

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –January 15, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, January 15, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Director William Shropshire participated via telephone until 9:00 am. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Mountain Lake representative Chuck Melbur and their engineers Doug Chandler and Eric Garber from Allied Engineering, and Skip Radick representing Deer Run, Moose Ridge, and The Pines developments.

PUBLIC FORUM

President Cronin called for public comment at 8:10 am, noting that the Board is still just talking about the SFE calculations. Skip Radick stated that he was at the meeting for the SFE topic. With no further public comment, President Cronin called the meeting to order at 8:11 am.

MEETING MINUTES

Director McRae moved to approve the minutes of November 20, 2007, as written. Director Olson seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith stated that the District is right on target as to what he expected. The unanticipated water repairs of approximately \$40,000 made the water side a little over budget, but Smith expects that to turn around in the next few months. The Mountain Inn sold and they are now current on their account, the Big Sky Apartments are still behind, but they always pay before it goes to the tax roles.

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

Delinquent Interest Penalties:

Smith reviewed a previous letter from John Brown that presented a limit of 15% and reviewed the MCA which views the late fee for user charges the same as tax collection which is a 10% limit. Smith recommended the 10% limit. Edwards felt that if the Board wants to consider a change in a late fee, then he would recommend that it be addressed at the time the Board reviews the budget. Smith stated that an additional penalty could be added--BSOA does a late fee plus interest. Smith believes that the 10% is substantial and it is a guarantee with the collection through the tax roles. Director Olson stated that since we always get paid eventually, then we probably don't need to change the interest. Smith feels that the 10% penalty is adequate but he is comfortable with raising it to 15% but he feels the legislature wants the penalty to mirror the statutes, which is 10% and Smith said that 10% is significantly higher than the prime. Director Allgood feels that since prime is a moving target, the penalty would have to be a moving target. Director Fast believes the language lets us lock in at a particular date. President Cronin stated

that if we decide to change the penalty rate, we need legal counsel review. Edwards reported that Mike Wheat has officially retired from his practice and Edwards will be talking with Susan Swimley about representing the District as that is who Wheat recommended. Director Olson asked if Smith could talk with Big Sky Apartment representatives and ask them to get their accounts paid more on time. Smith said we make 3.9-4.61% at the banks and 10% is what we charge as a late penalty. *President Cronin directed Edwards to get a legal opinion from Susan Swimley on increasing the upper limit to 15% on the penalty, or prime plus. The Board also directed Smith to talk with Big Sky Apartments about increasing late fees if the accounts are not paid on time.*

SFE SQUARE FOOTAGE METHOD—COMMENTS

Edwards stated that he emailed a short synopsis on what is being proposed in the change in SFE calculations. President Cronin stated that he received a call from Bill Simkins yesterday and he encouraged Simkins to set up a meeting with Edwards. *Edwards said he will call Simkins & set up a meeting.* Doug Bing sent an email and Bing is concerned about their build out of Black Eagle and how the SFE change will impact their plan and put them at risk at losing a building pad because they have used all the SFEs with the square footage calculations being used. Radick stated that he is also concerned about the same issue with Deer Run, Moose Ridge, and the Pines and their proposed build out for each development. Edwards said the District will need to figure out how this affects these condo projects and then to decide if we need to continue calculating their SFEs under the existing system. *Edwards will go through the exercise to figure out how it will affect these developments.* President Cronin said that the Board's intention is not to pair down the developments, we are just trying to get a system where staff do not have to decide if the space is a bedroom—the District doesn't want to get hung up on the small amounts. Director Olson stated that this should not be onerous on anybody. Radick wants to make sure that whatever the Board comes up with it doesn't penalize any of the developments that will decrease the already approved density. Director Fast felt that the tiered margins Edwards designed would have a minimal effect. Edwards said he feels the definition would be everything but the garage, even the bonus room above the garage. Edwards will be meeting with Spanish Peaks later this week and he also asked Brian Wheeler of Boyne to review the proposed SFE changes. Edwards feels this square footage calculation is on track to becoming a better system. President Cronin asked that square footage be defined, either using the inside walls or outside walls. *The Board consensus was that it would be easiest to use the outside walls as this is what the tax records use.* Edwards feels that we will get more feedback from the development interests. Radick said using the Pines, which is the remainder of the Hidden Village development; he doesn't see why the District doesn't just tie it into the number of total units that already has an approved site plan and to not use SFEs or square footage on these developments. *President Cronin directed Edwards to meet with developers and get feedback.* Edwards said that if a change is to be done, it will require a mail out notice and public hearing. Director Allgood said a notice and hearing could include the penalty rate change, irrigation rate and charges—wrapping everything up in one public hearing. *President Cronin directed staff to have this done for the April meeting.*

MOUNTAIN LAKE CONDOS LETTER—ANNEXATION REQUEST

Mountain Lake representative Chuck Melbur and Doug Chandler and Eric Garber from Allied

Engineering asked the Board to consider annexing the Mountain Lake development. Allied Engineering was hired about two months ago to get the water and wastewater systems for Mountain Lake up to snuff. An Advantex system is being used for the first building and they plan on having a total of three buildings. Chandler reviewed the history of the issues on why the development had been turned down in the past. Now the developer will agree to lower its density to 53 SFEs, they are asking the District for annexation for wastewater service in addition to water service. They would hope that the District would contemplate on how this would be a mutually beneficial system with details of the water system needing to be worked out by finalizing and improving the well and setting connection fees to make it beneficial to the District. Garber stated that basically the first building is completed and they now have an Advantex system with the drain field, which is the same as the original DEQ approval. There are six units in the first building with 36 units total proposed. The next buildings would necessitate the movement of the existing drain field. If District wastewater disposal was not available, they would use sand beds for drain fields and Advantex pods. According to Melbur, the swimming pool and hot tub are not connected to the Advantex system—the water recirculates with the salt system they use. If the water needs to be changed, it would have to be hauled away. If the development was built out with an Advantex system, a certified operator would be required but it would not be a full time operator. Director Allgood asked how many years their proposed system would last. According to Garber, 50 years is a rough estimate but he cannot guarantee it. Garber said the best thing would be for the District to take the wastewater. According to Chandler, the developer is amicable to scaling the development back to the approximate 53 SFEs that the Board originally referenced as a limitation, but the development hasn't been scaled back yet. If the developer is willing to limit the development, then Director Olson said he would support the annexation. Edwards stated that the preliminary discussions included that annexation could go out to a vote for annexation to the District property owners, or the Board could choose to annex if capacity was determined. President Cronin stated that, per previous Board discussion, if we were to move ahead with annexation, the issue would have to go to a vote to District property owners. President Cronin said the wastewater is tied to the water issue, and asked if the water rights have been obtained. According to Chandler, there are no water rights. Chandler feels that the District would have more success to go for water rights than the developer would. President Cronin would like to see a well with water rights. Chandler stated that the District would like more water rights than what would serve the development and the District should pursue the water rights. From the data previously presented, Edwards feels that we could get about 75 gpm from this well. Director Olson suggested that the District be given rights to drill an additional well on other land in the development. Edwards reported that when Mountain Lake was pump testing their well, we did see a difference in our current wells run times so this new well is producing from the same aquifer as our other wells. According to Garber, the timeline for the second building is to move ahead as quickly as possible—under construction by May-June 2008 and online by summer of 2009. When the second building is near completion the existing drain field would have to be moved. Chandler stated that the developer needs an answer from the Board soon so that they can plan for a reduced density if needed. Directors Olson and McRae feel that the developers have gone through the steps that the Board has previously discussed and would support going through the annexation voting process. Director Fast asked about implications for the future. *President Cronin stated that the District needs to come up with an overall strategy*

when asked to consider this type of annexation, as this will set precedence. The District needs to look at the process we go through every time this come up—Firelight, Canyon, and Antler Ridge--and have a policy with terms and conditions. Director Olson stated that as a water and sewer district we should be cognizant of this and be looking at preserving a very sensitive area. *Edwards suggested that the District review annexation procedure and set policy on this issue.* Chandler said it is the District's opportunity to come up what capacity is worth in dollars and then the developer can weigh that with their own system designs and decide if they want to be annexed. Director Fast asked how the District would spread out the cost of a new service area. Chandler sees it as a capital cost to offset the SFEs. *Edwards said the capacity issue of full build out vs. the capacity today needs to be decided on in addition to who pays for additional infrastructure.* Chandler said new development would need to buy in, and there is also a lot of opportunity out there for wastewater reuse. President Cronin asked if the Board is willing to move forward on this request. *Edwards said an annexation ordinance would need to be done, fees would need to be set, timeline for voting would have to be set, and the well issues would need to be cleaned up (6" to 8" casing, water rights, etc.).* Director Fast asked if we should be deciding on this prior to taking care of the bigger issue. Director Allgood feels that we need to involve legal counsel before moving forward on the issue and then possibly go through a property owner vote on this; but if our policy allows the Board to vote than maybe we should. Director Daniels supports the annexation from an environmental standpoint. Director McRae feels that the Board is knowledgeable enough to make a vote on the issue. Edwards stated that the whole issue is surplus capacity and how we define it. President Cronin said the Board will hold off on a decision, but will *proceed with the details of an agreement.*

Director Olson moved to direct Edwards to draft an annexation ordinance, set connection fees, provide details of well completion and water rights filing, have legal counsel provide a legal opinion, and set SFE development limits per the District formula. Director McRae seconded the motion. President Cronin called for discussion. Chuck Melbur assured the Board that his building plans would not exploit the loopholes with bonus rooms, no closets, etc. Motion passed 6 yea votes to 0 no votes with President Cronin voting. Director Shropshire was not present for this vote at 9:33 am.

SEWER OPERATIONS

Burroughs was not present to provide a flow report.

Moonlight Basin Compost Request: Edwards said that the volumes referenced in the Moonlight letter is similar to the District volumes. Edwards recommended tabling this issue until Burroughs has time to review the request and to also have Moonlight's engineer make a presentation to the Board. *President Cronin directed Edwards to invite the engineer to the March board meeting to present their request.*

Director Olson reported he feels that Moonlight has a problem with a drain field near the Iron Horse lift.

WATER OPERATIONS

Muscat reviewed the flows report. The snap shot shows that the MV system is up 8 million gallons over last year, which Muscat said was caused by the dry summer weather coming earlier with high demand in June & July. Once strict irrigation restrictions were in place, demand significantly decreased in August. Muscat said with the HV repairs we are now experiencing about 1 million gallon a month reduction on the long term. Water use in the Mountain Village and Yellowstone Club are up. YC is up 43% for the year so the mountain area probably isn't up—just YC use. Muscat stated that YC is still within their allowed use. Edwards said that with YC use still up since October there has to be leaks on their system. Muscat said it is a shame that they are wasting the water, but they are not over their allowed use with the well they provided the District and Bob Sumpter has told him they are within their limit. Edwards said that if they don't fix the leaks they will use up their capacity as they continue to develop. Edwards reported that they now have meters at the homes so they can calculate what is really being used for households and compare that to what we are pumping. *Director Fast would like a report at the next meeting from Glen Wood that provides the numbers of what is going to their individual services/meters.* Edwards will extend an invitation to Glen Wood to attend the meeting. The District's agreement provides for 78 million and Muscat said it will be a big issue if we have to shut them off. Director McRae feels that YC could do leak detection in May when use is low. Muscat said that, at some point, YC will realize that they need additional water supply and then they will have to do leak detection and repair, plus possibly explore an additional well. Director Fast reported that he talked with Bob Sumpter about re-routing the wastewater line past Andesite Ridge. The new YC condominiums are southeast of their Rainbow Restaurant, which is outside the District and will not impact our system. Muscat feels that we are gaining grounds in the meadow. Aspen Groves water is being provided from the mountain right now, but Muscat is running it slowly and it is working great thus far. Director Olson commented that in regards to Mountain Lake's 6" well or 8" well, we should say they have to provide a net gpm in the agreement and hold them to produce it. Muscat said with the way their pump test affected our wells; we need to be careful that we are not canceling out their increase by reducing our wells. *Director Olson wants a guaranteed net gpm with the Mountain Lake agreement.*

Edwards reported that we currently have about 4,200 SFEs on the billing database. However, the approximate 2,200 individual billing records are skewed as some of the large buildings like the Summit and Mountain Inn only have one billing account. The new Village One is a fractional ownership, but Boyne gets only one bill for the building.

Meadow Village Water System Projects:

Future New Mountain Water Tank Site: Edwards reported that the District did test pits for a new water tank site and the next step is to get an easement from Boyne. We will need to pin down Boyne on their maximum upper development prior to proceeding with selecting a water tank site. Edwards stated that the proposed site is tucked into the trees and is a good site. *President Cronin directed Edwards to start dialogue with Brian Wheeler and get the details worked on how we handle the material so it doesn't have to be hauled off site.* Edwards reviewed the Bechtle Slade drawing that shows the building envelope by the "bone yard". It looks as if the proposed tank site is above the proposed development but that needs to be verified. *Edwards will work with Brian Wheeler to get a tank site and pipeline easements.*

Hidden Village: A stop work order was given to Johnston. They will need to return in the spring to complete the small section in Pinewood Hills and that they will have 10 days to finish the work. The only change order was for additional time. The District is not involved in the road work—Hidden Village will be responsible for overseeing that work. Edwards said the project went well with help from Nic Wellenstein, Kristen Ramirez, and Mike Whilhelm. *Edwards will have a service put in on Jim Holmes lot in the spring.*

Mountain to Meadow Pipeline: SMI has is a little bit of work on the vault left, plus the installation of the telemetry. The telemetry is supposed to be installed in January. The Board approved upgrades to improving the pulling times and that will be done as the same time.

Water System Capacity Analysis: Edwards met with Mark Cunnane and Cunnane has started on the water system capacity analysis which he thought would take a couple of months.

NORTHWESTERN ENERGY SUBSTATION

Edwards met with Matt Micklewright to let Northwestern know that the substation site could not be moved and he has not heard any other further information from Northwestern. Edwards will try to press them to *get an update on their substation building to present to the Board at the February meeting.*

ORW WASTEWATER SOLUTIONS PROJECT CANYON STUDY

Edwards reported that Ray Armstrong, HKM Engineering, has finished their review of collection system alternatives and they are looking at the logistics for expanding the District's current plant, converting the SBR plant to a MBR plant, and snowmaking. DEQ will be at the next ORW meeting to comment on the alternatives. President Cronin asked about adding an additional 20% or whatever it is for exploring expansion for taking on the other projects such as Antler Ridge, Firelight, etc—we need to figure out the big picture. President Cronin said our responsibility is to present what we think can be handled for build out, which would probably result in a reduced building entitlement in the canyon. The canyon will then need to decide if they want to proceed with a central system. Edwards likes the idea of a winter drain field capacity on the golf course as a way to get rid of wastewater in the winter. We would need easements for this in addition to being smart about the location of our wells in relation to a drain field. President Cronin said we cannot take the District's system to a limit where we cannot serve our existing District commitment.

SEWER & WATER PERMITS

Edwards reported that only four permits were issued since November and the District has 174 SFEs going into the new construction season.

BOARD RETREAT

Edwards suggested having an offsite board retreat at the mountain. To formulate an agenda, *Edwards will come up with a bullet list of topic items and distribute it for board review and comment. Edwards will come up with a location and dates.* Dr Daniels offered his house. Director Fast noted early March as working well for his schedule. Edwards will contact Director Shropshire for a date that will work for him.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action. Director Allgood reported that he has tickets available for the Rotary Club Gold Rush dinner.

Edwards commented that the District is not on any inside track as to the community rumors on what is being sold and what is planned for future development. Director Fast reported that CNL will be buying out Boyne and that Boyne will still run operations.

ANNUAL DINNER

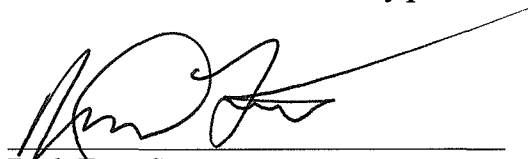
The annual dinner is this Friday at the Peaks.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, February 19, 2008, at 8:00 AM. The fourth Tuesday was requested by Shropshire but it did not work for Fast, Olson, or Edwards.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:50 AM. Director Allgood seconded the motion. 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

1-15-08. min (Board Approved 2/19/08)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –February 19, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular board meeting for 8:00 am on Tuesday, February 19, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Directors present: Dick Allgood, Jeff Daniels, and Bill Olson. Secretary Dick Fast, Vice President Gary McRae and Director William Shropshire were not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Grant Burroughs. Others present were Boyne representatives Brian Wheeler and Jamie Roberts, Moonlight Basin representative Eric Butts, Morning Star representative Laura Sacchi, and Pinnacle Condominiums/Gallatin Associates representative Al Malinowski.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:12 am.

MEETING MINUTES

Director Daniels moved to approve the minutes of January 15, 2008, as written. Director Olson seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith briefly reviewed the financials with no board comment.

Director Olson moved to approve the January 2008 financials as presented. Director Daniels seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

Director Allgood noted that our former auditor's (Marjorie Knaub) father in law (Harold "Coach" Knaub) passed away.

Delinquent Interest Penalties: Edwards met with Susan Swimley and she will be here at the March meeting to provide an opinion. Edwards reported that Swimley has verbally agreed to be the District's legal counsel and she will send a contract.

MOONLIGHT BASIN COMPOST REQUEST

Edwards reviewed Moonlight's request from the January board meeting, where they asked the District to handle their digested sludge. The Board tabled action in January on the request so that a Moonlight representative could be present to answer questions. Moonlight Basin representative Eric Butts reported that they will submit their treatment plant facility plan to DEQ in the next month, or two, for approval and they are asking the District to handle their sludge for the next 5-10 years. According to Butts, the original request letter provided volume for full build out. With construction to be completed in 2009, their numbers are 145 pounds per day in 2010 and 200 pounds per day in 2014. Burroughs emphatically stated that the District is not set up to handle Moonlight's sludge and that we cannot physically handle anything like this request. The District does not have storage for additional sludge and, as stated by Burroughs, "it would be a stinky mess." Burroughs suggested that HKM look at different options for Moonlight, possibly windrowing. Burroughs added that most developments till their sludge into farm fields. Missoula is the only facility that Burroughs is aware of that handles sludge. Butts said that eventually they want to do the composting on site, but they are not ready to do it. Burroughs stated that we would have to dramatically modify our system to handle other sludge and it would be a mess. Butts asked if the District would be interested in modifying its system. Burroughs responded that he wasn't interested, as we do not have the land to windrow the sludge. Burroughs feels that Moonlight has other options, such as the windrowing as done by Missoula's

Ecosystem. The District's system is designed to deal with a lot less volume than what the Moonlight's request is for. President Cronin stated that, based on staff report, the District will not be able to approve Moonlight's request. Burroughs also informed Butts that Western Pines may be interested in obtaining Moonlight's sludge.

MORNING STAR SCHOOL SERVICE REQUEST

Edwards stated that there was a letter from TD&H in the Board packet for Morning Star that asks for 7.5 SFEs to serve a parcel that was originally designated as park space without SFEs assigned. Laura Sacchi stated that the parcel will be leased by Morning Star and TCOA will retain ownership. Morning Star has about 30% of the 4.6 acres, with the rest to be used for park space. Additionally, the TCOA will have full dominion over the rest of the parcel. Edwards stated that the parcel is in the District, but doesn't know why the Simkins do not want to allocate any SFEs. Edwards identified the two parcels, COS 214 (old McBride farmstead) and this parcel (which was also owned by McBride), that are without SFEs and said the District could take SFEs from the original Westfork allocation since they are almost built out and will not use all their SFEs. Edwards said it is his goal to serve parcels with SFEs that are in the District. President Cronin provided a history of why McBride's parcels were not in the District—basically being that McBride did not want to be part of the District. The dilemma the District has is that the property is in the District. Edwards asked if they have explored onsite septic. Sacchi responded that they have discussed it, but they want to connect to the public system to keep it "greener". According to Sacchi, they want 7.5 SFEs now, but intend to come back with a request for a reduced number of SFEs. Since they are taking measures to reduce their load by using modern facilities that use every possible water saving device and they will also be collecting water—thereby not using any potable water. These measures will reduce their intake of water and reduce their output—they will come back to the District and ask for less SFEs. Sacchi reported that their funding is \$300,000 from resort tax and \$280,000 from donations and that both the Yellowstone Club and Moonlight are financially supporting their "green" building. If they can get a District commitment for SFEs, they hope to start construction in late spring and be in the building next year. Edwards reported that there are water and sewer services out of the South Fork Subdivision that they can tie into. Director Olson commented that TCOA has always had this area as a park and he cannot see why they don't want to allocate SFEs. He also thinks that what Morning Star is doing as a "green" building demonstration project is a good thing. Director Olson feels that somehow the District needs to handle some of these things as it is a community benefit and he supports making SFEs available. President Cronin stated that he has worked with Simkins and Sacchi on what they are proposing since he is an adjacent neighbor. He has told Simkins that he wants more open type of development, but wouldn't be surprised if they ask for a public bathroom facility in the future. President Cronin wouldn't want to attach that the District wouldn't approve any additional requests, but he wouldn't support a big facility like a bowling alley, or other big recreation facility. Director Allgood commented that if Morning Star is going to use rainwater for supporting their facility, then the *District needs to meter the outflow that will impact our sewer system*. Director Daniels stated that the Board had previously discussed using allocations from SFEs that have not been used in other developments and that Edwards had talked about pooling these unused SFEs for community projects. *Edwards stated that he will do the math on what SFEs are being used in Westfork and South Fork*. President Cronin stated that he likes tying in the Westfork development allocation for use for this request.

According to President Cronin, it would not be a misuse of unused SFEs—it makes sense to approve the project. Edwards informed Sacchi that we haven't discussed the fee, but it would be \$3,500 per SFE unless the Board took some action. Edwards reported that when the chapel was built, the fees were not reduced—the District just gave them an extended time to pay the fee. The Board agreed that everyone pays the fee. President Cronin asked if everyone is comfortable at acting on this issue with such a small Board present. Edwards said he could do the math and then email the information to the Board and then do a poll vote. Edwards stated that Director McRae was supportive of the request but that he has not talked to Director Fast or Director Shropshire about the request.

Director Olson moved to approve the Morning Star School service request to allocate 7.5 SFEs based on the Westfork allocation and based on the McBride agreement of 1982. The allocation does not go to the entire park. Director Daniels seconded the motion. President Cronin confirmed that there will be a \$3,500 charge per SFE. Motion passed, 4 yeas votes to 0 no votes with President Cronin voting.

SFE REALLOCATION APPLICATION

Edwards stated that Boyne submitted two reallocation requests as a follow up to reconciling Boyne's SFEs where Edwards had previously sent a letter noting the clean-up action needed. The transfer cleans up SFEs on lots in Powder Ridge Phases 2, 3, and 4 and Area 1-11 where the original engineering put SFEs on the block 5 area. Powder Ridge Phase 2 Areas 1-11 has 204 SFEs and this application will retain 28.4 SFEs and move the rest to the pool. The second request uses SFEs from the Boyne pool and moves 77.9 SFEs to the Montana Club and 72 SFEs to the Village Center project. This will leave 610 SFEs in the Boyne pool. Edwards believes that once these requests are approved, this will clean up the Boyne SFEs. Brian Wheeler said future development will be tearing down—i.e. the mountain mall. Brian Wheeler also reported that the sale of Big Sky is off.

Director Allgood moved to approve Boyne's reallocation application as presented by Edwards. Director Daniels seconded the motion. President Cronin called for discussion. Motion passed, 4 yeas votes to 0 no votes with President Cronin voting.

SFE SQUARE FOOTAGE METHOD—PROPOSED CHANGES

Edwards reported that, at the last meeting, everyone was comfortable with the numbers presented for the residential application—three different classes/categories were used. Edwards stated that the contentious point is in the condominium application where the numbers from existing development came to .82 SFEs per 1,000 sq feet. Now the condominiums are being built bigger, around 2,500-2,700 sq ft and at .82 SFEs the calculations are hit with more SFEs because they are bigger units and the developers do not like the proposed SFE rate. By applying a tiered rate, like the single-family residences, then the District will get short changed and it would not be a good fit for the condominium projects. Edwards said that a system could be set up where they could use the tiered system up to so many units. Brian Wheeler confirmed that homes now being built are larger square footage and felt that the proposed SFE calculation change will be a step in a great direction with a more accurate assessment with these second homes. However, Wheeler feels that throwing everything in a condominium basket is a problem—i.e. where Powder Ridge condos have larger square footage. Edwards feels that the challenge group is the 2,500-4,000 sq.

foot condominiums, but he doesn't want to overly complicate the system. President Olson explained that a condominium is a method of ownership. Wheeler said his spin in smaller condominium developments, where you use a .80 SFEs up to 1,000 sq feet; you would get the 5th unit after building 4 units. Edwards said a residential rate applied to the condominiums would even the categories. Both Directors Allgood and Olson like using one rate system and applying it for both residential and condominium development. Edwards feels that over time the averages would even out and has told the developers that the District isn't proposing a SFE change as a windfall to the District. Edwards would like to expand the sample pool by adding the square footage information from newer condominium projects and make sure it is right and acceptable before adopting a change. *Edwards will add information to the data and present it at the next board meeting.* Edwards feels that the size slots should be different for condominiums and for single family residential.

HKM ENGINEERING CONTRACT AMENDMENT

Edwards reported that HKM is requesting a contract amendment of \$60,850 for the design work on the PRV vault and for the extended construction inspection as SMI was given an additional 35 days to finish the pipeline work. Edwards reported that HKM's turn around time for shop line submittals may have caused some delay and he didn't notice any thing being done by SMI that caused the delay. Additionally, SMI's original contract number dropped almost \$30,000. President Cronin stated that if engineering caused delays then that should be considered. President Cronin remembers reports from previous board meetings where the engineering work that was to be done kept being delayed. According to Edwards, SMI was disappointed on the turn around on the shop line submittals. Edwards said that some of the inspection days could be backed out of the request. If the requested amendment is reduced, *then he will send a letter explaining the reduction for construction inspection.* Edwards stated that overall, the District is very happy with SMI. However, SMI's contract will be backed out to replace the District's trailer they wrecked. The other Directors agreed with President Cronin in that the engineers have to be aware of timelines and the costs associated. Edwards recommended allowing 20 days for compensation. Director Allgood concurred with allowing 20 days and then to give Edwards the authority to approve up to 24 days if HKM objected to the reduction.

Director Allgood moved to approve the HKM contract amendment for \$21,000 for the additional engineering, plus allow only 20 days for the additional inspection costs. Director Olson seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

SEWER OPERATIONS

Burroughs reported that the high flow day was December 31. Overall the flows are down, which Burroughs attributed to fixing I & I and because water use is now metered.

WATER OPERATIONS

Edwards reviewed Muscat's report that showed that the production flows were about 2 million gallons less in January 2008 then January 2007. This is probably due to repairs in the meadow and Hidden Village areas. Edwards reported that the District is working with HKM to install a meter on the new line and at Aspen Groves so that we are counting the net deductions off the mountain village and Yellowstone Club. *The meters will be installed before the summer irrigation.* Director Olson stated that, based on the numbers, the Yellowstone Club will probably

hit their maximum use this summer. Edwards reported that he met with YC and that he has conveyed to the YC engineer that they need to do leak detection and repair. Edwards reported that the sale of YC might close with in a month. President Cronin asked Edwards if the District should be looking at anything. *Edwards has asked for a map from Morrison-Maierle for their piping/service area to see it lines up with our agreement.* President Cronin said that with our agreements in place, there shouldn't be any issues. Edwards stated that the other issue is the Pinnacle Restaurant with a 3" line that has a 5-year service agreement between Spanish Peaks and YC. Boyne's Andesite bathroom has been working this winter, but they would like to connect to the Pinnacle's water line, which would require approval from the state. The District supports this connection, but the State will view it as a mainline and then the line will have to be upgraded to an 8" line. The Board said the District needs to stay out of that issue and as we already have an agreement for the water to the tank.

Edwards reported that the District will have to pull 10 samples in 2008. In regards to the letter in the packet, there really wasn't a problem with the lead/copper samples; the state just didn't have them entered into the system.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain Meadow Pipeline Project: Edwards reported that the pipeline is done and the telemetry needs to be completed.

Hidden Village Water System Repairs: The Hidden Village project is shut down for the winter.

Meadow Village Water Well Completion Project: Edwards reported that an RFP is being advertised for a new connection to the new wells with a deadline of March 7, 2008. With the groundwater being less than 20 feet, the regulations will require that the water be chlorine disinfected. In 2009 this will be federally mandated on all wells, but Edwards said that he wouldn't be surprised if it was extended another year. However, he cannot count on it. For now, the chlorination will occur at the source of the new wells and the second phase will be looking at chlorinating the whole system. The chlorination will not be a popular thing in the community. Edwards said it is just federal regulation coming down our throat—we have good clean water and it wouldn't be necessary to chlorinate. *Edwards will put a notice in the quarterly bill about the change to chlorination and he will also add information to our website.* Edwards reported that residual testing has to be done daily, but there are no regulations on how to test. *The Board wants a good PR campaign, but to not advertise until the DEQ regulations are finalized.*

Meadow Village Water Projects Costs: Edwards did not provide any comment.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Town Center Conditional Use Permit Application: Their letter states that they are proposing 60 bedrooms for employee housing. Edwards said this doesn't affect the District as long as they don't use more than their allocated SFEs for the Town Center.

Director Allgood reported that he has heard that Blixseth will retain the ownership of Buck's.

SEWER & WATER PERMITS

Edwards reported that we only issued one permit last month. There are no big projects that he is aware of in the District. Edwards did write a letter in regards to Bob Berlins proposed development that stated the property is outside the District with the nearest District sewer at 2,300 feet and the nearest District water at 3,400 feet.

GENERAL CORRESPONDENCE

Edwards included comment in the Board packet on the snow pack report as it has been so long since we have had average snow pack—we are now a little above average.

The Board discussed the Firelight development and the complaints about their sewer system, which is a privately held system. Director Olson reported that the Blue Water Task Force has been testing the South Fork and the tests are showing degradation of the water. Edwards has no doubt that someday Firelight will come to the District for service. If it is a privately held system, then the District should not get involved, but if it is transferred to the homeowners then the District could possibly help them out.

Edwards reported that staff will be going to a conference in Great Falls for the rest of the week.

Edwards discussed alternatives to disposal of treated wastewater and the need for snow making at all the local ski hills.


Al Malinowski introduced Stephanie Hanna the new Resort Tax District Area administrator.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, March 18, 2008, at 8:00 AM. *Director Allgood asked that the issue of irrigation rates be on the agenda. Edwards will have information on what other communities are doing for irrigation rates and historical data on what a single-family home has been using in Big Sky.*

ADJOURNMENT

Director Daniels moved to adjourn the meeting at 11:12 am. Director Allgood seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

2-19-08. Min (Board Approved 3/18/08)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –March 18, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, March 18, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (left at 10:00 am), Bill Olson, and William Shropshire. Secretary Dick Fast was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were new District legal counsel Susan Swimley, Boyne representatives Brian Wheeler and Jamie Roberts, and Mountain Lake representatives Leonard Liston and Doug Chandler.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of February 19, 2008, as written. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith noted that the operating loss looks bad at this time, but the picture isn't as bad as it appears as he feels that most of the funds will be recouped by the end of the fiscal year.

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

Smith stated that the rate hearing will probably be in May.

LEGAL

Legal Counsel Contract: Susan Swimley introduced herself as the new District legal counsel and stated that she also represents the Four Corners Water & Sewer District and the River Rock Water & Sewer District for their ongoing rate structures. Swimley says she will err on the conservative side of any action the Board may take. President Cronin and Edwards signed Swimley's service agreement.

Delinquent Interest Penalties: Swimley distributed her written opinion regarding a penalty charge on late payments. She basically advised the District to stay within the statutes; which allows up to 15% but she sees no problem staying with the 10% currently charged by the District. Swimley does not recommend tying anything to prime. Directors Shropshire and Allgood agreed with Swimley in not tying the penalty to prime, which is a moving target. Swimley stated that the penalty provision is only written into the District's sewer ordinance and recommends a water ordinance amendment to incorporate the same provision equally. Smith reported that approximately 100 accounts are about 90 days past due—usually the same accounts each quarter. Smith has talked with Big Sky Apartments and they will try to get their accounts caught up. Smith doesn't believe the number of delinquent accounts will change by raising the interest rate with prime. Edwards said to change the penalty the Rate Ordinance would need to be amended and that could be done as part of the budget process. President Cronin suggested bumping up the penalty rate to 12%, thereby leaving room to bump it up to 15% in the future.

The irrigation rate and the penalty rate could be done all at the same time. *The water language will be added to the penalty rate.* Edwards said it may be too confusing to try to do one mailing with the Rate Ordinance Amendments and the Mountain Lake Annexation Ordinance.

Draft Annexation Ordinance 08-1001: Edwards explained that LDMS LLC petitioned to add land known as Mountain Lake Condominiums (formerly Silvertip) to the District for wastewater service. Swimley stated that she did not know what the Board was looking for in regards to legal input. Edwards reported that at the last meeting the Board called for a draft ordinance and he took the ordinance used for the Yellowstone Club and modeled the Mountain Lake draft ordinance after it. Swimley said the contractual items should be a separate document—a contract to enforce against if something happens. According to Swimley an election does not have to be done, but it is in within the Board’s discretion to have an election. Edwards stated that the Board wants to have an election since this sets precedence. President Cronin asked if additional information would be added as an attachment for the voters to make an informed decision. Edwards will be *talking with Charlotte Mills to find out the timing of an election*—which he anticipates would be after the June election but before the November election. Edwards does believe a mail ballot is the correct way to handle it because of the number of out of area owners. Edwards reported that a “formal” petition has not yet been submitted by Mountain Lake. *Edwards and Swimley will be working on a petition format that they will send to Mountain Lake for completion and submittal. Swimley will work on the contractual obligations agreement.* Doug Chandler asked if he could go to DEQ with the annexation agreement with the anticipation of the ballot issue passing. Swimley stated that a 40% return is required for the ballot election. Edwards wants the expense for handling an election to be born by the petitioner. According to Edwards, election costs are usually around a couple of thousand dollars, plus mailing costs—possibly costing around \$3,000. Chandler said the ballot election cost is putting a burden on small annexation. Edwards said that is consistent with the Board’s previous annexation history—where we have only annexed two other properties, but that included the ability to pump treated wastewater to Yellowstone Club. To do the election prior to July would be difficult; the timing is totally dependant on the election office setting the date. The contract could be approved in one board meeting, but the actual annexation document would not be approved until after the election. *Swimley will work with Edwards on preparing the documents for the April meeting. Edwards will send the petition form to Chandler and then Chandler will send it on to Leonard Liston.*

SEWER & WATER PERMITS

Steven Rager of MADKO Realty submitted an application for 7.34 SFEs for a new commercial building on lot 3B in the Meadow Center. The building will house Boersma’s physical therapy, Greene’s Construction office, and a massage therapy. Edwards stated that the application is within the SFE limit on the lot.

Director McRae moved to conditionally approve the permit application for SFEs as presented. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

SFE REALLOCATION

Mark Lilly of Lilly-& Lopker LLC, submitted an SFE Reallocation Application to transfer 10 SFEs from Cascade Lot 66A to Area 13A (Cascade Ridge) Edwards received the quit claim deed showing the ownership as L3, and the subsequent warranty deed documents showing the ownership transferred from L3 to Lilly & Lopker, which is compliant with the ordinance. According to Edwards, Lot 66A will have enough SFEs left on it to build a house.

Director Shropshire moved to approve Lilly's SFE reallocation application to transfer 10 SFEs from Cascade Lot 66A to Area 13A. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

TIERED IRRIGATION RATES

In response to the Board's request for setting irrigation rates, Edwards and Smith prepared data from the 3rd quarter 2007 billing on 1,750 accounts. Edwards reviewed the summary table provided in the Board packet that presented the following four rate tiers: 0-30,000 gallons, 30,000-60,000 gallons, 60,000-90,000, and greater than 90,000 gallons. In tier 4, they use approximately 50% of the total water used. The revenue would be about \$52,000 more with the proposed rate structure using these volumes. Edwards feels that a rate increase effect would reduce water use, which is the purpose for higher irrigation rates and asked if the Board wants to set a tiered irrigation rate. Edwards said that the goal should not be just to increase rates for those 41 accounts that use over 150,000 gallons in a quarter. Director Shropshire believes that this tiered system is going in the right direction. President Cronin said that one meter serving a single family house would be skewed when compared to one meter serving a multi-family parcel. President Cronin stated that the lots in South Fork are all about the same size and they should all have about the same use, but if you take a 7-acre development they will automatically be kicked to the higher tier. Smith said that he and Edwards have talked about setting a different rate for the irrigation meters. Director Allgood reported that some commercial accounts use a large amount of water that isn't going to irrigation and that would penalize these accounts. Edwards stated that there could be a different rate for commercial accounts and that is done in a lot of other places. Director Olson said the purpose is to limit irrigation, not penalize users in business, and asked about class structure rate categories--single family, multi-family, and commercial. Edwards and Smith both said it could be done—it just needs to be set up in the billing system. President Cronin said the discrepancies have to be equalized. Edwards is amazed at the amount of water being used by the largest volume tiered users. Muscat pointed out that the data on the peak months of use is skewed because of the irrigation restrictions. According to Muscat, commercial is irrelevant—he just wants to cut down in irrigation. Muscat wants to focus on the abuse—the top 12% of use. He sees that the condominium association needs to take into account the number of owners, not the acreage. Muscat doesn't want the Board to focus on commercial, just the irrigation—which is mostly condominium associations and a few single family homes. Muscat said the biggest problem is the landscaping evolution, plus the soil needs to be amended before the grass and plants are installed. Edwards noted that the irrigation accounts were pulled from the data when setting the proposed tiers and that irrigation meters could be set as a separate rate. Edwards feels that the District is on firm ground to set an irrigation rate, but feels that the rate does need to be incremental in the use. Director Olson asked if the irrigation meters could be rated with the number of units associated with the meter. Muscat feels that the difference is between use and high use and irrigation should have a

higher rate. Edwards said a rate could be set for all the irrigation accounts and he would like that in place for the summer. For the residential, Edwards suggested using two tiers. President Cronin asked if there could be a tiered rate within the irrigation accounts. Over 100,000 gallons could be the tier and the water rate could be doubled. Edwards noted that there are 43 accounts that use over 150,000 gallons. Director Allgood suggested using the average in multi-family to set up the averaging. A winter average could also be used on the single family account to calculate the irrigation rate. The Board agreed that something needs to be in place this year to avoid last year's scenario of running the Sweetgrass Hills tank dry. Muscat would like the irrigation rate to be simple, but to hit the high irrigation abusers hard. Edwards stated that the budget has to be adopted by July 1 and the timeline would require a hearing in June. *President Cronin directed Edwards to come up with the best proposal and to email the proposed rate table to board members. President Cronin also wants rain sensors required on irrigation meter pits.* Edwards said that a mock bill could be created based on a months use. (Dr Daniels left the meeting at 10:00 am.) *The irrigation rate information is to be prepared prior to next month. Director Allgood directed staff to have a notice added in the April bill about the rate ordinance change.* Muscat said the notice needs to *include information about planting in the summer and irrigation will not be allowed outside the restrictions.* Also Muscat wants the condominium irrigation meter, or meters, to be totaled in use—count it as one metered use.

ORDINANCE 97-1001 PROPOSED AMENDMENTS

Edwards reviewed the proposed changes to the proposed SFE square footage method. Edwards has been tweaking the criteria for condominiums and trying to figure out a number that works for the bigger square footage condominium units. The data is now a good representative sample of all the old and newer condominiums, with the bigger units around 3,000 sq ft. The closet fit is using .75 SFEs for the smaller units (per 1,000 sq ft), the middle group (1,000-2,150 sq ft) would use .80 SFEs, and .65 SFEs for the larger units (over 2,150 sq ft). Edwards feels that, overall, the proposed figures are a good fit. If the condominium is a stand alone structure, the single family home number would apply (i.e. Powder Ridge). *President Cronin directed Edwards to pick a number and prepare the ordinance amendments.* Brian Wheeler stated that he would want to preserve the lower margin for the smaller units as the margin for profit is narrow and these are typically employee housing. *Edwards will send information to the developers for comment on whatever number(s) he picks as the proposed change.*

SEWER OPERATIONS

Edwards stated that there was nothing unusual to report with the flows that are showing about 300,000 gallons per day.

WATER OPERATIONS

Muscat reported that, since the HV improvements, production is showing about 1.2 million gallons per month saving. The issue of pharmaceuticals in water has come to the forefront now that the labs can detect minute particles, but Edwards feels that we are fine. Edwards did note that there could be a problem if we over irrigated with treated wastewater. Muscat explained that the increase in the mountain flows is because of the YC and Aspen Groves use, plus there are probably leaks on the mountain. The bad new is that most of the pipe on the mountain is plastic and it is hard to detect water leaks, but Muscat will be doing leak detection this summer. Based on the YC use, they are still within their limit. Muscat reported that YC has leak detection scheduled for a week this summer.

MEADOW VILLAGE WATER SYSTEM PROJECT

The District's RFP advertising for the engineering design and construction inspection services to complete the two new wells drilled last year, plus to deal with the chlorination issue, received proposals from the following eight engineering firms: Allied, Gaston, Engineering Inc, HKM, Morrison & Maierle, Stahly, TD&H, and Thomas Graham Civil Design Group. Edwards said there are extra copies of the proposals if any Board members want to review them. Edwards, Muscat, and Wellenstein will *review the proposals and make a selection*. If there are a couple of firms with equal proposals, then Edwards will interview them prior to making a selection. Edwards said the chlorination experience of the engineers will be a deciding factor since this will be such a big issue for the District. In Muscat's opinion, all the firms are capable regarding piping design, but the issue is the chlorination and picking the firm with the best ideas and most experience on this is important.

DEVELOPMENTS & SUBDIVISIONS

Yellowstone Club Water Service Area: Edwards commented on his meeting with the Crossharbor Group that will be buying the YC. Edwards also received a letter and exhibit map from Morrison & Maierle that shows the area is a little less than what our agreement lines out.

SEWER AND WATER PERMITS

One permit was issued for a single family home in South Fork.

2008-2009 RESORT TAX APPLICATIONS

Edwards reported that the applications are due April 16, 2008, and that he is not aware of applications other than from the fire department. The Question and Answer Forum will be held at the Chapel at 1:00m on May 14. The Appropriations Meeting will be June 4 at 1:00 pm. Staff have not discussed applications, but Edwards feels that \$200,000 for debt service would be a good request. Smith would like to submit an application for funding more water improvements. . Edwards suggested a \$150,000 request. Edwards would like to ask for money on aerial work and having it digitized. There will be a rollover on the lining work and the debt service on the bonds. Edwards and Smith will work on the request for \$150,000 for water improvements and debt service.

OTHER BUSINESS

Smith stated that the sewer rates will be addressed at the next meeting as we need an increase. According to Smith, the operating costs are not going down and we have been subsidizing this by about \$18,000 a month. Smith feels that we have to look at a new rate or continue to reduce our reserves by subsidizing, which would deplete the reserves. Smith isn't concerned about the water rates other than the irrigation rates. *Smith and Edwards will work on the sewer rates to present at the April meeting.*

GENERAL CORRESPONDENCE

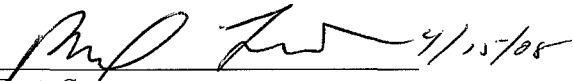
There was no general correspondence for the Board to address.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, April 15, 2008, at 8:00 AM.

ADJOURNMENT

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



Dick Fast, Secretary

3-18-08. min (Board Approved 4/15/08)

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes –April 15, 2008

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, April 15, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae (left at 10:00 am), Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Director William Shropshire participated via telephone starting at 9:00 am. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Mountain Lake representative Eric Graber from Allied Engineering was present for the discussion regarding annexation.

PUBLIC FORUM

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

MEETING MINUTES

Director Fast moved to approve the minutes of March 18, 2008, as written. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith reported that revenues came in at about what he expected. On an operating basis, the water and sewer expenses do not look as bright. However, Smith noted that if the expense items that were not expected were backed out it doesn't look as bad. Boyne's annual payment has been received.

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

MOUNTAIN LAKE CONDOMINIUMS PETITION FOR ANNEXATION

Edwards distributed the Mountain Lake petition that he received by email. Mountain Lake used the petition format that was developed by Swimley and Edwards. The first step would be to accept the petition. Swimley stated that the District needs to wait for a decision from the Gallatin County Commissioners on their jail bond election before the election department can set an election date. The election date is completely at the discretion of the election department and Swimley doesn't know if the election can be in the summer, or later in the year. Swimley noted that there was no reason why the petition could not be accepted as written. If the election was delayed until late fall and the Mountain Lake development asked for connection without an election, President Cronin asked if the Board would want to do that. Edwards stated that the Board has previously wanted this issue to go through an election, but the Board can annex in the property without an election. Swimley said an election is one more way to involve the community and have the annex decision articulated and endorsed by the community. Swimley added that the Board may be opening the gates for other annexation requests without an election if the Mountain Lake request is approved without an election. It was noted that the Mountain Lake development already has a treatment system in place and the developers were told over a year ago that the Board would only consider annexation with an election. President Cronin stated that it will be a united approach to have an election. Edwards stated that *Swimley will prepare a separate agreement for the contractual items*. Mountain Lake representative, Eric Graber, said the developers will be held up on the future phases until an agreement is made with the District to resolve the environmental issues with DEQ. Director McRae stated that he does

not believe the District's stance will slow down any of the construction. Director Fast asked how the ballot will be explained with pros and cons. Edwards said the District will control what the ballot itself says and, in the past, we have provided narrative to explain the issue. A simple majority of the eligible respondents is required to respond to the election for the petition for annexation. It was clarified that if not enough ballots are received, the issue will fail because the threshold of 40% was not received. Edwards stated that the Board could then decide to annex, or could decide to hold another election.

Director McRae moved to acknowledge receipt of the annexation petition from the Mountain Lake Partners LLC, to follow through with an election according to District Ordinance, to work with Gallatin County to set an election date, and to direct staff to bring back an annexation agreement for contractual items. Director Daniels seconded the motion. President Cronin called for discussion. The annexation agreement will call for well improvements, cost per SFE, bond debt recoupment to the beginning of the bond debt, and reimbursement to the District for all of the election costs. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

PROPOSED WATER & SEWER RATES

Water Rates: Edwards presented a proposed tiered rate system that would become the basis for the new budget after it goes to a public hearing and is adopted. The proposal is for a three-tier rate system with the following charges per 1,000 gallons: 0-60,000 gallons at \$2.42, 60,000-90,000 gallons at \$3.63, and over 90,000 gallons at \$4.84. Director Daniels asked if letters will be sent to the top users explaining the rate increase and selling the idea of conserving water for the better of the community. According to Smith, the marginal increase is factored into the variable base rate. President Cronin said the District needs to be able to defend the rate increase. Muscat would like the District to use a "Robin Hood" approach by encouraging conservation, possibly with a rebate for the low end users, and really increase the charge to the very high users. Edwards reported that the proposed Big Sky rate is modeled from the Red Lodge community and, like that model, he would like to use one rate hearing to carry through the next five years but with a 3% inflation used per year. For now, the proposal is to charge all the accounts the same base rate; but to separate the accounts into residential, commercial, and irrigation for future rate considerations. Muscat said that most of the high users appear to be single family homes that are just using a tremendous amount of water to irrigate and that the multi family, park areas, etc. could be put into a different category; but that the high use water abusers need to be charge. However, there does need to be an allotment for multi-family complexes as compared to a single-family home. Director Fast commented that the proposed rate structure builds in a set rate increase that the District will have to evaluate annually. Director Allgood stated that he is not in favor of going out five years with escalated rates. He would like to set a rate that would be good for only a couple of years. Additionally, if the District used the proposed escalated rate and decided an increase was needed, a rate hearing would still be required. Smith feels that the proposed rates cover the estimated the 2008-2009 budget. According to Smith the rates are consistent with what the Board has wanted in the past by covering the general expenses with the base rate and the variable rate covering the rest—it is approximately a 60-40 split. No change was proposed for the vacant lot charge. The monthly average combining all water use is at 12 million gallons. Edwards noted that, on the sewer side, the District has been subsidizing the operating budget through the use of reserves and the proposed rate phases out subsidizing. Edwards reviewed the Red Lodge proposed rates noting that they have a 5-year inflationary

factor and they have also set their base charge according to meter size. Their base rate includes 3,000 gallons of water per month. President Cronin said the District should charge by the use not the meter. Muscat explained that a larger meter is an unwritten commitment from the District that it will supply a larger volume of water per minute. Edwards asked how far out does the Board want to go with setting a rate—a two-year plan as proposed by Director Allgood. The Board liked the idea of setting a rate with the anticipation of using it for two years. Director Allgood asked about the single meters for buildings such as the Huntley, Golden Eagle, etc. and questioned whether these multi-use one customer accounts are contributing enough of the general charges and are we being fair to all the other rate payers when they can serve/use so much more with only one base charge. Director Allgood thinks the base rate should be adjusted for these types of accounts. Edwards explained that these types of accounts will go into the higher water user rate and will end up paying more due to their use. Director Fast asked if there should be a multi-room rate, not a commercial designation. *Edwards said that staff can review the history of use from businesses like Golden Eagle, River Rock, Huntley, etc and calculate revenues based on the proposed rates to present to the Board.*

Sewer Rates: Edwards reviewed the proposed sewer rates with a base charge of \$23.03 for 2008-2009 and \$23.91 in 2009-2010 and a variable rate of \$4.81 in 2008-2009 and \$5.82 in 2009-2010. Smith stated that the sewer usage averages about 8 million gallons per month and that the first increase will get us halfway there in recouping costs and that the second increase will get us there. A single-family home averages 3,200 gallons a month and will see about a 4% increase in water rates and 11.9% increase in sewer rates.

Director Olson moved to have staff develop a Rate Ordinance for FY 2008-2009 and FY 2009-2010 per the rate presentation and to proceed to a public hearing next month. Director Daniels seconded the motion. Motion passed, 7 yea votes to 0 no votes with Director Shropshire participating via telephone.

Director McRae left the meeting at 10:00 am.

SEWER OPERATIONS

Edwards reported that the filters in the plants have been having problems and they will be updated by In Control. Edwards doesn't believe that there is anything unusual in the flow reports.

WATER OPERATIONS

Muscat reviewed the production reports, noting that one to two million gallons seems to be saved per month since the Hidden Village repair. The Powder Ridge Cabins fixed last year did not freeze up this year, but cabin #121 froze this year. The Silverbow water line replacement needs to be done and Muscat will be working with Ray Armstrong on a proposal. The District is working with Mark Cunnane on the water system source capacity plan. Muscat reported that the water running across the road on the mountain is a culvert problem and, as far as we know, we do not have a water leak. Edwards sent a letter to Madison County requesting reimbursement for clearing the culvert, but has not yet received a response. Director Olson commented that he has never seen that amount of water in the area before. Muscat said the problem is the storm drainage system and it has failed. Director Fast stated that drainage patterns change from year to year and that they experienced that problem at Aspen Groves.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: Edwards noted that a letter was received from HKM stating that they have merged with DOWL. The merge should not affect our projects according to HKM. SMI will be coming back to finish the SCADA—possibly in May, weather permitting. Director Fast reported that owners in Aspen Groves are pleased with the new water system serving their subdivision.

Hidden Village Water System Repairs: Johnston will also return to finish their work when weather permits.

Meadow Village Water Well Completion Project: Eight submittals were received and Edwards, Muscat, and Wellenstein selected TD&H Engineering. Edwards distributed a scope of services with a fee of \$20,000. Edwards will recommend an estimate instead of a lump sum and to be billed according to hours of work. Edwards stated there are advantages to both, but he would feel better working with an estimate. Director Allgood asked if the District could counter offer for a lump sum at \$18,000. *The Board directed Edwards to make a decision on the amount with a total expense up to \$20,000 allowed.*

Meadow Village Water Projects Costs: The project costs were provided in the manager's report.

WATER SYSTEM SOURCE CAPACITY PLAN

There was a draft report from Mark Cunnane, Western Groundwater Resources, in the packet with a recommendation of finding more source water on the mountain. *Edwards will have Cunnane attend the next meeting to present his findings.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Lone Moose Meadows Overall Development Plan: Edwards explained that the proposed development area is basically the "Thumb" area that has been presented previously. Edwards said they will petition for annexation and he has told them that they will have to use their previous total allotment of 900 SFEs for Lone Moose. It will be a bit more complicated since it is tied into the Yellowstone Club agreement. President Cronin noted that the District has always contemplated spray irrigating on their Spanish Peaks golf course and it did not include giving them additional SFEs. Edwards said if the SFEs are calculated by square footage, the SFE allotment wouldn't change. Muscat reported that he has been told that Spanish Peaks' current wells are not producing enough water to serve their development and golf course.

LEGAL

Incorporation: A copy of Mona Jamison's legal opinion was provided in the board packet. The potential affect of incorporation on the District's bond debt would put a hole in the resort tax district area and a resort community could be formed to offset the hole and then no difference would be seem. However, they could come up with something different, but at the end of the day the District has the ability to levy a tax to cover the debt service. Director Fast reported that the infrastructure legal counsel asked the Attorney General what could be done to cover this type of situation and believes that an agreement could be made for the two areas to work together. *Director Fast asked Edwards to attend the meeting this Thursday to request that the two groups work together at coming up with a solution.* Edwards doesn't know if the inter-local agreement would be a binding agreement if incorporation was done. Director Fast feels that the Attorney General's decision will be the real answer and he will provide Edwards a copy of the questions that their legal counsel has presented for an opinion.

CANYON AREA STUDY

Edwards reported that their meeting is at 1:00 pm tomorrow. They have been focusing on snow making. The cost of taking on the canyon is becoming big numbers and Edwards doesn't see anyone stepping up to make a central system happen. Edwards noted that the main stem of the Gallatin is not listed as impaired so there is no cause and effect being stated. Edwards feels that at the end of the day that there would be a lot of support to just serve the area right at the commercial corner of Hwy 191 and Hwy 64 by putting in a lift station. President Cronin asked, "If we take a resource that we have to dispose of wastewater, are we then running afoul by giving it away to someone that is currently out of the District when there are people in the District that would like additional SFE capacity?" The Board discussed the fact that there has to be a net gain for the District to consider serving additional property. Edwards reported that the ORW has been taken off the table for now. The study will be wrapped up in May, but for it to keep going someone in the Canyon would have to spear head a project.

DISTRICT ORDINANCE 97-1001 AMENDMENTS—SFE Square Footage Method

Edwards stated that for the small units that would typically be employee housing it would be a deterrent as originally proposed at the higher 1.1 SFEs. Edwards will rework the figures to possibly .9 or no higher than 1.0 for the smaller units up to 1,000 sq ft. Edwards has not received feedback on any other calculations. Edwards needs feedback from the Simkins on the larger units.

SPANISH PEAKS RESORT, PHASE 7

Edwards received a submittal for Phase 7 of the resort that subdivides the land around their big lodge that they are presently working on. The Phase 7 is in the District service area of Spanish Peaks. Edwards reported that he sent a letter of approval for their permit application on the lodge, but Spanish Peaks didn't submit a check so he rescinded the permit & they will have to reapply even though they are under construction. *President Cronin directed staff to review Spanish Peaks' lodge plans on the SFE square footage method to see the comparison of total SFEs.*

SEWER & WATER PERMITS

Edwards reported that permitting is slow with only one new permit for remodel and one new permit for a single family home. With Edwards cleaning up the spreadsheet total, there are about 190 SFEs for permitting.

RESORT TAX APPLICATION – 2008-2009

The resort tax applications are due tomorrow. Edwards will submit applications for \$100,000 for water, \$100,000 for sewer, and \$50,000 for GIS aerial updating. Rollover for the pond liner is about \$30,000 plus we have about \$800,000 from the bonds for additional work. Edwards said from a cost standpoint, we should reconsider the depth of the liner and only cover about 40% of the edge since it is covered in the winter with snow and the water levels come up in the spring. Director Shropshire agreed with the suggestion that the rock liner be shortened. Edwards said that a section of the highway side will be done this year. Edwards and Smith feel that we should be asking for more funds for water improvements that the District has done. Smith feels that this year a water funding request will be different because the water bond will be on this year's tax levy and suggested that an additional \$100,000 separate request be submitted. Director Fast

asked if the District should be looking at a water plant investment charge. President Cronin stated that there is a problem with that, in that only the new people would be paying it. Edwards noted that areas like the Town Center currently pay no sewer impact fees, and only minimal connection and meter equipment fees. *Director Allgood suggested that the District look at water impact fees.*

GENERAL CORRESPONDENCE

Edwards noted that there was one comment on the current water and sewer rates. Edwards sent a letter to Madison County about reimbursement for unplugging the culvert on the mountain. Edwards hasn't heard whether they will reimburse.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, May 13, 2008, at 8:00 AM. The Board *directed Edwards to also have the public hearing on the rate ordinance and budget*

ADJOURNMENT

Director Fast moved to adjourn the meeting at 11:17 am. Director Daniels seconded the motion. Motion unanimously passed.

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

Dick Fast, Secretary

4-15-08.min (Board approved 5/13/08)

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

The Big Sky County Water & Sewer District No. 363 scheduled a public hearing and a regular meeting for 8:00 am on Tuesday, May 13, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (left the meeting a 10:00 am), Bill Olson, and William Shropshire. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were Country Store representatives Lynne Anderson, Sloan Bauer, and Bayliss Ward; Boyne representative Jamie Roberts; and District property owners Alan McClain and Randy VanHorn.

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

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

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

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

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

REGULAR MEETING

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

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

SEWER & WATER PERMIT

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

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

MEETING MINUTES

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

FINANCIALS

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

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

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

SEWER OPERATIONS

Grant Burroughs was not available to present flow reports.

WATER OPERATIONS

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

MOUNTAIN TO MEADOW PIPELINE PROJECT

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

MEADOW VILLAGE WATER SYSTEM REPAIRS

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

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

MEADOW VILLAGE WATER PROJECTS COSTS

The manager's report included the water project costs.

WATER SYTEM SOURCE CAPACITY PLAN

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

PROPOSED DEVELOPMENTS & SUBDIVISIONS

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

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

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

RESORT TAX APPLICATIONS

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

CANYON AREA STUDY

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

SEWER & WATER PERMITS

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

GENERAL CORRESPONDENCE

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

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


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

NEXT MEETING

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

ADJOURNMENT

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



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – June 17, 2008

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Tuesday, June 17, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae (left the meeting at 10:00 am), 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 Boyne representative Brian Wheeler, Western Groundwater Resources engineer Mark Cunnane, Alpine Property Management representative Markus Kirchmayr, and Greene Construction representative Josh Greene along with Meadow Center lot owner Steve Ragar.

PUBLIC FORUM

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

MEETING MINUTES

Director Olson moved to approve the minutes of May 13, 2008, as written. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director McRae moved to amend the agenda to address Priority Items C and D, Storage Pond Heating System Project and Alpine Property Letter prior to Item B, Source Water Capacity, but after the financials. Motion seconded and unanimously approved.

FINANCIALS

Smith reported that the budget is about 4% down on operating revenues and expenses are up. Smith explained the over budget expenses with no unusual items to point out since last month. With county tax receipts being paid in November and May, there is a timing issue when they are reflected on the budget. Smith reported that he has spoke with Montana Energy and they have quoted a lock-in price of \$2.05 a gallon. On the recommendation of Montana Energy, Smith said that he will wait until July 1 to lock in the price.

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

SRF Bond Payments: Smith reported that the SRF payments would be made in July.

Audit: Smith reported that the audit proposal for the next three fiscal years is at the same cost per year as we have paid (\$8,500). President Cronin signed the audit contract.

FY 2008-2009 BUDGET

Smith reported that only minor changes were made from the proposed budget presented at the May public hearing. Based on the increased rates, about half of the sewer operating loss has been shaved off. Smith added a little funding to the fuel and electric expenses and trimmed a bit off a few other items at the suggestion of Edwards. At the May meeting, the Board approved the first reading of the Rate Ordinance 97-1002. The rate ordinance was not on this agenda and Edwards reported that he is still tweaking the square footage system and looking at a possible fourth tier. *The Board wants the Ordinance finalized and approved at the next meeting.*

Director McRae moved to approve the FY 2008-2009 Budget as presented. Director Fast seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

SOURCE WATER CAPACITY REPORT

Edwards explained that we had hired Mark Cunnane, Western Groundwater Resources engineer, to study the District Source Water Capacity. Cunnane reviewed the high points of his findings as follows: 1) Population growth was a conservative estimate going out for 3-5 years. The average growth was over 6% using the inflated growth in the late 90s. 2) Projected build-out capacity for the mountain is 1,480 gpm and the meadow is 1,690 gpm. New capacity needed is 525 gpm for the mountain and 680 gpm for the meadow. The new wells drilled last year will take us out to 2013 to 2014 for the meadow. With current capacity on the mountain, we need additional water yesterday! The Lone Moose system was not counted since it will be used for their 900 SFE build out. Cunnane said that the District would have a difficult step to go beyond build out in providing water. Cunnane did not evaluate storage tank capacity. Cunnane reanalyzed the hydraulic system and found that mv well #2 has room for significant expansion, mv well #3 has a plugging issue, and mtn well #3 has additional gpm available to it. With improving those three sites, that would be over 300 gpm added--very cost effective water. Mtn wells 5 and 6 have high sulphur and Cunnane stated that in terms of poking other holes in that area for good wells it is not going to happen. The District can look at oxidation of the sulphur wells and the ph also needs to also be lower, which would require a lot of chemical added for treatment. Cunnane reported that now CO2 is being used in water treatment to lower the ph and said that the District should bite the bullet and get the wells on line with this type of treatment through a pilot program. One drawback is that any system that provides treatment will require chlorination. To meet mountain build out, Cunnane recommended retrofitting mtn well #3, drilling two new mountain wells, and treating mtn wells #5 and #6. Cunnane identified two new volcanic well sites on the mountain anticipating 125 gpm each, plus identified several other potential well sites. Cunnane said the advantage of a deeper well would prevent claims of adverse impact. Cunnane also identified two new well sites in the meadow. 3) Regarding water rights Cunnane felt that the District is in good shape, but there would have to be filings. The existing rights in the meadow have all the volume we need to appropriate. (Director McRae left the meeting at 10:00 am) Cunnane recommended drilling a new mountain well and file it as a replacement to HV #2 and also adding on to the Aspen Groves well. Cunnane also recommended that the District look at acquiring a pre-1882 water right. 4) Cunnane estimated construction-engineering costs for mv rehab at around \$33,000, Mtn 3 pump replacement at \$71,000, a new volcanic well would be \$680,000 and a new alluvium well would be \$418,000, mtn treatment was estimated at \$532,000, mv#2 replacement was \$143,000, and new wells mv 6 & 7 would be \$733,000. Cunnane felt that he estimated high, but noted that the numbers were calculated with 2008 dollars and inflation will have to be factored in. Smith reported that \$1.8 million is left in SRF funds, but Edwards said that most of that money would be used to complete the current meadow projects. Edwards feels that, bang for the buck, he would like to do treatment on the mtn well #5 and #6. Cunnane recommended a pilot on the mtn water treatment. Cunnane would expect a life cycle of 20-30 years for a treatment system. Edwards reported that Spanish Peaks will be drilling a test well in the Lone Moose area that they want annexed into the District and that this water source could be tied into the annexing of the property. Edwards said according to Cunnane's priority list there are 3, or 4, things that we could role into the SRF funding and get started on, such as the mv #3 rehab, mtn #3 pump, and mv #2 replacement. Edwards discussed the funding options for the projects, including developing a water development fee for new permits. President

Cronin stated that we are okay in the meadow now with the repairs and the two new wells, but with the mountain we need to work in that area. Muscat said we can probably squeak by this year since we have been having a wet spring and haven't even begun to see high water use and it is almost the 4th of July. President Cronin said, to start, the District needs to look at mtn #3 well pump rehab and get it back on line. Cunanne noted that with all the steps involved, there is some time involved to get the pump replaced and replacement approval has to go through DEQ. Cunnane feels that with the recent test results on mtn well #3 we should be able to put it back on line. Edwards reported that there is a huge whole in our communications/telemetry time that can be fixed/improved. Muscat said that the pumping efficiency issue will be fixed this summer with the improvements Micro-Com will put in place. President Cronin said the District needs to get the immediate fixes done so that we can get up to full capacity with what we have. *President Cronin directed Edwards to prepare a prioritized list of projects the District should be working on and how to fund them (SRF, etc). Edwards will come up with a work plan for this summer.* Cunnane told Edwards to contact him if he wants assistance in communicating with DEQ on getting mtn well #3 back on line.

STORAGE POND HEATING SYSTEM PROJECT

Edwards recapped the request where Josh Greene and Steve Ragar have asked the District to install a manufactured heat exchange system in the pond to use for their new building in the Meadow Center. Edwards distributed correspondence from contracted District engineer Ray Armstrong, HKM Engineering, where he states that the risk of the weight and the possible contamination to the pond from the liquid is very minimal. However, the engineer did ask for an additional liner under the piping system. Greene reviewed the benefits of the system stating that the system should produce about a 60% saving on heating and cooling and it is proven technology. In the winter they would take the heat out of the pond, but it would only minimally lower the temperature of the pond. The system would be craned into the pond. A sleeve will be installed from the building down the side slopes of the pond—no holes will be punched into the pond. President Cronin asked if there were any easement barriers that would prevent the piping access. Edwards said there are no ownership issues between this lot and the pond. Edwards said our pond levels will be managed as in the past and if we need to draw down the pond, they will have to deal with it. Greene said they will have a back up boiler system for heating in the event that the heat exchange system has to be shut down. Greene stated that this will be a “green” building. President Cronin reported that he has discussed the system with Greene and our number one concern is will it jeopardize our pond, and it doesn't appear it will. Edwards sees more risk to the developer with ice damage, and would like a hold harmless use agreement with the developer. On the up side, if it works then the filter building could be retrofitted to reduce District operating costs. President Cronin said that the volume of the pond would probably support other buildings in the meadow commercial area. Greene said the pond access would be a problem for lots that do not abut the pond as you would have piping issues. Director Allgood said that if the sewer pond can be used by others in this type of fashion, then the District should lease pond access. Greene needs an answer so that they can move ahead with building. Director Fast asked if our aeration requirements will be a problem from the placement of these panels. Edwards said that the panels would have to be strategically placed if there were more panels. Director Fast suggested that the District could agree to the use of the pond with the idea that the District is promoting a “green” project through this development, but that we are not committing to providing access to others. Edwards supports the request.

Director McRae moved to have Edwards proceed with legal review of Greene's request to install geo-exchange panels in the storage pond for use as a heat exchange system for the new building on Lot 3B in the Meadow Center and to prepare a hold harmless agreement and lease. Director Fast seconded the motion. President Cronin called for discussion. Director Allgood asked that the agreement to include access to their working knowledge of the system if it works so that the District could apply it to its needs. The Board also asked to have a lease agreement with only a minimal fee since the Board is considering this a pilot project. The Board wants the developer to pay for all District's attorney charges to prepare the legal documents. The Board wants the developer to be responsible for any damage to the pond. Director Olson wants to make sure that there is no expense, or liability to the District with this request. Director McRae withdrew his motion stating that the discussion evolved into a directive to Edwards. Edwards is to work with legal counsel and to circulate the legal documentation via email for Board and developer review.

BILLING ADJUSTMENT REQUEST—COTTONWOOD #4

Markus Kirchmayr, Alpine Property Management, submitted a letter requesting a \$468.72 reduction in the owner's water and sewer bill due to the metered use not being read & billed quarterly as they manage the property and this water use has been since 2006. They are requesting this reduction as the meter wasn't read and the renters have left the property and the deposits have been refunded. Edwards reported that according to Nic Wellenstein the wire had been cut from the meter to the MIU and an automated read wasn't being done and Edwards does not know how the wire was cut. No one disputes that the water was used. Smith said that he has talked to the renter and he has agreed to pay the bill over the next 15 months. Nic had said that he could not get in the unit to fix the meter wire. Smith does not estimate use, he just bills the base rate if a meter read is not done. Director Allgood sees two faults, the wire was cut and the District doesn't have any responsibility for it and the person receiving the bill didn't see that there was no use charge. President Cronin stated that the District needs to charge for the water as we have always done and we always give them time to pay for it. *President Cronin asked Edwards and/or Smith to get with Kirchmayr to work out a payment plan.*

SEWER OPERATIONS

Burroughs was not present to provide a sewer operations report.

WATER OPERATIONS

Muscat reported that YC will be meeting their daily water limit.

DEQ Population Correspondence: Edwards reported that DEQ is claiming that we have a larger population base than we have. There was correspondence in the packet relating to the issue. Edwards and Muscat have tried to get information regarding their criteria on how they came up with their numbers as this affects the District's sampling rate.

Mountain Village Groundwater Classification MPA Sampling: The last testing results just came back and look good.

Lone Moose Meadows: Director Olson said that Lone Moose Meadows tank overflowed this winter and caused an ice problem that cost the association around \$600 to clean it up. *Edwards and Muscat will look into this to prevent it in the future and will look at the clean up bill.* Olson will direct the owners to talk with Edwards regarding reimbursement on the bill.

MOUNTAIN-MEADOW PIPELINE PROJECT

Edwards reported that Micro-Com and SMI need to finish up some work.

MEADOW VILLAGE WATER & SEWER SYSTEM REPAIRS

Hidden Village Water System Repairs: Johnston had a preconstruction meeting on June 10 and they have been given a punch list. President Cronin *directed Edwards to pay special attention from Hidden Village road to the bridge to the tunnel and get it cleaned up and reseeded.*

President Cronin asked if there was a way to set a single path. Director Olson said the easiest way to do this is to get a motorcycle to burn in a trail. Edwards will work with Joe Nowakowski on the project. Director Fast noted that the fencing by Olsen's was broken and needs to be fixed soon as Olsen's will be returning with their horses. President Cronin noted that there is a valve by the edge of the road by South Fork that needs to be fixed. Muscat will fix this. Edwards reported that the roads are holding up well and they will be paved by HV this summer. Edwards reported that the District is working with Boughs on the water line through their property.

Silverbow Water System Repairs: HKM will be sending plans to DEQ for approval on this 10-day checklist. This should be bid within a month.

MEADOW VILLAGE WATER WELL COMPLETION PROJECT

Edwards said the chlorination issue is being explored, possibly even using UV light instead of chlorination. This is more expensive in capital costs and operating costs, but it may be more desirable over chlorination. Edwards does not know if the State will approve it, though.

MEADOW VILLAGE WATER PROJECTS COSTS

The MV water project costs were provided in the manager's report in the packet.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Morning Star School: The SFEs will come off the Westfork SFE allocation. The project is still moving forward and they received additional resort tax funding. Edwards has not heard if they have received state approval.

RESORT TAX ALLOCATIONS

Edwards reported that the District received full funding for its requests and a copy of all the allocations was provided in the board packet.

CANYON AREA STUDY

Edwards reported that the next meeting will probably be the 3rd week in July. *Edwards will email board members of the next meeting when set.*

SEWER & WATER PERMITS

Edwards reported that the SFEs for the country store were reviewed and a permit has been issued. Edwards met with Spanish Peaks last week and they will be coming in with their permit application in July as their first application was voided as they didn't pay their fees. They will come in with updated information for calculating SFEs. The project will not be done for a couple of years. Edwards will review the SFEs available and if additional SFEs are needed he will prepare an ordinance to release additional SFEs.

GENERAL CORRESPONDENCE

Public Hearing: Edwards' response to correspondence from the public hearing was provided in the board packet.

Water Conservation: President Cronin asked that the District *require rain sensors on all new irrigation systems. President Cronin also directed Edwards to have staff pick the 10 largest water users on pits and install rain sensors.* President Cronin wants the District to do it informally with a phone call to the property managers—make it a simple process that the District will pay for. President Cronin also discussed the importance to having the soil amended prior to landscaping and reported that they personally will be doing that on their new house plus they will install a below ground irrigation drip line to water the sod. Muscat asked President Cronin if he would write an article for the newspaper on the “water efficient” landscape system. President Cronin feels that it would not be out of line for the District to require below ground irrigation—no above ground irrigation spray heads. Director Fast suggested that the District have a meeting with all the landscapers and discuss these ideas for water conservation—the District should be leaders in conservation. President Cronin will make his findings available and try to sell the below ground irrigation idea. *President Cronin directed Edwards to address the top 10 users and getting rain sensors installed—getting at least 3 done for a pilot to know what is needed and the hurdles to get it done.*

Mountain Lake Development: Edwards reported that Madison County Planning Board is seeking comment on the Mountain Lake 36 unit development.

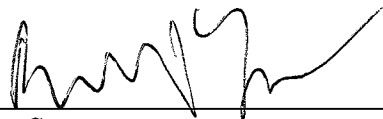
Dooley Reimbursement Request: Edwards reported that he is inclined to pay the clean up bill from Rick Dooley from the sewer backing up which was caused by a high efficiency heat system—it has a real low volume of water that freezes up. Edwards said he needs to meet with Burroughs and Smith to discuss the issue and he will also talk with the plumber on a retrofitting system to prevent this from happening in the future.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, July 15, 2008, at 8:00 AM. Dick Fast will be gone.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 11:40 am. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – July 15, 2008

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, July 15, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Vice-President Gary McRae, and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Secretary Dick Fast and Director William Shropshire were not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Boyne representative Brian Wheeler, Big Sky Real Estate representative Ernie Hall, Sweetgrass Hills property owner Chad Rothacher, and Spanish Peaks representative Bryan Tate.

PUBLIC FORUM

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

MEETING MINUTES

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

FINANCIALS

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

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

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

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

SEWER & WATER PERMITS

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

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

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

SFE REALLOCATION APPLICATION

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

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

RATE ORDINANCE 97-1002 AMENDMENTS

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

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

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

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

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

SEWER OPERATIONS

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

WATER OPERATIONS

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

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

MEADOW VILLAGE WATER SYSTEM PROJECT

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

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

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

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

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

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

CANYON AREA STUDY

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

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

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

SEWER PERMITS

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

GENERAL CORRESPONDENCE

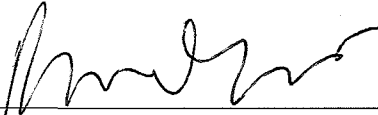
Madison County Road Reimbursement: The county commission reconsidered our request for reimbursement and has sent us a check—this is probably due to letters sent from Bill Olson and BSOA. Edwards will be meeting with Commissioner Jim Hart next week on the mountain.

NEXT MEETING

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

ADJOURNMENT

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



Dick Fast, Secretary

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

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –August 19, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, August 19, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Directors Dick Allgood, Jeff Daniels, Bill Olson, and William Shropshire (via telephone). Secretary Dick Fast and Vice-President Gary McRae were not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Jim Muscat. Others present were The Lodge (Mountain Inn) representative Jeff Quackenbush, Boyne representatives Brian Wheeler and Jamie Roberts, and Big Sky Search and Rescue representatives Steve Johnson and Todd Thesing.

PUBLIC FORUM

President Cronin called for public comment at 8:24 AM. Jeff Quackenbush asked if there was any way to reduce the base rates on The Lodge, formerly the Mountain Inn. He asked if the base rates would be reduced if they combined some of the units back into one unit. Edwards and the Board stated that the District policy is to charge a base rate to each parcel and if they reduced the recorded parcels then the billable accounts would be reduced.

With no further public comment, President Cronin called the meeting to order at 8:25 am.

MEETING MINUTES

Director Daniels moved to approve the minutes of July 15, 2008, as written. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Edwards presented the financials that were prepared by Smith. Edwards asked for Board approval for the mill rates presented at 16.17 for water and 21.52 for sewer. The mills rates are similar to last year at about 38 mills.

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

Edwards stated that he did not know of any significant findings in the financials that were prepared by Smith. Director Allgood suggested that the August financials be tabled until the next meeting so that Smith could review the financials with the Board.

STORAGE POND HOLD HARMLESS AGREEMENT

Edwards reviewed the agreement noting the change that would allow the developer to fix any damage at their expense, but if it is a recurring problem then the District can require that the cooling and heating system equipment in the pond to be removed. The last paragraph stipulates a performance bond. Director Shropshire asked that *the agreement include that the bond amount will be negotiated and agreed upon by the parties. President Cronin stated that the bond amount should be based on what the damage would cost to be repaired. Edwards is to consult Grant Burroughs on the costs for repairs.* Director Allgood asked if there should be a deposit for the lease of the property/pond—a bond needs to cover the District and its property in the future.

Edwards said 90% of the security/bond could be released after a year and then retain a portion for future security. Director Daniels asked that *wording be included that would require them to post an additional bond/replacement of security if something has to be fixed in the future.* President Cronin stated that the developer wants to move forward on this project. *The Board directed Edwards to work on the document per Board discussion for the next couple of days and then Edwards will prepare the agreement in final draft and email it to the Board members for approval. The Board members are to contact Edwards by the end of the week if they want any changes to the document.*

SEARCH & RESCUE LEASE AGREEMENT

Edwards stated that he sees the bigger problem as the road access easement. Thesing reported that the Search and Rescue has the CUP, and now they need the lease agreement from WSD and the road agreement from BSOA/BSCC. Todd Thesing asked for a letter from the District stating that the District is working out the road access with BSOA and they will also ask for a similar letter from BSOA. The lease is a big issue in that the county attorney will then decide if a subdivision by lease is required. Although, there is an exemption provision that may be able to be used. Search and Rescue cannot move forward without a lease agreement in place and asked the District to get the easement executed as soon as possible. Edwards asked if the Board wants to review the agreement and if the lease should be free or should there be a rent fee. Search and Rescue has a sense of urgency as they may lose their Resort Tax funding. Johnson said they need to demonstrate that they have 12 parking spaces for the land use permitting process. The road from the sewer plant will need to be cut to the Search and Rescue site, but it would not be finished until Northwestern completes their project. With the septic issue, it needs to be determined if a leach field can be built, but they would prefer a holding tank if that is possible. Johnson reported that a normal septic field would be required without an exemption that would allow them to use a holding tank. The lease agreement will include that the lease comes without sewer service. Johnson and Thesing will be working on getting an exemption from the leach field and feels that including language in the lease that states sewer service is not available will help. Edwards will work on the lease where there is no charge. Todd Thesing will take the executed lease to the county attorney. Edwards stated that Swimley feels that Search and Rescue can go the exemption route. If the county attorney denies the exemption, then Steve Johnson asked if Swimley could work with the county to find out what Search and Rescue will need to get an exemption. Thesing stated that the lease needs to be executed by the end of next week so that they can go to the county. Director Olson stated that he feels the District should execute the agreement so that the Search and Rescue can proceed with getting a land use permit. *Edwards asked that the Board members read the draft lease agreement and get back to him by Friday if any changes are needed.* Steve Johnson wants the draft modified to include that sewer service will not be available. Edwards will email the draft document to Todd and Steve for review and completion. The agreement will be executed on Friday. *Edwards will also email the revised draft document to the Board for review.* Edwards reported that the hang up with the road access is because of traffic count BSOA is asking for. Director Olson noted that the District should have had an easement already in place as the District agreed to make the road and trail improvements for an easement. Director Olson wants an easement done as that was the original understanding with BSOA. Director Olson offered to go to the BSCC board with Edwards and explain the history of the access agreement discussions. President Cronin wants the easement to be simple—no traffic count, no alternate access, etc. Director Allgood feels that the District probably already has a presumptive easement.

SEWER OPERATIONS

Burroughs was not available to review his flow report.

WATER OPERATIONS

Muscat stated that there were no significant leaks found this summer. The summer use in the meadow is probably down because of the repairs at Hidden Village, but we are still using tons of water. However, we have not come close to running out of water. The line from the mountain to the aspen groves tank is working like a charm. The Yellowstone Club is using water within their allotment, but they are close to their gallons allowed. The telemetry work has been completed. With changing the cycles, it is more real time start/stop on the mountain, and now we are capable of producing almost three times of what we previously could. Muscat reported that the sulphur well on the mountain was put on line for about three days to test the system—it worked and the sulphur water was blended with four other wells—it allowed the tank to be filled and we have been able to keep up since. The District did receive calls about the sulphur smell, but we were able to demonstrate that we could tap into this water as an option in an emergency. People were understanding once the situation was explained. Edwards and Muscat stated that they are still working with the State on the issue of full-time disinfection by December 2009, which the District does not want to do. President Cronin stated that the Board had previously discussed using UV for disinfection. Edwards is concerned about going UV and then the possibility of the State deciding that chlorination is still required. The mountain well #3 has been reconnected, but the State is requiring all the excess sampling. The Board and staff commented that the District has some of the best water and now the State is requiring chlorination. President Cronin said that it is good to hear that the system upgrades are working. Muscat said there are some final touch ups needed on the PRV and then the project will be done. Muscat reported that we have been able to keep the tanks full this year. Edwards reported that he is still working on getting the two new meadow wells on line—which will probably result in requiring chlorination of the entire water system.

The Hidden Village pipeline project is complete with only the paving that needs to be completed. President Cronin said that the trail leading to Lone Mountain Ranch, that the District work disturbed, now needs to be improved. *Nic Wellenstein will take a look at the trail and try to get the holes filled, and the trail smoothed out a little. Wellenstein said the area will be reseeded this fall.*

The Silverbow project received two bids. The engineers estimate was at \$612,492, Johnston's bid was \$654,449 and Western Municipal came in at \$1.2 million. HKM Engineer is reviewing Johnston's bid. Muscat said the project needs to be done in phases.

CANYON AREA STUDY

Edwards reported that he has the preliminary draft of the Canyon Study if any board members want to review the document. Project costs will be a factor if this is to move forward—it would cost about \$25-30 million for just snowmaking.

NEXT MEETING

Director Shropshire asked if the Board would consider moving the meeting date to either Monday, or Friday, as Tuesday has been a difficult day to make because of his schedule in Helena. Director Shropshire asked if the pond cover has been inspected. Edwards said he did not see any damage to the liner during the spring inspection and the rock liner had not moved. *Edwards said the big pond will be pretty empty going into September and he will inspect it again at that time.*

To try to accommodate Shropshire, the next Board meeting is tentatively scheduled for Monday, September 22, 2008, at 8:00 AM. *Director Olson asked that Edwards distribute the packet at least a week early, Monday or Tuesday, before the meeting.*

ADJOURNMENT

Director Allgood moved to adjourn the meeting at 9:50 am. Director Olson seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

08-19-08. min (Board Approved 9/22/08)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –September 22, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Monday, September 22, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Vice-President Gary McRae and Directors Dick Allgood (left the meeting at 9:45 am), Jeff Daniels (left at 9:58 am), Bill Olson, and William Shropshire. Secretary Dick Fast was not present. WSD staff present were Ron Edwards (participating via telephone), Marlene Kennedy, and Terry Smith. Others present were Mountain Lake Condominiums representatives Leonard Liston and Lennie Liston, BSOA/Big Sky Community Corporation representatives Mary Jane McGarrity, PBS& J (BSOA engineering consultant) representative Karl Uhlig, MADKO representative Steven Rager, Greene Construction representative Josh Greene, Northwestern Energy representative Matt Micklewright, Boyne representatives Jamie Roberts and Brian Wheeler, and Big Sky Community Corporation representative Home Kenny. Northwestern Energy representatives/engineers Cory Rice and Emmet Reardon participated via telephone.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:18 am.

MEETING MINUTES

Director Shropshire moved to approve the minutes of August 19, 2008, as written. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith briefly reviewed the August financials stating that the July financials are carried over into the August numbers. According to Smith the revenues and expenses were either on target or favorable. Smith stated that revenues would increase with the 3rd and 4th quarter billings with our new sewer and water rates.

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

Delinquent Accounts: Smith asked for Board approval to send the delinquent accounts lists to the respective counties.

Director Shropshire moved to approve turning the delinquent account lists over to the counties for collection. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

BSOA POND REMEDIATION

Mary Jane McGarrity introduced Karl Uhlig and explained the necessity for updating the WSD water rights to include recreation so that they could be used for BSOA pond restoration. Uhlig explained that he has talked with Ray Armstrong about the WSD water rights that have about 400 gpm combined and reiterated the need for the WSD water right to be changed. Edwards reported that, at the last meeting where this issue was discussed, they (BSOA) were going to drill a couple of wells of less than 35gpm. Uhlig explained the change in plans. Edwards reported that WSD water rights are seasonal and asked what they plan to do to take care of their off season water use. Uhlig explained that a head gate system would be subject to call with enough water to take them through the off-season. Edwards commented that WSD's 1902 water right would probably be called on a dry summer. Uhlig feels that the two rights would protect the 7 cubic feet flow that they need. Edwards reported that about 130 acres are currently being irrigated with the water rights. Edwards stated that the Board would need to approve a joint effort between the WSD and BSOA for BSOA to use the water rights. According to McGarrity, BSOA will prepare the applications and then would run them past the District for approval. Director Allgood asked if the treatment plant road easement agreement has been worked out yet. Mary Jane McGarrity reported that a draft agreement is on the desk of the WSD attorney. Edwards informed the Board that he has seen the 11-page document, but that he didn't feel he should present it to the Board at this meeting with all the other items already on the September agenda. Speaking on behalf of the Board, President Cronin told McGarrity that the WSD is willing to work with BSOA, but at this point without an easement in place the WSD will need to table the BSOA water rights use request. President Cronin said the District wants a 1-paragraph easement presented by BSOA--an easy access easement and not a lengthy document. Edwards noted that maintenance for the treatment plant road needs to be included in an easement agreement. President Cronin agreed that the maintenance could be included in a second paragraph to the easement. Director Olson stated that he thought a permanent easement was in place a long time ago when he was working on the trail through the WSD on behalf of BSOA. Edwards reported that he choose to delay working on the easement with BSOA at that time because of the land donation from Westland to BSOA that was in the works. President Cronin stated that the WSD water rights are terribly important to the District and he wants to hear from our water people before the District approves this type of water use request. *The issue was tabled until a road access easement is in place and District engineers have time to review the BSOA request plus analyze the District's future needs.*

BSOA FOLF COURSE REQUEST

Mary Jane McGarrity stated for the record that this is a Community Corporation request not a BSOA request. McGarrity said that Jason Meyers was not present to discuss the request and that Home Kenny could answer any questions. McGarrity noted that their request would be for approval of use of the land on a month-by-month basis with no permanent structures installed. Director Bill Olson asked about liability insurance. McGarrity said that WSD could be added to the community corporation insurance policy. Edwards said the only issue he sees would be the insurance as the intended use is low impact. The course starts at the bottom of the dog loop and heads up the hill above the plant to the west. President Cronin stated that the only parking allowed would be the designated parking area at the entry to the park—there would be no parking along the road to the treatment plant.

Director McRae move to approve the use of the lower open space for disk golf conditional on parking being designated and the WSD being added to the community corporation's insurance. Director Shropshire seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

STORAGE POND 3 HEAT EXCHANGER LICENSE AGREEMENT

Edwards stated that a final draft was provided in the board packet. The document includes all the information that the board had requested at the last reading of the document. Edwards summarized the revised key points that included the ability for the WSD to require the removal of the system with a 60-day notice with cause. Rager reported that his corporation's name will be registered soon. Rager stated that the agreement now allows for a 12-month notice for removal without cause. The warranty section includes a \$5,000 warranty deposit. President Cronin stated that the agreement has to be in the District's favor with the removal clause. Rager thanked the Board for considering the agreement.

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

The agreement will be executed once Rager's company has been incorporated. Edwards will work with Rager to complete the document.

NORTHWESTERN ENERGY SUBSTATION

Matt Micklewright provided an update on the proposed site from the geotechnical reconnaissance by SK Geotechnical and distributed their report findings. With Cory Rice and Emmet Reardon participating via phone, they stated that the geotech work done reveals that this isn't a good site as this site is a deep historic landslide area. The development options they are looking at are: 1) relocate the site completely outside of the former landslide area, and 2) excavate to the top of the slide and improve the stability of the site with a structural system such as retaining walls. Additional geotechnical work would need to be done and that will be costly. To construct on this site, it was estimated to be \$2-\$3 million and Northwestern wants to look at optional areas/sites. Micklewright said aesthetics would probably be an issue with other sites on WSD land, but they can mitigate that with retaining walls and vegetation if the Board would consider another site. They are still offering a stand-alone circuit to the treatment plant in consideration for a site. Director McRae asked if allowed to build on a lower site, would they still be building on the slide. Rice and Reardon reported that constructing on the toe of the slide minimizes the risk. Director Olson asked about moving to the east a couple hundred feet. Northwestern representatives felt that they would find the same slide problems in that area and asked to move down to the flat area. Rice feels it would be better to relocate the site about 500 feet to the west, near the water treatment plant and by the dirt road. Director Daniels asked if that site concept would compromise the Search & Rescue site. Edwards recommended that Search & Rescue review these SK Geotechnical engineering/coring documents to see if it affects their plans. Edwards said the WSD agreed to the original NW site as it was an obscured site and it wouldn't interfere with future WSD plans. There is no site to the west of the District—that is BSOA Community Corporation property. President Cronin recommended that Northwestern check with the adjacent property owners to check out other land options. Edwards said if the District is still interested in working with Northwestern Energy there is additional land to the east. According to Micklewright, Northwestern would probably enter into an easement instead of owning to avoid the subdivision process. President Cronin stated that everyone has to start looking at other options, either the WSD site that is more flat, and/or research the other property to the east.

Director Olson felt that the District would be limiting themselves for future expansion if they allowed Northwestern to move to the east lower area. Reardon stated that they are also interested in looking into other land and agreements with other property owners. *President Cronin asked Northwestern to research all their land options and present their findings to the Board at the next meeting. Director McRae and Edwards will work with Matt Micklewright on optional sites and provide contact information for Erwin (adjacent owners).*

MOUNTAIN LAKE CONDOMINIUMS ANNEXATION AGREEMENT

Edwards stated that several documents were provided in the board packet. Edwards reported that the board had decided that the WSD could run the annexation election. The first step would be to mail out an annexation letter that explains the election and a ballot. Edwards said the development would fit within the WSD's limit of SFEs and they would have to provide the District with a well. The agreement stipulates they have to provide the water rights for the well, but Edwards doesn't think they could get the water rights. Edwards said that the District could obtain the water rights by transferring existing rights from wells #5 and #6. The SFE plant investment charge is proposed at \$10,000 per SFE—this fee was calculated by using District engineer's estimates of the developer's cost to have an onsite system. Mountain Lake developers would also have to provide/drill an 8" well as part of the agreement, and they would be added to the tax roles for bond debt service. Director Olson asked why the annexation agreement didn't include the maximum SFE development rights. Edwards said that could be added. Edwards said the ordinance would be the last step to annexation by the Board using the election results to adopt the ordinance.

Director Olson moved to have the District proceed with the annexation election and process as outlined with adding the maximum build out of 52.5 SFEs to the annexation agreement as discussed. Director Shropshire seconded the motion. Motion passed 6 yea votes to 0 no votes with President Cronin voting.

Director Allgood asked that the 3rd quarter billing include a 1-page notice of the upcoming annexation election that includes information about the board supporting the annexation. Edwards and Leonard Liston will work on the insert letter that is to be mailed with 3rd quarter bills.

SEWER OPERATIONS

Burroughs was not in attendance but the flow reports were provided in the packet. The flows were up this spring, which is probably due to high spring run off. Edwards reported that the golf course irrigation will be shut down in October and the line will be blown out.

WATER OPERATIONS

Muscat was not in attendance but the production reports were provided in the packet. The YC water use is up 17% up from last year and Muscat has been communicating with them. Director Shropshire questioned the YC use stating they are basically at their limit. *Director McRae recommended that Edwards communicate/meet with the new YC management company, Discovery, and review the issue of maximum water use with them. President Cronin asked that we physically not pump more water than they are allowed.* The mountain well #3 is still going through testing—which will be done again in October. The state has new staff and they want to see additional data.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: According to Edwards, there is not much left work left on the project. SMI will be here to complete the last few items and HKM will be here to do a final walk through. Edwards reported that communications have been updated and they are now at real time and more efficient. The water to Aspen Groves has been coming off the mountain and it has been working well—the 6% increase of the mountain production is probably because of this use. The District will be working on the slide issue in the Lone Moose area and staff worked in the area last week to prevent further erosion. *Edwards said the District will restrict access to what now looks like a road by laying a few logs across it.*

Hidden Village Water System Repairs: Edwards reported that the HV paving is the responsibility of HV and it will be done this week. The District is still working on a new alignment with Bough and the work will be done with a change order through the HV contract. Edwards reported that only the HV line will be installed yet this fall, the line through Bough's property probably won't be done this year as it will be too late once we get the permit.

Silverbow Water System Repairs: According to Edwards, 1,000 feet of pipe in Black Otter Road is scheduled for installation this year along with completing Alternate 1 and a notice of award has been given to Johnston Excavation. The District is still waiting for State approval before the work can begin, and this will hopefully occur by October 1. Alternates 2 and 3 will be done next year.

MEADOW VILLAGE WATER WELL COMPLETION PROJECT

Edwards will be meeting with the engineers to talk about the disinfection rule as it will have a major impact on the District.

MEADOW VILLAGE WATER PROJECTS COSTS

The summary of projects costs were presented in the manager's report.

CANYON AREA STUDY

Edwards and Ray Armstrong will meet with DEQ on October 6 regarding the snowmaking as a viable alternative. Until the meeting has occurred, Edwards will not know how receptive DEQ will be to the snowmaking. (Director Allgood left the meeting at 9:45 am)

MEADOW VILLAGE WATER TANK PROJECT—Gallatin Heights Hydrant

Edwards stated that the WSD originally agreed to provide a 10,000-gallon storage tank and now with new fire district staff they want a fire hydrant to Gallatin Heights. Johnson Excavation will be doing that work this fall, with it being about a 2-week project. The cost will be split between WSD and the owners association, costing the District about \$50,000. Smith stated that the project cost is in the budget. (Director Daniels left at 9:58 am)

SEWER & WATER PERMITS

There were no permits requiring Board action. Edwards reported that Spanish Peaks has made their first installment payment. Edwards mentioned that he has heard there has been land movement by the lodge and the project has been delayed. The lodge SFEs have not been booked and will not be until the permit fees are paid as requested by the Board.

GENERAL CORRESPONDENCE

There was no general correspondence to address.

OTHER BUSINESS

President Cronin asked if Northwestern Energy pulls out of there site, then does it jeopardize the Search and Rescue's building site. According to President Cronin, Search and Rescue has felt quite a bit of frustration in getting information to address county concerns. Edwards reported that he has put together an exemption letter for our legal counsel to review that would essentially circumvent the subdivision requirements. Swimley will be working with the country attorney on the best course of action. If Northwestern Energy doesn't build a substation and their road, then Search and Rescue will be on the hook for this road cost.

Director Olson stated that he has been approached to have the WSD approve a transfer station at the end of the ponds where the excavation is being done. There is a potential for a mess and President Cronin said the District needs to be cautious in agreeing to providing land because it is the entry corridor. President Cronin wants the "Mount Edwards" reclaimed when the gravel hauling is done.

NEXT MEETING

Director Shropshire wanted to make a meeting and that is why this meeting was held on a Monday. Director Shropshire hopes to be more available beginning March, 2009. The next Board meeting is tentatively scheduled for Thursday, October 23, 2008, at 8:00 AM. *Director Olson again directed Edwards to have the board packet distributed at least 5 days prior to board meetings.*

ADJOURNMENT

President Cronin moved to adjourn the meeting at 10:22 AM. Director Olson seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes –October 23, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Thursday, October 23, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, and Bill Olson. Director William Shropshire participated via telephone beginning at 8:19am. WSD staff present were Ron Edwards, Terry Smith, Jim Muscat and Grant Burroughs. Others present were Northwestern Energy representatives Matt Micklewright, Ernie Hulit, Emit Reardon (via phone) and Rona Sanchez (via phone) and Big Sky property owner Bill Irwin.

PUBLIC FORUM

President Cronin called for public comment at 8:15am. With no further public comment, President Cronin called the meeting to order at 8:17am.

MEETING MINUTES

Director Olson moved to approve the minutes of September 22, 2008, as written. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith summarized the results through September 30, 2008. Smith discussed the revenue from the new tiered water, which were billed for the first time.

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

NORTHWESTERN ENERGY SUBSTATION

Matt Micklewright discussed the substation. Emit Reardon and Rona Sanchez from NWE participated via telephone. Micklewright told the Board that he met with Bill Erwin to discuss his property as an option. Micklewright said he would still need to access the property through the District. Micklewright said that the Erwin property is not a good option. Reardon said the best site is just east of the sewer plant. Reardon requested that the District consider providing a site to the east, possibly at the east end of the District's land. Directors Olson and Shropshire asked about the sound level of the transformers. Micklewright said that the level of sound of their sites is below what other states regulate the level. Micklewright also said that they put in fences and other mitigating sound equipment. Reardon also said they can put in low noise equipment. Reardon said at build out they will have three transformers.

President Cronin suggested the knob section up behind the plant which is out of sight. Micklewright will take a look at the location. Director Olson suggested they provide a proposal with the section they ultimately end up picking for the best location. President Cronin asked that they make sure that the site has minimal impact. Micklewright said they will get the land surveyed and come back with a proposal and more information about noise and aesthetics. *President Cronin directed staff to identify costs for easements for NorthWestern Energy.*

SEWER OPERATIONS

Burroughs and Edwards gave an update of the SCADA controls for the filter building. The filter building controls are now tied together making the filters run more efficiently. Flows are on schedule and the pond was lowered for the rock work. Additional rock to cover the pond 1 liner was done on the south side of pond 1 for approximately 300 feet. Edwards reported that the contractor is using a long reach excavator to help drop the rocks in the basket. This method is working well and has increased the production rate. The contractor is keeping track of the production and will refigure the costs with actual costs to date and work up a cost estimate for completion. Edwards believes that the original estimate of three million may be lowered with the new methods employed.

WATER OPERATIONS

Director Allgood asked about the water tank site and what we need from Boyne. Edwards said that all we need is an easement for the tank site. Allgood suggested the District contact Boyne now and get the necessary easements from them now before the Resort is sold. Director Olson suggested that the development on the mountain bear the cost for the tank they need to service their development. Director Fast suggested that Boyne and CNL update the District with respect to their deal, who will own what after the deal is done.

Muscat briefed the Board on the production flows. The District found several leaks that were repaired and should show up in next month's flow report. Lone Moose wells that were repaired need to be reevaluated. Muscat noted that the pipeline down the mountain has been a success to divert water down to the Meadow. President Cronin asked how much water was taken off the mountain. Muscat said he can tell how much in total was taken off the mountain by the meters. Muscat will report on those numbers at the next meeting. Muscat said the telemetry is now in place and water can be directed where needed. Muscat said that he and Edwards discussed making the water system one system instead of three separate systems. Mountain well 3 should be wrapped up soon. The tests for the third MPPA have not been received yet. The report should be final for next meeting.

MEADOW VILLAGE WATER SYSTEM PROJECT

Edwards said the HV project is just about complete. The roads are just about complete with the exception of a few driveways. The trails were put back into shape. The damaged bridge was repaired.

Edwards said the well project for the new meadow village wells is not quite as critical now that water can be diverted off of the mountain. Since the DEQ is now insisting on system-wide chlorine disinfection it has slowed down the process of putting those wells in production. The District needs to evaluate all the options available for full-time disinfection before it proceeds with connecting those wells into the system.

Director Allgood suggested the District hold the line on the chlorination requirement. He wants the District to be proactive and fight against full-time chlorination. The board concurred.

SILVERBOW

Edwards said Silverbow was put on hold until next season. The state approval came in a month later than anticipated. Edwards met with the contractor on 10/22/08 and they agreed to postpone the project until next year.

STORAGE POND 3 HEAT EXCHANGER PROJECT

Edwards and Burroughs said they are comfortable with the project details. Burroughs met with the contractor last week and they will begin work soon.

CANYON AREA STUDY

Edwards reported on a meeting that was held in Helena with the DEQ to discuss the Canyon Study and specifically snowmaking on a large scale. DEQ has not yet replied to the meeting discussion. The DEQ requested a permit application for the snowmaking to work on the details. Edwards said the cost for an application is minimal so he will explore it with HKM. President Cronin asked what obligation the District has with respect to this study. Edwards said the District is looking at the feasibility of doing something in this area but the District is not obligated to build the project as a result of the Canyon Study. President Cronin said the District must make it clear that the District is not obligated to take the Canyon's sewage and is not obligated to design and create the project. Edwards said that if anything is done with the project it will be the Canyons owner's responsibility to decide on the issue and to pay for the costs.

SEARCH AND RESCUE EASEMENT

Edwards said that he will be meeting with Susan Swimley to complete the easement. Edwards said the other issue for the search and rescue building is the sewer discharge. Edwards suggested that search and rescue apply for a permit for a holding tank. Edwards said that since the location of our plant is so close to the holding tank site that the permitting officials will hopefully approve the permit.

MEADOW VILLAGE WATER TANK PROJECT--GALLATIN HEIGHT HYDRANT

Muscat said the hydrant is complete and waiting on the power line.

STORAGE POND LINER PROJECT

Edwards discussed the contractors work on the project.

MOUNTAIN LAKE ANNEXATION

The ballot is not complete yet, but the ballot will be mailed out within the next couple of weeks.

BSOA/BSCC ACCESS EASEMENT

Edwards discussed the changes that Director Olson and Edwards made in the original document. Edwards said he and Director Olson tried to simplify the easement and allow for some level of trust between the two public entities. Edwards and Director Olson will present the Districts position at the BSCC meeting on November 9th.

SEWER & WATER PERMITS

Edwards said there was one new permit.

GENERAL CORRESPONDENCE

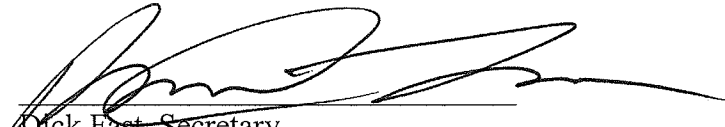
There were two payments coupons returned with comments. Staff addressed both with Smith to follow up on the Sheridan note.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, December 9, 2008, at 8:00 am.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:45am. Director McRae seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

10-23-08. min (Board approved 12/9/08)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – December 9, 2008
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Tuesday, December 9, 2008, in the WSD Community Room. President Packy Cronin called the meeting to order, with the following Board members present: Vice-President Gary McRae, Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (left at 10:00 am), and Bill Olson. Director William Shropshire participated via telephone until 9:00 am. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs.

Others present were Northwestern Energy representatives Matt Micklewright, Pat Acey, Ernie Hult, and Emit Reardon (via telephone); Boyne representative Brian Wheeler; and adjacent property owner Bill Irwin. Holmes & Turner auditor, Rosie Barndt, was present during the audit report.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of October 23, 2008, as written. Director Daniels seconded the motion. Motion passed, 7 yeas to 0 no votes with President Cronin voting.

FINANCIALS

Smith only reviewed the October financial reports, stating that he did not have time to prepare the November reports. According to Smith, the operating revenues are favorable and the operating expenses are on target. The sewer revenue turned negative this past quarter, which is what Smith had expected until we have our rate increase again next year. Late notices went out last Friday for delinquent accounts and receivables have increased in just a few days. Smith noted that Spanish Peaks has sent in three payments and are on schedules with their permit payments. Edwards reported that the Yellowstone Club has made two payments totaling \$20,000 towards their approximate \$87,000 third quarter water charges. Smith noted that the new rate structure hit the YC hard since their volume of use kicked them into the high use rate. Edwards stated that the YC is probably not being charged fairly with the tiered system and the District will be looking at their number of service connections, like other single meters serving multiple units, to recalculate their water rates. Edwards will try to apply the same billing practice to YC for their master meter as is done for others with multiple properties tied into one meter. President Cronin and Director Fast stated that YC should be paying the higher rate tier if they are going over the use when dividing the number of users on the master meter. President Cronin noted that the WSD needs to monitor the YC agreement to use treated water since they are in bankruptcy proceedings. Edwards is having District legal counsel look into what the District might want to do. Director Shropshire asked that the District advise the bankruptcy court of YC's obligation to the District to accept treated wastewater, plus of the additional storage they are to build. Edwards said for now YC is only in arrears on their quarterly water bill for a financial obligation to the District. Edwards stated that the YC has a separate utility company that is not involved in the bankruptcy so the water charge is not applicable. *President Cronin directed staff to work with legal counsel to inform the bankruptcy court of the outstanding water charges and of the YC agreement for storing and using treated wastewater and then let the court decide if this is relevant to the bankruptcy. If Swimley isn't familiar with Chapter 11 proceedings, President Cronin directed Edwards to have her farm the issue out to*

another firm that is experienced. Director Daniels noted that he has received bankruptcy information that says March 2009 is the reporting deadline. (See Director Allgood's comments under the Audit regarding the timing of our audit and the bankruptcy filing, which may be a factor in determining relevancy).

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

AMEND AGENDA

Director McRae moved to amend the agenda to address the Northwestern Energy substation location. Motion unanimously passed.

NORTHWESTERN ENERGY SUBSTATION

Edwards reviewed the status of Northwestern Energy's request and noted that Lisa Kass sent a letter to the board members objecting to the substation. Matt Micklewright introduced Pat Acey, Ernie Hulit, and Emit Reardon (by phone). Micklewright handed out drawings of the footprint of where they are proposing the location of their new substation. From Hulit's assessment of the area, he reported that it looks like the area talked about at the last meeting is not feasible and it also appears that area is at least partially on forest service land. Micklewright distributed pictures of the view shed from the area they are proposing, reporting that this site is approximately 450' from Irwin's house and about 750' from Kass's house. Micklewright noted that they are proposing low noise transformers, which are not the same transformers that are on the mountain. Emit Reardon stated that the low noise transformers can be ordered—they have different insulation and have a lower decibel rating. Director Olson reported that the transformers on the mountain are not acceptable with regards to their noise and there are complaints from the nearby property owners where they cannot even have their windows open at night because of the noise level. *Director Olson asked for a comparison of the Db levels of the transformer options.* Reardon reported that he believes there is a low noise unit by the campus where people could check the noise level. Reardon will get the noise comparison data to Micklewright to share with the District. Director Olson said that Irwin's house will be below the proposed substation and that should help. Micklewright explained the brown outs that are occurring, stating that the new transformer will not fix that problem as that is a power use issue that they are working out with Yellowstone Club. This new transformer is just for growth planning. Reardon reported on the problems they would encounter with stabilizing the originally proposed site and that is why they decided to find a different site. Director Olson asked if landscaping with more mature trees would alleviate the view shed problems for Irwin and Kass. Micklewright and Reardon said they are willing to do what it takes to make the substation less of a visual impact. President Cronin noted that the other land request agenda item, working with Search and Rescue, is also an issue and the District needs to decide what we will do with the land in the long term. Director Olson said he feels that planting plenty of big trees will make the substation less intrusive. Pat Acey said they can hire a landscaper to develop a plan. Director Shropshire said his issues are aesthetics and sound pollution. (Director Shropshire left meeting at 9:00 am). Director Fast feels that NW and the neighbors need to work out a solution that is agreeable to all parties. President Cronin asked if the District as owners of this land will be committing to never developing this land if we don't move forward—he noted that this land isn't a park. Director Olson reported that he has walked the proposed site area and it is the only buildable site when considering the topography of the land. Director Olson said that at some point in time this land will be developed and at this point in time NW is willing to mitigate any

impact from their substation. Micklewright stated that they will need to visit the new substation once a month unless there is a problem. Mr. Irwin feels that a substation would ruin their property value and doesn't see a timber shelter as acceptable for mitigating the impact and he would rather see a sewer pond at the site. Edwards noted that the District has ruled out the site as a pond, but the other land would allow for treatment plant expansion. Micklewright said the Sweetgrass transformer site would not be their preference for expansion due to land stabilization and access issues. They would also need more property than the existing Sweetgrass site would allow. Director Olson said that whenever you are developing infrastructure it may not be beneficial for everyone, but it will be beneficial for the community. Director Olson feels it meets the criterion for the community and also feels that NW will mitigate the impact with landscaping. He feels that since NW is willing to do everything they can, that the District should proceed. He doesn't feel that the property values will be negatively impacted with what NW is willing to do. Directors felt that this is probably the least impact site in the community for the construction and maintenance of a new substation. *Director Fast asked that NW sit down with Irwin and Kass to line out what can be done to minimize the impact to their property.* According to Micklewright, if NW is given a shot at using the building site, then they will bring in the geotech staff. Directors Daniels and Allgood agreed with Director Olson. Director McRae feels the proposed site is too close to the adjacent property owners and he wouldn't support the proposal at this time. President Cronin said that he is having a difficult time with the request as he can see both sides—from the adjacent property owners and from NW in finding an appropriate, least impact site. Edwards provided the history of the cost of the property. Edwards said he would like to have NW pay a fee to extend the trail for compensation in using the site. *Director Olson suggested that NW come to the District with a concrete proposal—with trees and other mitigation, talking with Irwin and Kass, mitigating entrance corridor, what they will pay the District, how sound will be mitigated—that the Board could consider and vote on.* Director Allgood asked that NW go to the neighbors and get a plan endorsed and then come back to the District. *Micklewright will have a plan and profile (rusted example) for Board consideration at the January meeting. Micklewright will have a cut and fill design as requested by President Cronin.* President Cronin reported that the land was originally planned for a condominium development. Micklewright stated that burying the existing lines in the proposed area is not a possibility.

In regards to the District's land by the treatment plant that NW is looking at, Brian Wheeler recommended that the District do master planning for its vacant land. Wheeler reported on situations that Boyne has encountered because of their previous lack of planning.

BOYNE MERGER UPDATE

Brian Wheeler reported on Boyne's merger with CNL. CNL came back to the table in July and they are now here and the impacts are seamless right now as Boyne is using CNL as a lending source for now. Boyne will be conveying their property, but will retain revenue producing real estate. Wheeler said they, however, now have layers of approval for risk analysis, but feels that CNL is incredibly competent. Wheeler reported that Boyne will retain the ownership of the water tank land, but the line easements will need to be worked out. According to Wheeler, Boyne is taking a slow methodical approach to development, but CNL wants Boyne to improve the value of its assets. Wheeler said that CNL is aware of the working relationship between Boyne and the District. Wheeler stated that the District will work with Boyne for any infrastructure needs, but now with CNL there is another layer of approval and advised allowing time (a year) to get anything done. *President Cronin directed Edwards to begin working with Wheeler and Gaston Engineering to get the tank site and line easement in place.*

AUDIT REPORT

Rosie Barnes from Holmes & Turner distributed the final draft of the audit report. They have everything they need to finish the draft and it will be finalized within the next week. (Director Daniels left the meeting at 10:00 am.) Barnes reported that the audit went very well with clean opinions and no issues noted. There are no changes to the format from last year. The only change is the date that will be inserted when it is ready to go out the door. With what they have prepared, Barnes can submit the audit report to the state by the December 31, 2008, deadline. The Board can then have the month to review the audit and Barnes can file an amended report if needed. *The audit will be on the January agenda for Board approval and Barnes will attend the meeting if needed.* President Cronin asked if the Yellowstone Club bankruptcy proceeding should be disclosed/included in the audit report. *Edwards will report to Barnes on the District's legal counsel advice on whether the YC bankruptcy should be disclosed.* Director Allgood noted that the YC bankruptcy occurred after the June 30, 2008, review period, which may be a factor in determining relevancy. Barnes will stay in contact with Edwards on the issue. Barnes reviewed their draft letter, the corrected and uncorrected misstatements, and the journal entries. Barnes noted that special districts, like WSD, do not have to pay social security on employees' pay if there is a retirement plan (like PERS) in place, or they can adopt a policy to pay social security on employees' salary. The District does not have a policy agreement in place and should not be paying social security. Barnes stated that the issue is whether the District falls under the 218 agreement. Barnes has asked for an interpretation from the State on the District's unique situation as a separate entity. If the District does not participate in social security, Barnes said that the District can ask for refunds from the last 3 years. Both social security contributions from the employee and employer would be refunded. Edwards stated that he supports not paying, and refunding previous employee contributions to the employee. The employee's portion is tax free, but if the employer's portion is given to the employee then it needs to flow through payroll. *President Cronin directed Edwards to talk with employees for a consensus on the social security issue.* Barnes says it has to be a majority vote and if a 218 agreement to have social security is approved, it is forever. Barnes reported that they have one client that went the refund route, and those employees have been given their portion and the employer's portion will be ran through payroll and put into another retirement account for the employees. *The Board asked for a two page summary on this information.*

SRF Loan Payments: Smith reported that the loan payments will be made as scheduled.

MOUNTAIN LAKE CONDOMINIUMS ANNEXATION ELECTION

Edwards stated that the balloting being conducted by the District is just a straw poll for directing the Board. According to Edwards, the Board did not even have to have a vote to annex the property because it is contiguous land. Edwards did not feel that there was any legal problem with the two wrong dates published on the combined newsletter and ballot. Edwards said that the District could push back the voting a month and just send out a corrected ballot to those constituents that have not yet responded. Edwards reported that he will pick up postage due ballots that the post office is holding. The ballots, thus far, show 141 accepting and 6 rejecting the annexation. The Board will need to decide if they want to annex Mountain Lake property into the District prior to the well concessions being completed. *All Board members agreed that the annexation should occur after the improvements are made (drill the well, pay past taxes, and pay PIC).* *Edwards will email the final tally to the Board after the December 16 deadline.*

BSOA ACCESS EASEMENT

Edwards has not received final approval from BSOA on the draft easement. Edwards and Olson reported that, with the exception of Kevin Frederick, the new BSCC committee members were all over the board on what they would agree to at the meeting they had. *Edwards and Director Olson will work with BSOA on getting this finalized.* President Cronin said that *the road easement must be 60 feet, not 30 feet.*

BSCC PARK EXPANSION PROJECT & BSCC PARK IRRIGATION

Edwards reported that this irrigation agreement goes back to a standing document from 2000 and BSCC/BSOA are working on expansion of irrigation. Edwards looks at it as housekeeping since the agreement will go from BSOA to BSCC. President Cronin noted that the agreement included no SFEs. Director Allgood said the road easement is also housekeeping and he will consider the irrigation agreement as long as the road easement is provided. Director Olson noted that BSCC park plans cannot move ahead without SFEs. President Cronin recommended Edwards move forward with the irrigation agreement, but don't sign it. Edwards said BSCC will need a capacity letter for the park expansion where there was no capacity in the past. Director Allgood said if Olson feels that the WSD will receive some "points" then he would agree to the irrigation agreement. Director Fast said there is a lot of misinformation and distrust and he would like to clear things up and move on as it doesn't need to be this complicated. *Director Olson will contact Kevin Frederick and try to work out the details during Frederick's next trip to Big Sky. The Board agreed to approve the irrigation agreement.* According to President Cronin, and agreed to by all Board members, *the capacity letter and the water rights issue will not be discussed until the road access agreement is finalized.*

Director McRae moved to amend the irrigation agreement that transfers the agreement from BSOA to BSCC as written. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes.

SEWER OPERATIONS

Burroughs distributed the flow reports and included pictures of the slide area on the outfall line, plus pictures of Burke Excavation's retaining wall work to fix the slide problem. Burke put in about 160 feet of baskets and another 140 feet of rock wall. Burroughs reported that the flows are down for the last four months. According to Burroughs, a change out of the electronics has been done in the plant and it is working well. Burroughs reported that all of the compost was used by the end of the summer and they are continuing to make more. Burroughs has not found any significant I & I source, but will continue to look for I & I in the spring. Burroughs feels that the total flows will be around the total flows for 2007.

Mountain to Meadow Water Line/Army Corps Correspondence: Edwards reported that Army Corp correspondence was included in the packet.

Gallatin County Local Water Quality Correspondence: Results from the WSD treatment plant samples done through the Gallatin County Local Water Quality District's area-wide wastewater treatment plant sampling program were included in the board packet. The sampling is being done as part of a larger scale effort to investigate pharmaceutical compounds in wastewater.

WATER OPERATIONS

Muscat noted that the October and November flows are missing from the report due to computer problems, but he has been able to obtain the flows. Muscat noted that the flow report shows that YC has dropped way off so they must have fixed something. The mountain to the meadow line is complete with the telemetry now online. The District has hired Mark Cunanne to do a pump test at Lone Moose wells and they are not producing as much as what they were advertised. Muscat stated that they will certainly suffice for now for Lone Moose's demand, but the District should not count on the wells for additional water supply to the District.

Mountain Well #3 Groundwater Report: Edwards reported that he has corresponded to the State that all the analysis reports for mountain well 3 indicate that this is groundwater. Edwards explained that the state has gone through employee turnover and as of this week we will be working with another new employee. Muscat feels that we have done everything we can to show that this well is groundwater. Edwards noted that the state has put us at a population of 7,000 for the mountain—Edwards has sent the state follow-up information reporting the resort's number of 2,650 is a peak day. Edwards sent a letter that also asks the state to not make chlorination mandatory since the water source is groundwater. If approved, the District would then only have to chlorinate the Meadow wells that are less than 20 feet. *President Cronin stated that the District needs to have a proactive plan to protect its current water system.* Edwards feels that he will have a response by the first of the year. *If required to chlorinate, Edwards will submit plans just for the two new wells in the meadow.*

Coliform Sampling Correspondence: Muscat said if there is a TCR hit then you resample to determine if there is a problem. There have not been problems with the District's water. According to the state, the District should have notified its customers of a TCR hit. Muscat has talked with the EPA federal agency that regulates this and they don't know why the state is requiring the notification as the state's notification requirements do not follow EPA's regulations. Muscat informed the Board that this has been very frustrating due to the different interpretations depending on who you talk to at the state.

MEADOW VILLAGE WATER SYSTEM PROJECT

Mountain to Meadow Pipeline Project: Edwards reported that this project is complete.

Meadow Village Water & Sewer System Repairs: The Silverbow project is on hold until spring.

Meadow Village Water Well Completion Project: Edwards said the state will require treatment of new water sources.

Meadow Village Water Projects Costs: The status of project costs was provided in the manager's report.

SEARCH & RESCUE LEASE

Edwards reported that he and Swimley prepared a lease and sent it to the Search and Rescue for review. They did not like the draft as it made the District owner of the building to circumvent the subdivision rules. Search and Rescue has decided they will need to get a zoning change so that the building would not be a conditional use. If a zoning change is applied for and approved, it would also benefit Northwestern Energy's request for a substation.

STORAGE POND 3 HEAT EXCHANGER

Edwards said the heat exchanger has been installed and it is exactly what they showed us.

CANYON AREA STUDY

Edwards provided a copy of the canyon executive study in the board packet. Edwards will invite Ray Armstrong to the January meeting to review the study.

MEADOW VILLAGE WATER TANK PROJECT – Gallatin Heights Hydrant

The District is waiting for Northwestern Energy to start the panel and Edwards feels that this should be done this week.

SEWER & WATER PERMITS

The three new permit applications did not require Board approval. There are 187 SFEs available for permitting.

GENERAL CORRESPONDENCE

There was no general correspondence for the Board to act on.

ANNUAL DINNER

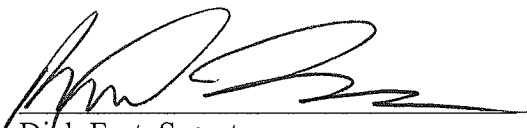
The Board suggested the Corral as the annual dinner location. *Edwards will check with Devin White on availability for mid-January for exclusive use, or even a date before Christmas. Edwards will also check with Director Shropshire on his availability in December and January.*

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, January 13, 2009, at 8:00 am. Director Fast reported that he works on Tuesday for the next three months.

ADJOURNMENT

Director McRae moved to adjourn the meeting at 11:55am. Director Olson seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

12-9-08. min (Board Approved 1/13/09)