07-02: AUTHORIZE EXECUTION OF SRF LOAN COMMITMENT OF \$5,000,000 (First Reading)

Smith explained the resolution, stating that approving it is the first step in getting the SRF loan.

Director Olson moved to approve the first reading of Resolution 07-02 to Authorize Execution of SRF Loan Commitment in the amount of \$5,000,000 as presented. Director Fast seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President McRae voting.

GENERAL CORRESPONDENCE

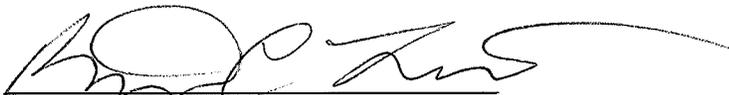
There was no general correspondence requiring Board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, July 17, 2007, at 8:00 AM.

ADJOURNMENT

Director Daniels moved to adjourn the meeting at 12:22 pm. Motion unanimously passed.



Dick Fast, Secretary

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

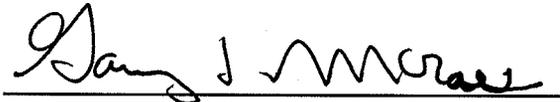
Acceptance of Monthly Financial Statements

Date 6/19/2007

The Board of Directors at its 6/19/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	5/31/2007
Assets:	<u>\$ 48,229,451</u>
Liabilities	<u>\$ 19,270,185</u>
Equity	<u>\$ 28,959,265</u>

2 Income Statement as of	5/31/2007
Total Revenues	<u>\$ 4,468,769</u>
Total Expenses	<u>\$ (2,460,823)</u>
Net Revenues	<u>\$ 2,007,946</u>


~~Paul Cronin, President~~
Gary McGee, Vice President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – May 15, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, May 15, 2007, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Directors Dick Allgood, Jeff Daniels, Bill Olson. Directors Dick Fast and William Shropshire were not present. WSD staff present were Ron Edwards and Terry Smith. Others present were Terry Threlkeld, Chuck Melber, William Gavin, Lance Bigelow, Mr and Mrs. Volavka.

PUBLIC FORUM

President Cronin called for public comment at 8:05AM.

Mr. Volavka, an Aspen Groves lot owner, rose to address the Board. Mr. Volavka asked the Board to try and finish the new pipeline adjacent to their new home before they move in sometime around June 14, 2007. They are planning a retaining wall that is in the area of the new pipeline. They would like it completed before June 15, 2007 if possible. Edwards described the position of the line and said that he will discuss the possibility of having SMI get the line done when they come back in early June 2007.

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

MEETING MINUTES

Director Daniels moved to approve the minutes of April 24, 2007, as written . Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

April Financials: Smith reviewed the District's financial position as of April 30, 2007

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

FY 2007-2008 Draft Budget: Smith reviewed the overall budget totals comparing fiscal 2006 to fiscal 2007. The finalized budget will be advertised and presented for a public hearing and Board approval at the June 2007 board meeting.

SEWER OPERATIONS

Burroughs – Sewer flow report delivered to Board. Edwards reviewed the report for the Board. Irrigation for the trees is underway. Director Cronin emphasized the need to water the trees early.

WATER OPERATIONS

Jim Muscat was absent so Edwards discussed the Park Condo and Glacier leaks that were repaired. The leak detectors will be in later this summer to do more work.

Powder Ridge Phase 3: Edwards reported that the water services that froze last winter will be dug up by Burk Excavation and the problems noted and fixed. Edwards believes that most of problems were caused by shallow water service lines. The list of cabins included in the packet

will be repaired. The sewer problem is a result of the heating system drains so the homeowners association has been contacted to have the drains retrofitted to fix the problem.

Silvertip Water Line: (The new name is Mountain Lake) Edwards said the district has potholed to find the existing waterline but could not locate it due to the amount of fill that has been moved over the line. Edwards said the waterline appears to be out of the way of the planned construction by Mountain Lake. Chuck Melber with ML confirmed Edwards statement. The

Edwards reported that ML drilled a well on site and that this well could be an asset to the District as a new water supply source that is worth discussing with ML. District is discussing with ML a water extension through the development in exchange for the water well that they have drilled. Terry Threlkeld asked what happened to the District working with ML for annexation once they were able to show ownership and the full rights to development. Threlkeld said they still want to avoid building their own wastewater system. Threlkeld said they have scaled the project down to fit within the box that the District discussed earlier. Edwards said the downsizing of the units has not been shown to the District yet. Director Cronin reiterated that the discussion for this meeting is about water only at this point. Terry Threlkeld said ML is still interested in pursuing a sewer connection. Cronin said the District wants to know more about the well capacity and water quality before any decisions are made about any future water agreements. ML will be pump testing the well next month. Threlkeld asked what ML needs to do to approach the board with the sewer issue again. Director Olsen said that as a result of past dealings he is hesitant to make any consideration for the sewer issue. Threlkeld said that they have continued to reduce the number of SFE's and have attempted to work towards the District's requirements. Edwards said that the District has other developers who are looking at the issue and will be watching how the District deals with the sewer issue with Mountain Lake. He noted the request from Steve Barrett for copies of the file documents. Threlkeld said for both environmental and moral reasons he requested that the board seriously look at the annexation issue favorably. Director Cronin advised ML project move forward with their well development, which they must do regardless of what the District does, and if they wish to come back with a new petition now that they own the project and the Board will revisit it.

Director McRae moved to move from Old Business to New Business to accommodate the visitors presence. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: SMI will be back in June 2007.

Meadow Well Drilling: Public comment has expired. Edwards reported that no comments have been received by DNRC.

Hidden Village Water System Repairs: Edwards reported that the low bid was from Johnston Excavation in the amount of 1.33 million dollars. The District is waiting on the engineer's review and confirmation of the bid tabs.

Meadow Village Water Projects Costs: Edward's manager report table updated for engineering costs.

PROPOSED DEVELOPMENTS & SUBDIVISIONS- Edwards discussed the Brownstone project correspondence in the packet. They are working to satisfy the fire flow requirements with the fire department.

RESORT TAX APPLICATIONS- Edwards will attend the meeting on Wednesday May 16, 2007.

DISTRICT ORDINANCE 97-1001 AMENDMENTS (Third Reading Draft) Edwards discussed a proposed hearing at the next meeting. Edwards further discussed the changes that were made at the last meeting. Edwards discussed the adding of "at the board's discretion" the board may approve or deny any SFE transfers. Edwards said that he has not heard from anyone on the restriction of transferring SFE's between counties. Director Allgood suggested adding a property transfer fee to the fee schedule. The Board agreed with Director Allgood's suggestion and Edwards said he will add it for next months reading. Edwards briefly discussed table 3.01 and some of the issues related to the allocations of capacity. The Board did not approve the third reading and directed a public hearing on it.

NEW BUSINESS

POND & PRIVATE WELL VIOLATION-YOUNG RESIDENCE

According to William Gavin, a hydrologist appearing on behalf of Urbani & Associates the well drilled by the pond is for filling it and the pond is primarily for and fire protection. The well was drilled to 780 feet. Edwards said that the District would prefer to have this pond tilled with the well than with the District's potable water supply. Edwards wants a pump test on the well to insure that it will meet the requirements of the pond to keep it full. Edwards discussed the potential fine with the Board. Director Cronin also requested that the District require a letter from the owners agreeing to not use of the District's water supply to maintain the pond under any circumstances. The District will then provide a letter approving the well. Edwards discussed the Ordinance and the penalty provisions of it. The penalty for drilling a well in the District without permission is discretionary. The Board discussed assessing a five thousand dollar fine in this case as the penalty and as a deterrent to other property owners that may try to do the same thing in the future. The Board directed Edwards to write to the owner requesting pump test data and the fine in the amount of \$5,000.

SEWER & WATR PERMITS

Edwards reviewed the sewer and water connection permits. No action was necessary by the Board.

STRATEGIC PLANNING RETREAT

Director Olson discussed a meeting of the Board to strategically plan the District's future. Director Cronin brought up other issues that will be facing the District in the future and taking

time to plan for those changes would be in the best interest of the District. A meeting of the Board for this purpose will be arranged in fiscal 2007-2008.

GENERAL CORRESPONDENCE

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, June 19, 2007, at 8:00 AM.

ADJOURNMENT

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



Dick Fast, Secretary

5-15-07. min (Board Approved 6/19/07)

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

Acceptance of Monthly Financial Statements

Date 5/14/2007

The Board of Directors at its 5/15/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	4/30/2007
Assets:	<u>\$ 48,128,264</u>
Liabilities	<u>\$ 19,198,819</u>
Equity	<u>\$ 28,929,445</u>

2 Income Statement as of	4/30/2007
Total Revenues	<u>\$ 4,210,100</u>
Total Expenses	<u>\$ (2,231,974)</u>
Net Revenues	<u>\$ 1,978,126</u>



Paul Cronin, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -April 24, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, April 24, 2007, 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. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Alpenglow representative Richard Maus and Boyne representatives Brian Wheeler and Jamie Roberts.

PUBLIC FORUM

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

MEETING MINUTES

The Directors discussed the pond liner materials and the funding request to the resort tax.

Director Olson moved to approve the minutes of March 28, 2007, as written. Director Shropshire seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith briefly reviewed the financials noting that revenues are favorable and the expenses are on target. According to Smith, the contributed capital will turn around with the Spanish Peaks lines. Smith noted that the reserve funds are provided on the statement of conditions. Smith estimated that about \$65,000 of the reserves would be used this year. Smith invited Board members to participate in the FY 07-08 budget planning meetings with the staff.

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

SEWER OPERATIONS

Burroughs distributed the flow reports with the 2006 total flow at 119,400 gallons, which was quite a jump from 2005 at 96,042 gallons. Since the increases were in the winter months, it indicates more usage and not I & I. Wheeler noted that Boyne's 2007 lodging from February through the end of the ski season was way up. Edwards noted that pumping to YC started in March and the pumps and everything seem to be working fine. The communication will be changed to fiber optic, which will be more reliable. Edwards reported that a combination of fresh water and treated waste water would be used. The purpose of using fresh water is for the District to use its water rights.

WATER OPERATIONS

Muscat stated that there is nothing new with flows. They are working on leak repairs and are currently work at Glacier condos. Edwards and Muscat reported that Yellowstone Club's water use is up about 50% from last year and YC has been informed of the increased use. Edwards commented that the increased water use is probably from leaks and they need to do leak repair. If YC exceeds the agreement for water use, the District will limit their use per the agreement. Director Allgood suggested that the operation of the Pinnacle could be increasing their water use.

SFE REALLOCATION APPLICATIONS

Alpenglow/Richard Maus: Tabled at the March meeting due to the lack of ownership documentation, the application requested reallocating 15.2 SFEs from the Alpenglow Condominiums project in Cascade. The application transfers 14.0 SFEs to Cascade Tract 2B and 1.20 SFEs to the Fairways Condominiums on Meadow Village Tract E. Edwards reported that the District has received documentation showing that Maus has ownership of all parcels and recommended approval.

Director McRae moved to approve Richard Maus's reallocation application to transfer 15.2 SFEs as requested. Director Olson seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

Moosewood Meadows/Peter MacKenzie: At MacKenzie's request, the Board reconsidered his application to reallocate 2.0 SFEs from Moosewood Meadows condominium project on Powder Ridge Phase I Tract 5B to Tract 5G; which was previously denied because Edwards reported the project as built out. Edwards stated that from looking at the exterior of the buildings the project looked complete. At the March meeting, Mackenzie informed the Board that they were still working on the interior of the buildings. Edwards reported that the warranty deeds have been received, but the corporate filing for Moosewood Meadows had expired. MacKenzie has told Edwards that the documents will be filed this week. Edwards recommended approval conditional on receipt of the corporate filing documents.

Director Olson moved to conditionally approve Peter MacKenzie's reallocation application to transfer 2.0 SFEs as requested and conditional on the receipt of the corporate filing documents. Director Allgood seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

MOUNTAIN VILLAGE WELL MODIFICATION PLAN

Edwards stated that Mark Cunnane's report for remediation was provided in the packet. *Edwards will submit the report to the State with a cover letter requesting a meeting.* Edwards reported that Cunnane's estimates were based on costs provided by JTL Corporation. Edwards feels that the State will refuse all four options that will be presented to them and require the sampling. Edwards has met with Mike Wheat, District legal counsel, and Wheat will be included in any meetings with the State DEQ. Edwards's next step is to file the remediation plan with the State and wait for a response. Edwards reported that the State has never required this sampling in any other community in Montana and he feels like they are making Big Sky their poster child on the surface water treatment issue. Director Fast also doesn't feel that the remediation options that the District is presenting will satisfy the State. Edwards explained that the District's cable-tooled drilled wells are the best quality. Edwards noted that the state is operating on new EPA rules, which requires 52 weeks of sampling and Edwards does not feel that the District should go down that road as the sampling could be a problem with false-positive results. Edwards said there could be a problem with moving the well if the water production and quality doesn't come in. *President Cronin wants Edwards to relay the message to the State that the District is wasting public money with their requirements.* Muscat stated that there is a tremendous amount of gray in dealing with this groundwater rule as there is so much up to interpretation. According to Muscat, Big Sky is also being viewed as a community that can afford the long term ramifications of treating water. Director Olson asked if the District should be doing a PR campaign in the newspaper. Edwards wants to wait for a response from the State before any other action is taken. *President Cronin directed Edwards to keep the Board informed on the status of this issue via emails and to not wait until the next Board meeting for a report.*

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: Edwards reported that SMI will mobilize in May or June. Last year SMI did the bridge crossing in addition to laying about 500 feet of pipe.

Meadow Well Drilling: The deadline for comment is May 9 for the water rights filing. As of last week, DNRC still has not received any objections to the water rights.

Hidden Village Water System Repairs: Advertising for the project has been done with a pre-bid meeting scheduled for April 25th at 10:00 am. Seven sets of plans have been given out, which includes Williams Plumbing, SMI, Sime, and Johnston Excavating. Allied Engineering's cost estimates total \$1.845 million with alternates bringing it to \$2.1 million. Edwards noted that there is design to include a water line for Pinewood Hills. Edwards explained the Moosewood alternate is for upsizing the line in the Moosewood Road in Northfork Creek Subdivision. Muscat noted that it is to the District's benefit to upsize this line with the mountain to the meadow line being created. The bid opening is scheduled for May 2 at 2:00 pm.

Meadow Village Water Projects: Edwards provided a summary of costs for all the water projects in his manager's report.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Mountain Lake LLC: Edwards reported that, according to Chuck Melber, they have a development plan of 36 units and plan on going it alone because of their development needs. Edwards reported that the District will pothole the District's water line in two areas for the planning in moving the line. The line will be moved this summer. The Board discussed the water agreement for approximately 15 SFEs and *directed Edwards to write Mountain Lake a letter stating that the water agreement will be rescinded.* Edwards stated that by moving the line it will eliminate their fire protection with the hydrant. President Cronin stated that the original reason for having the agreement was that the line was located on their land and if the line is moved, the agreement needs to go away-it needs to be rescinded. Director Olson stated that the Board passed a motion a few meetings ago to move the line and rescind the agreement. Brian Wheeler reported that Mountain Lake LLC contacted Boyne in regards to Boyne working with them on drilling a well on Boyne's property. Edwards reported that the agreement can be terminated with two years from date of notice, but water was never provided to Berlin. The agreement also has language that states that the agreement can be terminated at anytime and that the agreement should not be relied upon as a permanent water supply. The motion from the December minutes only called for moving the line.

Director McRae moved to follow through with the Board's December, 2006, motion to have the water line moved and now to also terminate the agreement through a letter of notification. Director Daniels seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

ORW WASTEWATER SOLUTIONS PROJECT

Edwards reported that the area will be from the Dudley Creek Road/Big Horn Center/Bed & Breakfast house to the Corral. Edwards stated that if there was a lot of momentum, a system could be provided within 5 years.

RESORT TAX APPLICATIONS

Edwards reported that he submitted applications totaling \$540,000 with the applications itemized in the manager's report. The Resort Tax received 32 applications from 18 organizations totaling over \$4 million and anticipates collection around \$3.2-3.5 million. The appropriation awards meeting will be done on June 6.

ORDINANCE 97-1001 AMENDMENTS – Second Reading

The draft of Ordinance 97-1001 was included in the packet. Brian Wheeler stated that Boyne wants to protect their ability to transfer/reallocate SFEs and the reuse of the SFEs where structures are torn down. Edwards stated that the change in the ordinance will prevent the shell game that was done with the tracts with Boyne and Rothacher. Edwards feels that the proposed fee is fair with the staff time involved. Wheeler stated that they will probably strip SFEs from their land to the pool and then allocate to the property just prior to selling/developing it. Wheeler asked if the SFES from the mountain lodge, which is in Section 19, would transfer to the pool or stay with the land when the building is tom down. Edwards will work on adding language to the ordinance to deal with this issue. Director McRae stated that he feels the county line limitation is unnecessary. Edwards stated that, prior to the third and final reading, a public hearing needs to be scheduled, possibly in conjunction with the budget hearing. Director Fast will review his edits/comments with Edwards.

Director Shropshire moved to approve the second reading of Ordinance 97-1001 as presented. Director Olson seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

SEWER & WATER PERMITS

Edwards reported that 2 new permits were issued, with 22 1 SFEs remaining for permitting.

NEW DEVELOPMENTS & SUBDIVISIONS

Mountain Village Overall Development Plan: Edwards included information on the plan in the board packet. Brian Wheeler and Jamie Roberts presented a layout for Boyne's overall development plan where future development will include buildings that are 3-4 stories with the bone yard location being at the top level of development. There would probably be a restaurant and bathrooms at the base of the bowl and this would require boosting the water to this area. Wheeler stated that their goal is to expand on their summer use. Wheeler told the Board that the District needs to tell Boyne what it will need in regards to storage tanks, wells, etc. Boyne wants to get the District in the loop in the development plans to make sure utility easements are in place and said that the District could work directly with their engineers, Stahly Engineering. Brian Wheeler will provide a copy of the development plan to Edwards to work with for infrastructure planning.

GENERAL CORRESPONDENCE

There was no general correspondence for the Board to respond to. Edwards explained the letter from Rogers Crain on the water tank access. Edwards has not received any information from Northwestern on their alignment for a substation. Edwards will contact Northwestern about the clean up work they said would be done in Westfork. President Cronin asked if the pond dirt pile has been seeded yet. Edwards reported that it has not been done. *President Cronin directed Edwards to have the pile seeded by the end of the week and to reseed several times throughout the wet season.* Director Fast asked why the District is paying for the Powder Ridge fix. Edwards explained that if the lines were too shallow, Gaston will be billed for the fix. If the lines were properly installed, then the District will insulate the lines.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, May 15, 2007, at 8:00 AM. Director Fast will be gone in May. Director Shropshire will be in Illinois, but available via telephone.

ADJOURNMENT

Director Shropshire moved to adjourn the meeting at 10:40 am. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

4-24-07. min (Board Approved 5/15/07)

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

Acceptance of Monthly Financial Statements

Date 4/17/2007

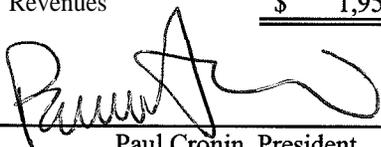
The Board of Directors at its 4/24/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of 3/31/2007

Assets:	<u>\$ 47,966,485</u>
Liabilities	<u>\$ 19,057,659</u>
Equity	<u>\$ 28,908,826</u>

2 Income Statement as of 3/31/2007

Total Revenues	<u>\$ 3,967,173</u>
Total Expenses	<u>\$ (2,009,667)</u>
Net Revenues	<u>\$ 1,957,506</u>



Paul Cronin, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -March 28, 2007
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Wednesday, March 28, 2007, 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 the meeting at 10: 10 am), and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Director William Shropshire participated via telephone. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were Moosewood Meadows representative Peter MacKenzie; Alpenglow/Maus Construction representative Richard Maus; Mountain Lake (formerly Silvertip) representatives Chuck Melber and Terry Threlkeld; Big Sky Search & Rescue representatives Todd Thesing, Tom Reeves, Rocco Altobelli, and Steve Johnson; BCDE Group representative Jeff Schultenover; and Boyne representatives Brian Wheeler and Jamie Roberts.

PUBLIC FORUM

President Cronin called for public comment at 8: 10 am.

Big Sky Search & Rescue: Todd Thesing presented a building footprint of 60 x 80 for the Big Sky Search and Rescue's proposed building and noted the need for a heli-pad that could be grass as long as it is unobstructed. They are planning to have drive through bays with a driveway around the building. However, they would like to minimize the pavement. They will meet with Resort Tax prior to their submittal for resort tax funding, but would like a commitment from WSD for the land before they submit an application for resort tax funding. Director Olson asked if they have talked to the Madison County Commissioners to request funding. Reeves reported that they were told that the Madison County Search & Rescue's total budget was \$5,000. Thesing commented, however, that the point is taken in that they need to approach the Madison County Commissioners for funding. President Cronin called for Board discussion and noted previous discussion called for the District to do long term planning for its own needs. The District has also agreed to work with Northwest Energy to provide a site for a new generator. President Cronin said with ORW discussion about possibly serving the Gallatin Canyon in the future, the District needs to do long term planning. Edwards suggested that the District could write a committal letter stating that the District would work with Search & Rescue to provide land for their building.

With no further public comment, President Cronin called the meeting to order at 8:22 AM.

Director McRae moved to have Edwards write a committal letter to the Search and Rescue stating that it is the District's intent to find appropriate land for their building location. Director Fast seconded the motion. Motion passed, 7 yea votes to 0 no votes. Thesing will work with Edwards to provide a footprint.

MEETING MINUTES

Director Olson moved to approve the minutes of February 13, 2007, as written. Director Daniels seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Director Olson asked about the interest at First Security. Smith reported that he has moved all the money except \$15,000 out of that bank as we need at least \$1,000,000 to get the interest rate. On the operating summary, Smith reported that all categories except the water and sewer main extension were on target. Smith stated that he anticipates this to turn around by the end of the fiscal year. Smith reported that the reserves are okay and that Boyne submitted their annual payment plus their quarterly payments are current.

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

SEWER OPERATIONS

Burroughs reported that the flows are looking normal but that spring runoff has started with flows increasing. Pumping to the Yellowstone Club started last week, and there are a few issues to be worked out. The District plans on pumping between 20-50 million gallons to YC this summer, with the average day at about 400,000-500,000 as the weather warms up. Burroughs noted that last summer the District fixed a lot of manholes and that the manhole covers in Spanish Peaks have also been fixed. Burroughs feels that Spanish Peaks is starting to figure out that they need to call when there is a problem so that the District can get any problems fixed. Burroughs recommended increasing the fine for tampering with manhole covers

WATER OPERATIONS

Muscat reported that the flows are normal and had nothing unusual to report.

DEQ Correspondence Regarding Mountain Village Wells 1-3 : Edwards reported that he and Mark Cm-mane are working on a remediation report regarding DEQs request. Edwards feels that the District should just regrout, but doesn't feel that the DEQ will approve that. Edwards doesn't like the possibility of having the 3 wells classified as surface water and the District is doing everything it can to prevent that. Edwards feels that Big Sky is being held to a different standard than any play else in the state. The District will submit the report requested and then we will see what happens. Edwards is aggravated as DEQ is acting on a preliminary assessment report that is 5 years old and then give us 30-days to act on their letter. DEQ has provided an extension, but the District is proceeding cautiously on the sampling as we want to avoid having the wells being classified as surface water. Edwards said the sampling is quite involved, with 52 weeks of sampling and the possibility of false-positive sample results. Edwards said the national groundwater rule has come into effect and that is why we are dealing with this now, but feels that we are the State's test case. Muscat feels that the State is having Big Sky follow the letter of the law because it can afford it. Edwards reported that the wells are 25-30 years old and now this an emergency according to the state. *President Cronin recommend involving legal counsel with the correspondence.*

Powder Ridge Phase 3 Condos: Muscat reported that 6 or 7 Powder Ridge services were frozen this year and the depth of the lines have been in question. The services will be dug up to fix the problem and to determine why they are freezing. Edwards said the lines are under plowed roads and ditches and he also suspects that the depth is insufficient. The lines are not currently insulated, but they will be once they are dug up.

Water Rights: Edwards explained that the District is running water to the YC to exercise the District's water rights. This is also allowing the District to fine tune the pumping system. Edwards stated that YC will be charged for any water pumped beyond what was originally agreed.

SFE REALLOCATION APPLICATIONS

Alpenlow Condominiums/Jeremy Maus: Edwards explained that Richard Maus applied to reallocate 15.2 SFEs from the Alpenlow Condominiums Lots 327-331 of Cascade Block 6 (the old Skycrest remainder). The Fairways condominium project on Tract E of Meadow Village would get 1.2 SFEs and Tract 2B of Cascade would received 14.0 SFEs. Edwards had asked Jeremy Maus to provide ownership information on the parcels and Edwards has not received all the warranty deed information needed on the ownership of the Alpenlow property and Fairways property. President Cronin said the request would be tabled until all the ownership information is submitted. President Cronin informed Richard Maus to submit the required information in a timely manner as the District is working on changing the reallocation regulations and it will be harder to transfer SFEs in the future. Maus will submit the information for consideration at the next meeting.

Moosewood Meadows/Peter MacKenzie: Edwards reported that at the February 13th meeting the Board denied the reallocation application to move 2.0 SFEs from MacKenzie's Moosewood condo project on Tract 5B (Powder Ridge Phase I) to Tract 5G. The denial was based on the premise that the project was built out. Edwards stated that the ordinance states if a project is built out then the SFEs cannot be reallocated. Peter McKenzie stated that because a building has four walls and roof does not mean that the project is done, they are still working on the interior, landscaping, paving, etc. to finish the project. McKenzie asked the Board to reconsider its previous decision. McKenzie feels that he needs more than the 4.5 SFEs that are on Tract 5G to make it a viable commercial development property. He feels that he has been a good player in the development game and feels that the Board should reconsider his request. Edwards explained that the remaining 2.0 SFEs at Moosewood would allow for remodeling to add a bathroom, or such. If the SFEs were moved, then there would not be an allowance for any remodeling. Edwards explained that once a permit is issued, then the project is done. MacKenzie stated that he is the key ownership interest on both properties. There is no remaining land on Tract 5B to build another structure as the remaining is wetlands. *The Board requested that MacKenzie submit the ownership documentation/warranty deeds to the District and the Board will reconsider the request at the next meeting.* Edwards noted that the ordinance does not really define built out, but we have always interpreted it as once the last permit is issued and the structure is primarily done, then it is built out. President Cronin noted that the ordinance will be changed in the near future and this transfer would not be allowed, but that MacKenzie's request will be reconsidered at the next meeting if all the ownership documentation is submitted.

MOUNTAIN LAKE (formerly Silvertip) ANNEXATION REQUEST

Chuck Melber provided a copy of the warranty deed showing the ownership. Terry Threlkeld stated that the project is now Mountain Lake LLC and they are now asking for annexation for water and sewer. A well log and water quality analysis were submitted to Edwards and they are offering the well as water replacement if they are served by the District. Threlkeld reported that they have not done a complete a well test-they only tested for about one hour at about 40 gpm. Edwards briefly reviewed the information presented by Ray Armstrong at previous meetings.

Threlkeld stated that they would like 2 SFEs per unit, about 72 SFEs. Edwards commented that, based on the acreage, the property would have received about 52 SFEs according to how SFEs were traditionally calculated. President Cronin summarized previous Board discussions where the Board asked for ownership documentation. President Cronin stated that the Board has provided water to others and with Mountain Lake replacing its projected water use, then the water issue can be worked out. With the sewer service, President Cronin reported that the Board said the annexation issue would have to go to public vote. Melber stated that each unit would be approximately 2,000 sq. feet and each building would have its own underground parking. According to Melber, they have gone through a pre-application meeting with Madison County. Threlkeld reported that they have not applied for a water right yet on the well, and they may need to work closely with the District to get the water right since it is over 35 gpm. Melber reported that they have worked with adjacent land owners and all their concerns have been addressed. The Board said that Mountain Lake LLC could submit an application for annexation and then it would go to public vote. Edwards reported that the location of the current water line through the Mountain Lake property lacked easements. According to the Board, the District will need to decide on the issue of capacity and how it is determined. Edwards said there is a bit of an issue with the build out density and what would have been assigned under the old facility plan. And, using the estimated 52 SFEs Edwards did not consider, or take out, the unbuildable area. President Cronin said it is up to Mountain Lake LLC to submit a palatable application using previous allowed calculations and the District Board will either say yes, or no, to an annexation request. Director Fast stated his concerned about opening the door for other requests if we are giving out SFEs for development. President Cronin suggested that Mountain Lake :LLC submit an application that doesn't give them an unfair advantage in development. Edwards is working with Armstrong on the per SFE cost and the tax payment needs to be factored in. President Cronin stated that Mountain Lake needs to deal with the issue of how much they want and what the District would consider as reasonable. Director Olson stated that from the Madison County Planning standpoint, they would prefer the property be in the District. Melber asked if the water and sewer should be separate requests. President Cronin stated that it would be much easier for the District to consider only a request for water. Threlkeld stated that he feels that their preference would be to have both water and sewer service. Edwards did not know the Gallatin County election schedule, but felt that they could usually do an election within a couple of months of request. Edwards will work with Armstrong on the cost per SFE and feels that the originally estimated \$10,000 is not far off. Once the cost per SFE is figured out, Edwards will get this information to Mountain Lake LLC. Edwards stated that he is still firm on the calculations of SFE-why should the density be any different for this development.

Later in the meeting, *Vice President McRae questioned the validity of the warranty deed and asked that the District be provided a recorded ownership record for this property.*

WATER TREATMENT

Jeff Schultenover, BCDE Group, stated that he wants to present a new treatment system to the District. Schultenover will work with Edwards and Muscat and if any of the information is applicable to the District it can be presented to the Board.

MEADOW VILLAGE WATER SYSTEM PROJECT

Edwards reported that SMI would probably mobilize in May.

HIDDEN VILLAGE WATER/SEWER LINE REPLACEMENT

Edwards reported that the project will be bid the first week of April with a requirement of three crews so that the project can be completed in one construction season.

NEW DEVELOPMENTS & SUBDIVISIONS

Montana Club: Edwards reported that the District reviewed Boyne's development plans for a 38-lot single family development above the White Otter lift. Edwards stated that, at some point, the District will need an additional tank and a site should be identified and an easement provided for future development. Muscat had previously stated that the proposed booster station should only be temporary and the system for the new development should be planned for connecting to a higher tank in the future. Brian Wheeler stated that they are working on long-term development plans and feels that development will not go up the mountain any further than the bone yard. Muscat cautioned against just looking at a small portion of development and having booster stations-the overall development needs to be considered. Muscat feels that the District has a lot at stake and the District needs to plan ahead instead of retrofitting for each small piece of development. Muscat stated that the advantage to building a tank at a higher elevation is a gravity fed system starting from the mountain and then if there were ever power outages we would still have water.

ORW WASTEWATER SOLUTIONS PROJECT

Edwards reported that the ORW committee had another public meeting and presented the planning area running from the Corral to the Big Horn Center. Edwards has not committed the District, but has said the District will work with the committee at exploring solutions. Edwards reported that he applied for a \$15,000 TSEP grant and will know in May if they get the funding. President Cronin stated that the District also needs to think about the areas of Antler Ridge and Firelight as possible service areas-if it is cost effective and environmentally sound, it needs to be included in the planning.

DISTRICT ORDINANCE 97-1001 AMENDMENTS (first reading draft)

Edwards stated that he and Director Olson reviewed the Ordinance and prepared the draft that was provided in the packet. Edwards recommended that the Board review and amend the ordinance over the next three months and then have a public hearing in conjunction with the budget public hearing. Reallocation changes will clean up on how SFEs can be transferred. (Secretary Fast left the meeting at 10: 10 am.) Edwards asked the Board to approve the first reading and then for each member to thoroughly review the document and work with him on changes, or present the changes at the next meeting.

Director Olson moved to approve the first reading of District Ordinance 97-1001. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. Secretary Fast was not present for the vote.

SEWER & WATER PERMITS

S & D Development applied for 8.80 SFEs for The Pines, Building L, Units 1-4.

Director Daniels moved to approve S & D Development's permit application for 8.80 SFEs as presented. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

RESORT TAX APPLICATION

Edwards stated that the resort tax application is due April 18. In addition to the rollovers, Edwards will submit an application for the new water bond at \$50,000, \$50,000 for additional work on the pond liner, and \$40,000 for the ORW canyon study. Edwards reported that the test pond liner has worked well, but has not heard any feedback from the community.

GENERAL CORRESPONDENCE

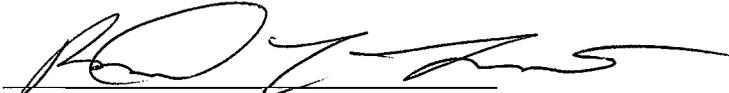
There was no general correspondence to address.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, April 24, 2007, at 8:00 AM.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 10:55 AM. Director Olson seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

03-28-07. min (Board Approved 4/24/07)

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes -February 13, 2007

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, February 13, 2007, in the WSD Community Room. Vice-President Gary McRae chaired the meeting until 9:25 am with Directors Dick Allgood, Jeff Daniels, Bill Olson, and William Shropshire present. President Packy Cronin arrived at 9:25 am. Secretary Dick Fast was not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were BSOA Representative Mary Jane McGarrity and their contracted engineer Carl Uhlig, Big Sky Search & Rescue representative Rocco Altobelli, and Liston's (Silvertip Development) engineer Terry Threlkeld.

Vice President McRae called for public comment at 8:20 am.

PUBLIC FORUM

Rocco Altobelli addressed the Board regarding Big Sky Search and Rescue's request to the District to possibly help them out by offering someplace to put a building for their organization. They want to work together with the District and appreciate the opportunity that the District has given them. They are currently working on rough drawings, but they do not have any thing yet to show the District. Search and Rescue is still looking at a 50' x 80' building and they also want a parking lot that could double as an emergency helicopter-landing zone. Altobelli anticipates that conceptual drawings will be ready within a month and they plan to present the drawings to the WSD Board at their next meeting. Altobelli said they will need some latitude because of their planned multiple source of funding. Search and Rescue will be starting a capital campaign to get as much private funding as possible. *Edwards will be working with Search and Rescue to develop a footprint to present to the Board at their next meeting.*

With no further public comment, Vice President McRae called the meeting to order at 8:26 AM.

MEETING MINUTES

Director Olson moved to approve the minutes of January 16, 2007, as written. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice President McRae voting.

FINANCIALS

Smith presented the January financials, noting that the line items were either favorable or on target. Smith stated that his estimates are a little conservative on the revenue side. Edwards explained the plant investment charge (PIC) fund and how it is used. Smith reported that approximately $\frac{3}{4}$ million dollars has been borrowed from the PIC fund for the water project and that will be repaid with the first draw on the new bond.

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

BSOA WELL REQUEST & POND RESTORATION

BSOA representative Mary Jane McGarrity and PBS&J engineer Carl Uhlig addressed the Board regarding the BSOA pond restoration. Uhlig reported that the regulatory agencies are encouraging BSOA to make the Silverbow and Little Coyote ponds off-stream ponds. Uhlig reviewed the history of the ponds, the WSD water rights, and presented alternatives on how the District can facilitate the restoration of the two ponds. Edwards and Uhlig reviewed the importance of keeping seniority in water rights. Uhlig recommended that the District pool its water rights and expand its place of use, retaining its earlier water rights. Uhlig also recommended using some of the District's water rights in restoring and maintaining the BSOA ponds as off-stream ponds. BSOA does not have any water rights and the WSD has the surface water rights that could help them in the restoration of the ponds. Edwards reported that the District needs to satisfy its water rights by demonstrating it is using 100% of its water rights and providing water for BSOA ponds would help do this. Uhlig didn't know when the point of diversion pump was installed and recommended determining that date prior to pursuing BSOA using WSD surface water rights. Uhlig stated that if the only water source were two 35 gpm wells, the ponds would have to be lined. Uhlig recommended using alternatives A and D that he presented-change existing WSD water rights and drill two low flow wells. Any alternative(s) selected will require lots of cooperation and that is why McGarrity and Uhlig presented their plan to the WSD Board with a request for an agreement between BSOA, WSD, and Boyne. McGarrity stated that Fish, Wildlife and Parks is receptive to creating the off-stream ponds and roughly estimated the costs to be around \$250,000. In terms of channel realignments, Uhlig stated that they will not interfere with existing WSD and golf course infrastructure. McGarrity requested WSD Board approval to drill the two low flow wells and to continue to move forward. PBS&J will look into using the Silverbow well, but that well was never recorded and there are limitations to its production. According to McGarrity, BSOA would prefer to just drill its own wells. Edwards reported that the WSD has a prohibition on drilling wells in the District and the BSOA needs an exemption for their proposed wells. Since all they are asking for are two low-flow wells of less than 35 gpm, they do not need any other permits. Uhlig reported that the Silverbow pond was dredged about 12 years ago and is now about 50% silted over. Director Olson stated that BSOA previously asked for compensation for the WSD road access through the community park and that quid pro quo is in order. Director Shropshire stated that he feels it makes sense for the WSD to work with BSOA to maintain the ponds for the community. (President Cronin arrived at 9:25 am.)

Director Olson moved to approve BSOA's request to drill two low flow wells and to allow BSOA to proceed with a written operating agreement between WSD and Boyne for the surface water rights and alignment of infrastructure and, in consideration, BSOA will give the WSD the right to use the road through the park for its current uses and any uses that WSD may foresee in the future. Director Shropshire seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director Olson moved to amend the agenda to address the water and sewer permits. Director Shropshire seconded the motion. Motion unanimously passed.

SEWER & WATER PERMITS

Edwards reviewed the permit application from Spanish Peaks which is for 154.1 SFEs for their Lodge. It will be a long-term project and they are requesting approval so that they can proceed with their Land Use Permit. Director McRae asked if the District should require Spanish Peaks to meet with Edwards to review the geotechnical work/site stability. Edwards reported that Spanish Peaks is working on the WSD easements but that they are not done and the warranty periods have not been put in writing yet. Edwards also reported that he was told the flume is operational but he has not verified flows with Burroughs. Edwards has told Spanish Peaks to delay their annexation request until all of these things are done.

Director McRae moved to conditionally approve the Spanish Peaks permit application for 154.1 SFEs for the Lodge on the condition of final acceptance of their sewer lines and payment of their fees. Director Daniels seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director Olson moved to amend the agenda to address the LDMS Annexation Petition. Director McRae seconded the motion. Motion unanimously passed.

LDMS PETITION FOR ANNEXATION-FOLLOWUP

Terry Threlkeld reported that he has heard that Bob Berlin is proceeding with his development plan as if there will not be a closing, but that Liston is planning on closing at the end of February. Liston is proceeding with due diligence and drilled a well a couple of weeks ago that produced about 67 gpm of quality water. Threlkeld distributed a well log report and DEQ's letter of approval for an Advantex treatment system for the development. Threlkeld noted that when he reported that WSD had water capacity to serve this development he had not factored in the change in DEQ water source capacity; where, effective about a year ago, you now need to meet maximum day water capacity with the largest well down. With DEQ requirements, they have to have two wells and the Fire Department requires they have fire storage. Threlkeld asked for a discussion on the water flow numbers that they could provide to the WSD for consideration in asking WSD for sewer service. Threlkeld felt that it would make more sense for WSD to apply for the water rights on any wells they drill. They would prefer to pay the WSD for service and avoid building a treatment system near the lake. Director Shropshire asked what the SFE level request would be and stated that the WSD SFE calculations were lower than what was originally presented by Liston. Director Shropshire stated that the ownership issue needs to be cleared up and then they could come back to the WSD for annexation, but that the Board will take it to a vote to the District. Threlkeld asked, "What is the District's capacity to serve this development?" Edwards responded that at full build out our treatment plant does not have capacity and that is why the Board wants the request to go to a public vote. President Cronin said if Liston was the owner, they would have the right to request annexation, but they need to consider the SFE capacity request per Edwards' prior recommendations. Director Shropshire stated that in previous discussions with the Liston development group, it was presented that they can go their own way without service from the District. Edwards reported that the fire department is now requiring two tire hydrants with the development plans that Liston has proposed. Edwards also reported that the Board has given him orders to have the District's water line moved and then there would not even be a hydrant. Threlkeld asked the Board to wait on moving the water line until the issue of annexation is resolved. Edwards stated that the District

will proceed with alignment of a new line. Threlkeld also asked if another hydrant can be installed which would not only be a benefit to the developer, but to any fire fighting efforts in the area such as Snowcrest. Threlkeld stated that if they can connect to central sewer, then they could drill another well to gear to higher production that the District could find water rights on. Threlkeld stated that once Liston is the property owner, they would like to come back to the Board to ask for annexation and sewer service. Director Olson stated that, for his support, he would need an honest full disclosure and that documentation of Liston's ownership must be provided. Threlkeld reported that the development is now at 36 units. Before the Board will consider any request, the Board will require a document of transfer that has been recorded and the complete development plans. If the Board agrees to an annexation request, they will have it go to a public vote. Edwards stated that he has asked Ray Armstrong to come up with a concrete approach to calculate per SFE costs. Director Daniels asked about the indemnification that Liston previously offered. Director Olson asked that Threlkeld make sure the developers are working with Madison County for approvals. (Director McRae left the meeting at 10:30 am)

SEWER OPERATIONS

In the absence of Grant Burroughs, Edwards reported that the flows are fine.

WATER OPERATIONS

Powder Ridge Freeze Ups: Edwards reported that service lines on some Powder Ridge cabins have frozen. They have a heat system that drips water to the sewer line and the District feels that is why their sewer lines have frozen. Where the two water lines that have frozen this last week, the paving has not been done and the District will require that the lines be dug up in the spring.

Public Use of Restroom at The Pinnacle: Director Shropshire reported that he has heard that the public has been refused use of the restroom facilities at The Pinnacle. Edwards reported that Boyne's Andesite facilities are frozen and facilities at The Pinnacle cannot handle the load. The Board noted that when Spanish Peaks presented their request for water use for the Pinnacle they stated that they would have their facilities as public.

DEQ Drinking Water Monitoring Violation Letter: Regarding the BacT sample report in Sandra Ewing's letter, the WSD information submitted by Muscat was misplaced and Muscat has cleared up the problem sited.

Mountain Wells 1-3—DEQ Correspondence: Edwards reported that DEQ has thrown out the whole well leg case that the District used in its response and is requiring the District to do the sampling.

MEADOW VILLAGE WATER SYSTEM PROJECT

Edwards reported that production is about 225-250 gpm on the two new wells and Mark Cunnane will be filing water rights using two new points of diversions.

HIDDEN VILLAGE

Edwards reported that the District is working with Hidden Village on the line replacement and schedule. Edwards would like the District to oversee a single contract to do line replacement and road improvements and a MOU will have to be done with Hidden Village. WSD staff, engineers, and Hidden Village representatives will meet on Friday.

SFE REALLOCATION APPLICATION

Peter MacKenzie submitted a reallocation application to move 2.0 SFEs from Moosewood Meadows, Tract 5B to Tract 5G in Cascade. Edwards recommended denial based on the fact that Moosewood Meadows is already built out and District ordinance doesn't allow transfer after full build out. President Cronin called for a motion.

Director Shropshire moved to approve McKenzie's reallocation application. Director Olson seconded the motion. Motion failed, 0 yeas votes to 5 no votes with President Cronin voting.

GALLATIN RIVER MEMORANDUM OF UNDERSTANDING

Edwards provided a copy of the MOU in the board packet and recommended that the Board approve it. The environmental group has essentially tabled the ORW designation. Edwards would like the District to participate in this and offered its assistance. President Cronin asked who would take the lead in facilities solutions. Edwards reported that American Wildlands is currently taking the lead and they are hosting a meeting today at the WSD office. The MOU commits the District to a 6-month process to identify the measures to protect the Gallatin River. Director Shropshire stated that the District does have leadership capability to facilitate this. Edwards estimates the District costs at about \$10,000 and then other players will also offer their expertise and resources. Edwards said the service area that is being talked about is from the grey house near the Big Horn Center and then south to the Corral. Edwards requested Board approval of the MOU since it will require a financial and resource commitment from the District.

Director Shropshire moved to sign the MOU and to make WSD resources and funding up to \$10,000 available. Director Daniels seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin. President Cronin cautioned Edwards to not consider letting go of the District's discharge permit.

Edwards stated that he would like to work towards snowmaking and groundwater discharge. Edwards noted the possibilities of working with Spanish Peaks. Edwards thinks boosting the canyon wastewater to the WSD treatment facilities is the best option. *President Cronin directed Edwards to piece together the process, in writing, of what the District may need to do to serve the canyon.* Director Shropshire stated that the District cannot expand its boundaries without a vote to its property owners.

GENERAL CORRESPONDENCE

Billing Correspondence--Pollards: Smith explained that the Pollards' Silverbow condo is on a radio read system. Their usage is not monitored weekly like the phone read metered accounts that generate a weekly printed report. With the radio reads, Smith does not generate a weekly use report. Smith stated that it is only a courtesy to report to high water use to owners and reiterated that the Pollards are not on the weekly phone read system. Edwards said his response is that it is not the District's fault that they had a faulty toilet. The water use did go to the sewer system and Edwards feels that Pollards owe the bill. Edwards noted that the District is looking at printing a use report for the radio read accounts and this will provide high use data in the future. Director Daniels recommended that the District send a notice to its customers that they can shut off their water to the toilet when they are gone. Other Directors did not feel it was the District's responsibility to report high water use, or try to identify potential plumbing mishaps. The Board directed Edwards to write a letter of denial to Pollards.

Billing Correspondence--Pattison: The Board discussed Michael Pattison note where he requested a reduction in his 4th quarter billing due to outside watering in October. The Board denied Pattison's request because of the precedence it would set and they also felt that the current summer irrigation adjustment for all accounts is adequate.

KTDA/Haas Request for Permit Extension: John Haas sent an email request yesterday asking for an additional extension for submitting the required information on the conditional permit for the Water Tower Place in the Town Center.

Director Olson moved to approve KTDA's request for an extension on the Water Tower Place conditional permit to April 30, 2007. Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

NEXT MEETING

The next Board meeting is tentatively scheduled for Wednesday, March 28, 2007, at 8:00 AM. President Cronin will be out of town March 1-26, 2007.

ADJOURNMENT

Director Olson moved to adjourn the meeting at 11:38 am. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

02-13-07. min (3/28/07 Board Approved)

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

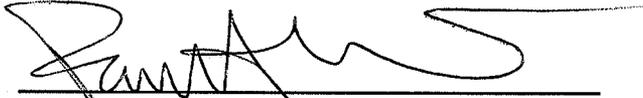
Acceptance of Monthly Financial Statements

Date 3/19/2007

The Board of Directors at its 312812007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	2/28/2007
Assets:	<u>\$ 47,796,431</u>
Liabilities	<u>\$ 19,219,567</u>
Equity	<u>\$ 28,576,864</u>

2 Income Statement as of	2/28/2007
Total Revenues	<u>\$ 3,426,983</u>
Total Expenses	<u>\$ (1,801,439)</u>
Net Revenues	<u>\$ 1,625,544</u>



Paul Cronin, President

**Big Sky Water & Sewer
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Big Sky, MT 59716**

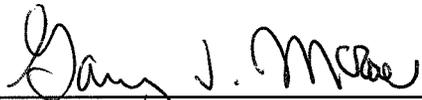
Acceptance of Monthly Financial Statements

Date 2/13/2007

The Board of Directors at its 2/13/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	1/31/2007
Assets:	<u>\$ 47,676,698</u>
Liabilities	<u>\$ 19,119,330</u>
Equity	<u>\$ 28,557,367</u>

2 Income Statement as of	1/31/2007
Total Revenues	<u>\$ 3,167,575</u>
Total Expenses	<u>\$ (1,561,528)</u>
Net Revenues	<u><u>\$ 1,606,047</u></u>



~~Paul Cronin, President~~
Gary Meray, vice

**Big Sky Water & Sewer
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Big Sky, MT 59716**

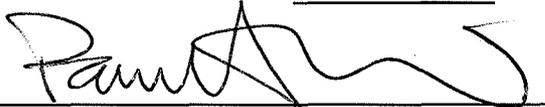
Acceptance of Monthly Financial Statements

Date 1/10/2007

The Board of Directors at its 1/16/2007 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	12/31/2006
Assets:	<u>\$ 47,819,461</u>
Liabilities	<u>\$ 19,501,153</u>
Equity	<u>\$ 28,318,308</u>

2 Income Statement as of	12/31/2006
Total Revenues	<u>\$ 2,708,579</u>
Total Expenses	<u>\$ (1,341,591)</u>
Net Revenues	<u>\$ 1,366,989</u>



Paul Cronin, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting – January 16, 2007, 8:00 am
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Tuesday, January 16, 2007, in the WSD Community Room. President Packy Cronin, Vice President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Bill Olson, Jeff Daniels, and William Shropshire were present.

Others present were WSD staff Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat; WSD legal counsel Mike Wheat; HKM Engineering representative Ray Armstrong (via telephone), Silver-tip representatives Leonard Liston and Charles Melrose; and BSOA representatives Mary Jane McGarrity and Tom Reeves. .

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

APPROVAL OF MINUTES

Director Shropshire moved to approve the regular meeting minutes of December 19, 2006, as written. Director McRae seconded the motion. Motion carried, 7 yea votes to 0 no votes with President Cronin voting.

FINANCIAL REPORT

Smith reviewed the December financials, noting that everything is favorable except the contributed capital, which he expects to turn around later this year. Director Olson asked about the 161% of budget on the propane for the treatment plant, noting that this item has been under budgeted in the past. Smith said he trimmed the budget last year because he said he was told the plant would operate more efficiently this year, that didn't turn out.

Director Olson moved to accept the unaudited December financial reports as presented. Director Fast seconded the motion. Motion carried, 7 yea votes to 0 no votes with President Cronin voting.

OPERATORS REPORTS

Water Operations: Muscat noted that the year end production totals for the meadow village were significantly down, approximately 30%. This is due to the three major leaks that were fixed— saving about 3 million gallons. The meadow village repairs have all been on AC lines, which are hard to detect leaks on. The mountain village production was up about 18% and Muscat guessed that there could be several factors for this increase. Production at Aspen Groves is up about 11%. Lone Moose production is up about 57%, but they always have higher use in the winter and very little use in the summer.

Mountain Wells: Edwards reported that he responded to the DEQ on the mountain village sanitary survey and water sampling request, but has not yet heard from them. In Edwards's response, he basically asked for a reclassification of the wells.

Sewer Operations: Edwards reported that Denny Black will return to work for the District in early February, replacing Jim Jones. Grant Burroughs was not available to present the flow reports.

ANNEXATION PETITION

Edwards recapped the discussion on the Silver-tip annexation request from the December meeting and asked Mike Wheat to address the legal implications if the Silver-tip property is to be considered for annexation. Mike Wheat distributed his response letter to Edwards' request for legal comment. Wheat's letter addressed the issue of capacity and the Board's statutory authority-by petition or ordinance. Wheat stated that the important thing the Board needs to consider is its past path where they have refused annexation requests. The previous Board decisions were based on the issue that, at the time, there was no excess capacity, and now the developer's engineer makes a case that there is excess capacity. Regarding the exposure of liability from West Berlin, Wheat doesn't feel that the District is exposed and listed three reasons-basically stating that West Berlin never went through the formal process of requesting annexation. President Cronin commented that there would be no guarantee that West Berlin would not bring a claim. The original agreement with West Berlin stated that, at the time, there was no excess capacity and West Berlin signed the water agreement knowing that. Director Fast asked if Wheat had reviewed the meeting minutes where there was a request for service from the bankruptcy court. Edwards reported that even though the issue was discussed at a meeting, they did not make a formal application. Director Allgood asked Wheat if the petition meets the District Ordinance qualifications. Wheat stated that he did not address the issue of whether they are property owners and did not feel he could give a solid answer on the ownership issue. Director Shropshire asked what defines excess capacity-is it where we have capacity today, but then if we provided annexation would we have excess capacity in the future. Wheat said the District has always relied on engineers' reports and there is nothing directly in the statutes that defines excess capacity. The District can always expand its treatment, storage, and irrigation to provide for additional connections. Ray Armstrong addressed the issue of capacity stating that capacity is a big issue statewide-is it flow coming into the plant, or is it lots to be served in the future. According to Armstrong, the state will accept the municipality's word on what they consider excess capacity. Undeveloped lots count as flow coming into the system, even though they are not using service yet. Armstrong said that on the wastewater side of capacity, the plant was designed on a lo-year basis serving 7,100 SFEs with full build over 9,000 SFEs (at around 90 gallons per SFEs). The District now has lower flows and agreed with Terry Threlkeld's report prepared for Silver-tip's annexation request. Armstrong stated that the plant could certainly be expanded. The meadow storage is now 87.9 million gallons and Yellowstone Club will provide 130 million gallons-and the total of 217.9 million gallons matches well with the full build out flows. Irrigation capacity of the golf courses is the limiting factor-using both the meadow village and Yellowstone Club courses we are limited to 207 million gallons per year; which is less than full build out flows. There is a T line to Spanish Peaks, but there are no agreements to use this course and no engineering has been done to use this area. The flows, when adding Silvertip, would be around 250 million gallons. Edwards commented that Spanish Peaks would probably work with the District for using treated wastewater to irrigate their golf course, but he wasn't sure about their storage capacity. Edwards said if the meadow golf course is expanded as proposed, it would increase our area for irrigation. Edwards reported that the District lost Tract 8 for irrigation when the Townhomes were built and we have not used the pasture areas for sometime. Armstrong addressed the issue of water capacity, stating that Threlkeld's numbers were presented on the average day demand. However, the State requirement for excess capacity is to meet peak day demands with the largest well out of service. Using 2006 records on the mountain where peak demand per day is 530 gallons per minutes, and then factoring in the largest well out of service, the District would not have excess capacity. Armstrong did not take

into consideration the connection of the mountain and meadow as there is no way to get the water to the mountain. *Edwards asked that Armstrong send the District this information he presented in writing.* President Cronin recapped the issues as ownership, capacity, and a philosophical change in WSD policy on offering additional capacity. Director Shropshire stated that excess capacity has to be defined before the Board can annex the property into the District. Wheat reviewed the state statute where "the current" needs of the District is stated as a requirement for annexation. Based on peak day demand of water there is not excess capacity to provide water service. WSD ordinance calls for a special election for annexation if the issue proceeds. Edwards estimated that the county could probably do a mail ballot election in 90-100 days. In regards to ownership of the property, Wheat said that an "option to purchase" is not ownership; it is only the right to purchase the property. Wheat stated that he had not done the legal research on the ownership, but he felt that the petitioner does not have the right to petition to be annexed, as they are not the current owners. Wheat feels that the statute is clear on the issue in that it talks about the property owner. President Cronin stated that he is not comfortable proceeding without having the property owners petitioning for annexation and, philosophically, the District has not approved annexation requests. Edwards noted that the District has drilled two more wells in the meadow and that will be factored into capacity in the future.

President Cronin called for approval of the first reading of Ordinance 07-1001.

Director Shropshire moved to approve the first reading of Ordinance 07-1001. Vice-President McRae seconded the motion. Edwards noted that the Ordinance calls for 52.5 SFEs at a cost of \$10,000 per SFE. If annexation is approved, Edwards stated that Mike Wheat recommended a separate annexation agreement, which would put more detail into the cost, etc. Director Olson noted a typographical error that needed correction. Director Olson asked how the District can vote on the first reading when we don't have a petition from the owner. Director Shropshire said a vote in the negative would address the issues of capacity and ownership. President Cronin said the Board still needs to further discuss the District's philosophical policy on annexation at a later meeting. President Cronin called for a vote. Motion failed, 0 yea votes to 7 no votes. Director McRae stated for the record that he would support annexation of this property if the owner presented the petition.

Wheat distributed and reviewed his letter on the validity of the water line easement in the West Berlin Agreement. Since the agreement has not been terminated, then the easement still exists. Edwards reported that at the December meeting, the Board voted to remove the line. However, the District has some logistical issues to address regarding easement alignment with Skycrest. Wheat stated that the District would have 2 years from the time of terminating the agreement to move the line.

Director Fast recommended that the Board resolve the philosophical issue of annexation at a future meeting without being under the gun with a request for annexation. Director Allgood believes that if a petition is valid, then it should go to a vote to the public and that should be a District policy decision. Director Shropshire stated that a request of annexation needs SFEs to also meet density that is allowed by zoning. Director Olson wants the District to have a fee structure formula for SFEs for annexation. *Edwards said that he has asked Ray Armstrong to prepare that information.* Edwards reported that the Thumb property/Spanish Peaks will be having a similar request for annexation, but they will be shifting SFEs from their other property.

Director Olson asked if Silver-tip had SFEs and was only asking for annexation would they be allowed to annex. Director Fast stated that we left the developer without an answer-would we annex in the property if ownership requirement was met- and the District needs to have a policy on what would be allowed for future annexation requests with a valid petition. Mike Wheat stated that the statutes allow the Board to grant a petition at its discretion, but it would be helpful for the Board to have defined criteria addressing ownership, capacity, fees, etc. Edwards commented that there is a fundamental issue of whether the District will allow annexation if we have to create additional capacity.

AMEND AGENDA

Director Fast moved to amend the agenda to address the Search and Rescue request. Director Daniels seconded the motion. Motion unanimously passed.

SEARCH & RESCUE

Tom Reeves provided an overview of the Search and Rescue pointing out that they are a volunteer organization that gets about 30 missions per year. They have an operating budget of about \$25,000, with \$6,000 coming from county funding. They get less than 10% of their funding from Gallatin County. They currently store their vehicles at Canyon Adventures and need to find a permanent facility to park their vehicles and store their equipment. The Fire Department currently allows a small space for storing some of their equipment but the Fire Department needs their space. Search and Rescue would like to build a storage center and are asking the District for a piece of land and then they will ask for funding from resort tax to build a center. Even though Search and Rescue would be primarily looking at resort tax funding to build the building but would request financial assistance from Yellowstone Club, Moonlight, etc. Mary Jane McGarrity of BSOA informed the Board that they have acquired the property next to the treatment plant and reminded the Board that the WSD no longer has a legal access to its treatment plant. McGarrity stated that if WSD provided land to Search and Rescue then access would need to be negotiated. McGarrity pointed out that BSOA does not have a steady stream of funding for upkeep of the parkland and wants to start the line of communication about the WSD treatment plant access issue. Edwards reported that in November, or December, 2005, that the Board had told Search and Rescue that WSD was not in a position to parcel off land as long-term planning needed to be done. Reeves clarified that they are requesting a footprint of 4,000 sq. ft. and that they would design a building similar to the WSD buildings that are already there. The Board stated that Northwestern Energy will be putting in a road for their substation above the treatment plant and maybe Search and Rescue could tie into the road. Director Olson mentioned that there may be appropriate land above the treatment plant and near the planned Northwestern Energy substation that the District had identified when the request from Northwestern Energy was discussed. According to Reeves, Search and Rescue would work with the Sheriff Department to also provide space for them that they would sublet. President Cronin stated that with this information their request has change-is it a seldom used search and rescue building, or is it going to be a municipal center. Reeves stated that an agreement can be qualified to not include other entities in their building. However, Reeves did report that it is there intent to allow other entities to use their facility in emergency situations. Edwards reminded Reeves that the WSD infrastructure stops at the plant and that engineering and extension costs must be considered if water and sewer service is intended to be provided. Director Daniels stated that the main reason for the Search and Rescue's request to the WSD is because of the input from the resort tax board. Director Shropshire asked if the WSD needs to do a thorough analysis of its

needs and prepare a site plan for what lands would not conflict with the future operations of the District. Director Shropshire stated that the District needs to know its potential future demands before the Board can consider requests for land. Edwards stated that the treatment plant is on 12 acres and there is another 30 acres next to the plant. An additional SBR could be built on the 12 acres. *The Board directed Edwards to talk to Northwestern Energy about their roadplans and then to identify potential sites. President Cronin said that the District will go through a planning exercise to identify the District's future needs and then we can identify potential land for Search and Rescue.* Director Fast asked if an agreement could be rescinded if the District ever needed the land.

Vice President McRae moved to have Edwards work with Northwestern Energy on the road footprint and to identify a one-acre parcel for Search and Rescue. Director Shropshire seconded the motion. Motion passed, 7 yeas votes to 0 no votes with President Cronin voting. Tom Reeves will provide Edwards a footprint rendering of the Search and Rescue building.

Director Olson stated that he served on the BSOA board during the time when the WSD was granted access through the community park. Director Olson clarified that when the BSOA entered into this agreement for the WSD to have access to its plant, it was intended to be permanent.

MEADOW VILLAGE WATER SYSTEM: WELL DRILLING & FINANCING

Edwards asked for Board officer signatures on the resolution for the \$5 million bond.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards reported that Elkhorn Condominiums was fined by DEQ because they started their project prior to State approval and that HKM is the engineering they are using.

SEWER & WATER PERMITS

BSTC5C/Chad Rothacher submitted a permit application for 16 SFES in the Town Center, Block 5, Lot c.

Director McRae moved to conditionally approve the BSTC5C sewer permit application for 16 SFES as submitted. Director Olson seconded the motion. Motion passed, 7 yeas votes to 0 no votes with President Cronin voting.

GENERAL CORRESPONDENCE

The Board discussed the ORW for Gallatin Canyon. Edwards stated that he feels that the Canyon should figure out a way to connect the canyon to the WSD treatment system. Edwards believes that if this happens that all the environmental groups would provide support that would include supporting ground water discharge. Edwards feels that the District should be a part of the discussion on the ORW meeting where he will speak on why the District cannot just serve the canyon,

ANNUAL DINNER

As agreed to by the Board, the annual dinner will be on February 2, 2007, at the Big EZ Lodge. Kennedy will provide additional details once they are available from the establishment.

NEXT MEETING

To accommodate board schedules, the next Board meeting is tentatively scheduled for Tuesday, February 13, 2007, at 8:00 am in the WSD office.

Draft revisions of the Ordinance and a request for annexation from Spanish Peaks for The Thumb will be on the agenda. *The Board directed Edwards to have signed easements from Spanish Peaks before the Board considers an annexation request.*

ADJOURNMENT

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



Dick Fast, Secretary

01-16-07.min (Board Approved 2/13/07)

DRAFT

CERTIFICATE AS TO ORDINANCE AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of Big Sky County Water & Sewer District No. 363, Montana (the "District"), hereby certify that the attached ordinance is a true copy of an Ordinance entitled: "AN ORDINANCE OF BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363, MONTANA, GRANTING THE PETITION OF LDMS, LLC TO ADD LAND TO THE DISTRICT; REFERRING THE ORDINANCE TO A VOTE OF THE QUALIFIED ELECTORS OF THE DISTRICT AND THE ELECTORS OF THE PROPOSED ADDITION AND REQUESTING THAT A MAIL BALLOT ELECTION BE HELD THEREON" (the "Ordinance"), on file in the original records of the District in my legal custody; that the Ordinance was duly adopted by the Board of Directors of the District at a regular meeting on _____, 2007 and that the meeting was duly held by the Board of Directors and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Ordinance has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Directors voted in favor thereof: _____, voted against the same: _____; abstained from voting thereon: _____; or were absent: _____

WITNESS my hand and seal officially this __ day of _____, 2007.

Dick Fast, Secretary

DRAFT

**BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
ORDINANCE 07-1 001
FIRST READING DRAFT**

Adopted: _____

AN ORDINANCE OF BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363, MONTANA, GRANTING THE PETITION OF LDMS, LLC TO ADD LAND TO THE DISTRICT; REFERRING THE ORDINANCE TO A VOTE OF THE QUALIFIED ELECTORS OF THE DISTRICT AND THE ELECTORS OF THE PROPOSED ADDITION AND REQUESTING THAT A MAIL BALLOT ELECTION BE HELD THEREON

BE IT ordained by the Board of Directors (the 'Board') of the Big Sky Water & Sewer District No. 363, Montana (the 'District') as follows:

Section 1. Recitals and Findings.

1.01. The District has received a petition from the LDMS, LLC ('the Petitioner') requesting the addition of certain lands to the District, which petition has been determined and certified to meet the requirements of the Title 7, Chapter 7, Parts 22 and 23, Montana Code Annotated.

1.02. The District's engineers have determined that the District has sufficient surplus water and wastewater capacity to service a maximum of 52.5 Single Family Equivalents (SFEs) of build-out density.

1.03. As a condition of annexation, the Petitioner and its successors in interest agrees to compensate the District ten thousand dollars (\$10,000) per SFE that is developed as the Plant Investment Charge for each SFE developed on the annexed lands.

1.04. Petitioner agrees to indemnify and to hold the District harmless against any claims made against the District for lost damages concerning the development of the annexed lands described below.

1.05. Petitioner and its successors in interest agrees to sign a recordable "Annexation Agreement" in a form provided by the District that more fully describes all of the conditions of annexation.

1.06. After a public hearing on the proposed addition to the District duly noticed and held on _____, 2007, the Board determined that the addition of the land to the District, as requested in the petition, in the best interest of the District.

1.07. Section 7-13-2341, Montana Code Annotated, requires that the District grant the petition by adoption of an ordinance, which because of the precedence; the Board has decided to submit it to the electors of the District as well as to the electors of the proposed addition.

The Secretary of State shall transmit the certificate to the County Clerk and Recorder for filing, upon which the territory is deemed added to the District.

Passed and approved this _____ day of _____, 2007.

President, Board of Directors

ATTEST:

Secretary

(SEAL)

DRAFT

EXHIBIT A

NOTICE OF BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
~~Election on Approval or Rejection of District Ordinance Adding~~
Summit View Phase IV Addition to the District

NOTICE IS HEREBY GIVEN by the Board of Directors (the "Board") of Big Sky County Water & Sewer District No. 363, Montana (the "District"), that pursuant to a certain ordinance duly adopted at a regular meeting of the Board on _____, 2007 (the "Ordinance"), which Ordinance is available for public inspection, a mail ballot election of the registered voters of the District and the Summit View Phase IV Addition will be held on _____, 2007 for the purpose of voting on the question of whether or not to approve or reject the Ordinance of the Board adding the Summit View Phase IV Addition to the District. The Summit View Phase IV Addition consists of the following land in the District:

Certain lands lying within the SW¼ SW% of Section 20 (Summit View Subdivision Phase IV), Township 6 South, Range 3 East.

All qualified electors of the District and the shall be entitled to vote on the Ordinance. For purposes of this election, the qualified electors include those registered electors owning or residing upon real property in the District and the Summit View Phase IV Addition, or in the case of property owned by a corporation, the president, vice president or secretary of the corporation who shall be a registered elector. The Secretary of the District is hereby authorized and directed to give notice of the call and details of this election to the County Election Administrator. The County Election Administrator is requested to give notice of the close of registration and thereafter prepare printed lists of the qualified electors in the District and the Summit View Phase IV Addition entitled to vote in the election in the District and the Summit View Phase IV Addition and to conduct the election in the form and manner prescribed by law and consistent with the Mail Ballot Plan, as follows:

The election will be conducted solely by mail ballot. Ballots will be mailed to all eligible registered voters in the District and the Summit View Phase IV Addition on _____ 2007, and must be returned by each voter to the County Election Administrator's Office by mail to the Gallatin County Elections Department, 3 11 West Main Street, Room 103, Bozeman, Montana 59715, or in person to the Gallatin County Courthouse, 311 West Main Street, Bozeman, Montana, during regular business hours (8:00 a.m. to 5:00 p.m.), weekdays, _____, 2007 through _____, 2007.

On Election Day, _____, 2007, the only place for deposit of voted ballots will be the office of the County Election Administrator at Gallatin County Courthouse, 311 West Main Street, Room 103, Bozeman, Montana, which will be open fi-om 8:00 a.m. to 8:00 p.m., and all ballots must be in that office by 8:00 p.m. in order to be counted. All ballots will be tallied in the office of the County Election Administrator after 8:00 p.m. on _____, 2007.

A qualified voter who will be absent from the District or the Summit View Phase IV Addition during the time the election is being conducted may:

DRAFT

EXHIBIT B

**BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363, MONTANA
Election on Approval or Rejection of District Ordinance Adding
Summit View Phase IV Addition to the District**

_____, 2007

INSTRUCTIONS TO VOTERS: Make an X or similar mark in the vacant square before the words "Ordinance Annexing Summit View Phase IV Addition to District — Approve" if you wish to vote for approval of the Ordinance; if you are opposed to the Ordinance, make an X or similar mark in the square before the words "Ordinance Annexing Summit View Phase IV Addition to District — Reject".

Shall Ordinance No. 07-1001, adopted by Board of Directors of Big Sky County Water & Sewer District No. 363, Montana (the "District") granting the petition of the LDMS, LLC to add the following land to District:

**Certain lands lying within the SW% SW% of Section 20 (Summit View
Subdivision Phase IV), Township 6 South, Range 3 East.**

with such land becoming subject to the same rules, regulations, ordinance fees, charges and taxes as the other property in the District, be approved?

ORDINANCE ANNEXING SUMMIT VIEW PHASE IV ADDITION TO
THE DISTRICT — APPROVE

ORDINANCE ANNEXING SUMMIT VIEW PHASE IV ADDITION TO
THE DISTRICT -REJECT