
**STAFF REPORTS:
GENERAL MANAGER'S
REPORT**

GENERAL MANAGER'S REPORT
BIG SKY COUNTY WATER & SEWER DISTRICT No. 363
Board of Directors Meeting
June 29, 2010

I. REGULAR MEETING CALL TO ORDER

II. APPROVAL OF MINUTES

A. April 15, 2010 Regular Meeting Minutes

III. FINANCIAL REPORTS

A. April & May Financial Report

The summary of the District's finances through March is shown in the table below. The District has \$519,553 as unrestricted cash on hand. The District's restricted operating reserve account balance is \$628,519 for sewer and water operations. The restricted asset replacement fund balance is \$4,485,484. Total operating revenues year to date total is \$2,221,261 which is 1.8% below year to date budget projections. Year to date operating expenses total \$2,163,293 which is 4% below year to date budget projections. The Plant Investment Charge fund balance is currently \$4,473,238.

BUDGET OPERATING SUMMARY		
May-10		
Category	Dollars	Percent of Budget
Year To Date Total Operating Revenue	\$ 2,221,261	98.17%
Year To Date Total Operating Expenses	\$ (2,163,293)	96.04%
Unrestricted Cash On Hand	\$ 519,553	
Sewer	\$ 191,656	
Water	\$ 210,987	
Admin	\$ 116,910	
Restricted Operating Reserve	\$ 628,519	
Sewer	\$ 304,096	
Water	\$ 324,423	
Asset Replacement Fund	\$ 4,485,484	
Sewer	\$ 3,251,124	
Water	\$ 1,234,361	
Plant Investment Fund Balance	\$ 4,473,238	

I also sent Susan Swimley a letter which is in the finance section of the packet regarding the Farmhouse Partners issue. I have not received a response yet on our legal options for this account.

B. 2010/11 District Budget

Enclosed in the board packet in the Finance section is the new budget for fiscal year 2010/11 which begins July 1, 2010. This budget is presented for final approval at the June meeting. Once again the budget is based on no rate increases for water or sewer. We published a notice in the Lone Peak Lookout that summarizes the budget and notices that public comment will be heard at the June 29th meeting.

C. Bond Payment Mill Rates

The District Board will also need to approve the amount of money that it will fund toward the bond debt service payments for the next fiscal year. Enclosed in the board packet at the end of the Finance section

is page that summarizes the bond debt service and is for Board approval. Terry and I are recommending that the District fund \$400,000 from the PIC Fund reserve toward bond debt payments. In the past we have funded \$200,000 since we had Boynes' annual payment in the amount of \$250,000. The resort tax allocation that we received in the amount of \$32,864 will be used for water bond debt service. To estimate the mill rate impact of this contribution we use the taxable values from 2009. The amount of that will be placed on the tax roll is 1.054 million dollars which is about 71% of the total payment. A contribution by the District in the amount of \$400,000 is 27% of the total. The actual mill rate will be calculated once we have the new taxable values of the District for 2010 which will be in the fall.

BIG SKY COUNTY WATER & SEWER DISTRICT TAX LEVY SUMMARY						2010 Estimate	
		2009		2009			
		Taxable Values:		Water Project	Sewer Project		
		Gallatin Co.		\$9,138,949	\$10,347,958		
		Madison Co.		\$9,746,016	\$10,758,344		
Pymt Date	Total Payments	Total Payment	District Contribution	Resort Tax Contribution	TAX LEVY AMOUNTS	MILL RATE	
WATER PROJECT							
1/1/2011	\$261,446.04						
7/1/2011	\$261,604.79	\$523,050.83	\$0	-\$32,864	\$490,186.83	25.96	
SEWER PROJECT							
1/1/2011	\$481,867.62						
7/1/2011	\$482,126.37	\$963,993.99	-\$400,000	\$0	\$563,993.99	26.50	
SUMMARY							
Total Payments =		\$1,487,044.82					
District Contribution =		\$400,000		26.90%			
Resort Tax Contribution =		\$32,864		2.21%			
Tax Roll Contribution =		\$1,054,180.82		70.89%			

The taxable value history for the sewer and water jurisdictional areas for bond repayments are shown in the next 2 tables.

TAXABLE VALUE SUMMARY: 2004-2009

WATER JURISDICTIONAL AREAS						
TAX YEAR	Gallatin Water Jurisdictional Area	% Difference	Madison Water Jurisdictional Area	% Difference	TOTAL	% Difference
2004	\$5,448,031	---	\$6,369,201	---	\$11,817,232	---
2005	\$5,783,386	6.2%	\$6,384,864	0.2%	\$12,168,250	3.0%
2006	\$6,308,896	9.1%	\$6,742,739	5.6%	\$13,051,635	7.3%
2007	\$7,977,155	26.4%	\$8,172,808	21.2%	\$16,149,963	23.7%
2008	\$8,571,236	7.4%	\$9,299,562	13.8%	\$17,870,798	10.7%
2009	\$9,138,949	6.6%	\$9,746,016	4.8%	\$18,884,965	5.7%

Average Increase = 10.1%

SEWER JURISDICTIONAL AREAS						
TAX YEAR	Gallatin Sewer Jurisdictional Area	% Difference	Madison Sewer Jurisdictional Area	% Difference	TOTAL	% Difference
2004	\$5,605,078	---	\$6,365,715	---	\$11,970,793	---
2005	\$5,946,194	6.1%	\$6,388,189	0.4%	\$12,334,383	3.0%
2006	\$6,221,729	4.6%	\$6,729,790	5.3%	\$12,951,519	5.0%
2007	\$8,575,156	37.8%	\$9,020,070	34.0%	\$17,595,226	35.9%
2008	\$9,457,045	10.3%	\$10,392,333	15.2%	\$19,849,378	12.8%
2009	\$10,347,958	9.4%	\$10,933,865	5.2%	\$21,281,823	7.2%

Average Increase = 12.8%

Based on our estimate using \$400,000 of District funds and the taxable values from 2009 the mill rate estimate for the water bonds is 25.96 mills which is a 5% increase over last year. The sewer bond mill rate is estimated at 26.50 mills which is a 10.9% increase. Once we have the actual 2010 taxable values we will revisit the mill rate levies before we certify the levy to the counties. The board can elect to increase or decrease the District contribution at that time. Since the funds come out of PIC Fund reserves it does not impact rates so no public hearing is required.

MILL RATE SUMMARY

YEAR	Water Bond Debt Payments	% Difference	Sewer Bond Debt Payments	% Difference	Combined Bond Debt Payments	% Difference
2004	7.60	---	31.41	---	39.01	---
2005	7.60	0.0%	31.41	0.0%	39.01	0.0%
2006	7.60	0.0%	31.41	0.0%	39.01	0.0%
2007	24.74	225.5%	20.30	-35.4%	45.04	15.5%
2008	16.17	-34.6%	21.52	6.0%	37.69	-16.3%
2009	24.72	52.9%	23.90	11.1%	48.62	29.0%
2010	25.96	5.0%	26.50	10.9%	52.46	7.9%

IV. OPERATOR REPORTS

A. Sewer Operations Report.

Grant will give his report at the meeting.

We received a reminder notice from the DNRC that we need to have the storage pond embankments inspected. These are required every 5 years.

B. Water Operations Report

Jim will give his production report at the meeting. We also had American Leak Detection here the week of June 7th to do leak detection work in the Meadow Village and the Mountain Village. Some leaks were found and repair work has been scheduled. Jim will provide more information about the leak detection findings at our meeting.

The annual Consumer Confidence Reports are due by July 1st. A copy of the report is enclosed in the board packet under the water operators report section. They will be mailed out with the July billing and we also post these reports on our website each year.

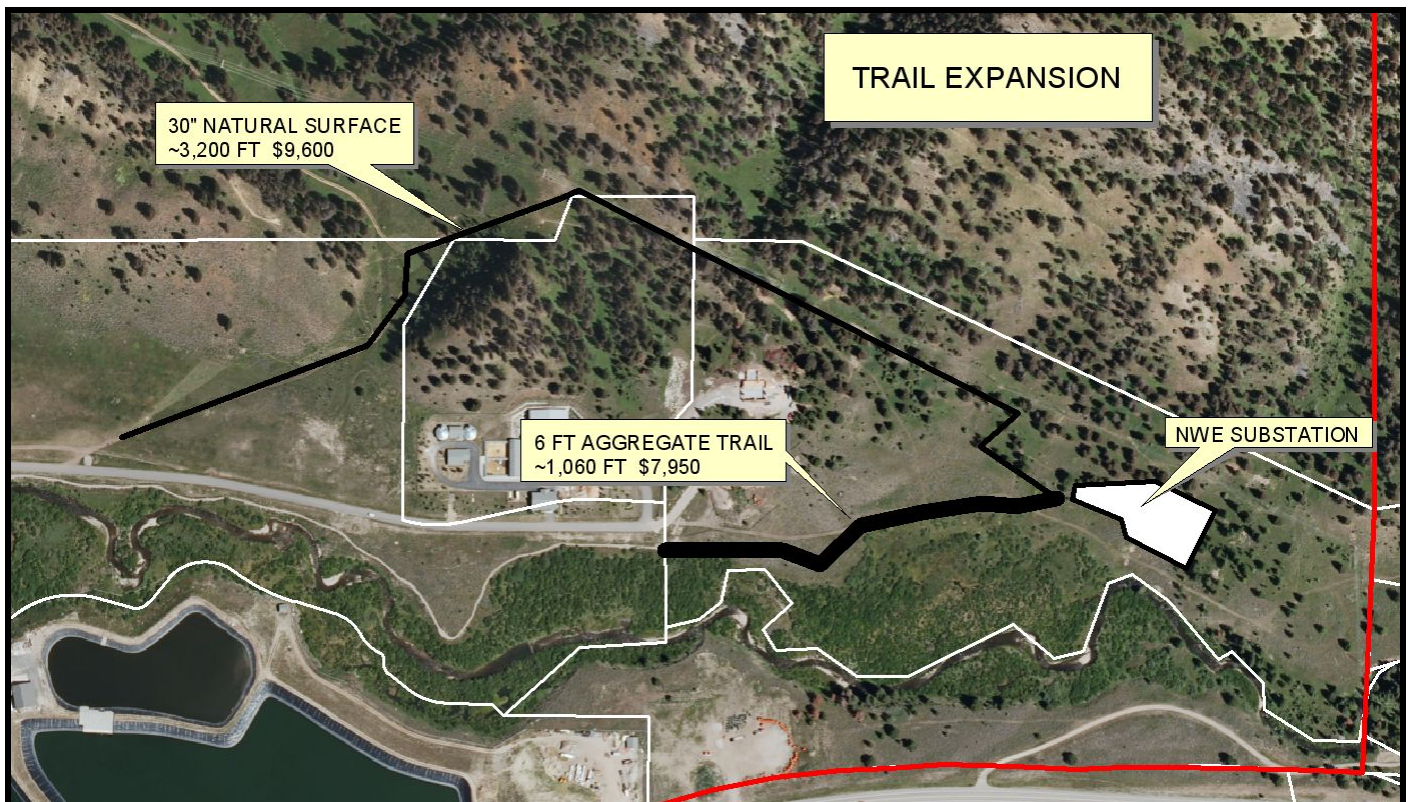
V. BUSINESS ACTION & PRIORITY ITEMS

A. BSCC Park & Trail Expansion

The Big Sky Community Corporation received \$400,000 from the resort tax board for Phase 1 of the park project. The plan for the park includes a couple of future building sites that will require sewer and water services. Back when the District sold the land to Northwestern Energy we had discussed donating a portion of the proceeds toward the park project. That was never approved but we did discuss possibly helping the park project in some other manner in the future. The BSCC dropped a set of the sewer and water service plans for the future buildings and Steve Johnson has stopped by on a couple of occasions to ask if the District would be interested in assisting with the installation of the sewer and water utilities.

After looking at the bids that Langlas Construction gave the BSCC for the sewer and water utilities I think the District can have this work done cheaper. The bid cost is \$16,855 for the water line work and \$39,830 for the sewer line work. We should discuss what role if any that the District should take on for the sewer and water utility work in the park project. I will have contractor estimates for this work for our meeting on June 29th.

The other issue that is still on hold until the substation construction is complete is the trail expansion. During negotiations with Northwestern Energy we discussed adding the trail expansion to the sale terms for the substation site. That approach was dropped since the consensus was that the trail project would be better done with the District and BSCC working on it. The sale price in the amount of \$375,000 also factored into this decision. The final Buy-Sell agreement did not make the trail a condition of the sale for Northwestern Energy. Steve Johnson got an estimate from Land-Tech Montana for the trail expansion for 3,200 feet of 30 inch trail for \$20,012.50. The estimate is enclosed in the packet. The map view below shows the approximate location of the trail and the cost estimate for each section.



B. Spanish Peaks Warranty Security

We received a letter request from the Finance Director for Spanish Peaks to replace their warranty security which are in the form of 6 Letter of Credits with their Plant Investment Fund account. The table below shows a summary of all of the LOC's that we have on file for the Spanish Peaks sewer system warranties. The total amount of these LOCs is \$198,247. We currently have \$285,906 in a segregated account from connection permit fees for all of the projects that have been built in SP. I would rather have the cash which we already have control over as the warranty security and let all 6 LOCs expire according to the dates shown below.

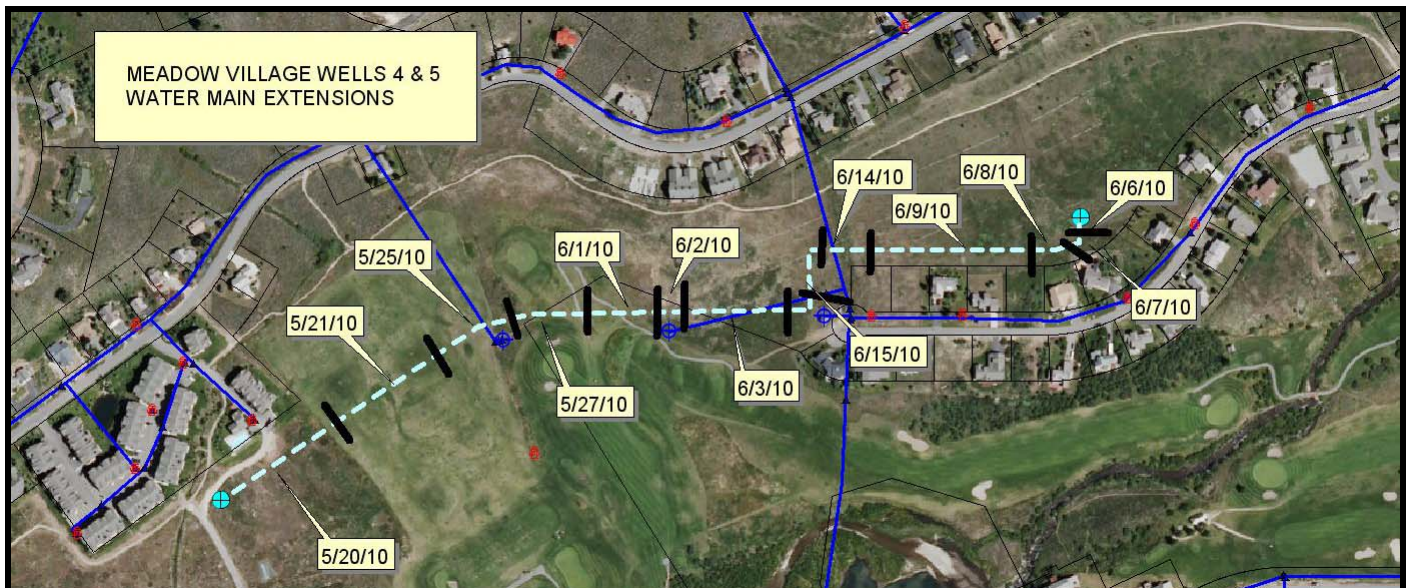
Spanish Peaks Resort Conveyances 1-6						Updated:	6/15/2010
Conveyance #	Total Amount	Warranty Amount	Date of Original LOC	Warranty Term	LOC #	Current LOC Expiration	Warranty Expiration
1	\$807,910	\$50,000	11/15/2005	5 years	18102182-00-000	9/19/2010	11/15/2010
2	\$768,042	\$76,804	10/9/2007	5 years	18107992-00-000	10/9/2010	10/9/2012
3	\$355,268	\$35,527	7/3/2007	5 years	18105303-00-000	7/3/2010	7/3/2012
4	\$61,830	\$6,183	7/3/2007	5 years	18105304-00-000	7/3/2010	7/3/2012
5	\$252,450	\$25,245	10/26/2007	5 years	18107993-00-000	10/11/2010	10/26/2012
6	\$44,878	\$4,488	10/26/2007	5 years	18107994-00-000	10/11/2010	10/26/2012
	\$2,290,378	\$198,247					

VI. OLD BUSINESS

A. Meadow Village Water System Projects

1. Meadow Village Water Well Completions

Walker Excavation starting laying the water main extension on May 20th. They finished the pipeline work on June 16th. They will fill the new line and run pressure tests to test the line integrity. The topsoil work has been hampered with all of the wet weather. As soon as the top soil dries out they will place it back over their trenches. The map view below shows the extensions and progress by date.



2. Silverbow Condominiums Water & Sewer Repairs

We finished all remaining work in Silverbow over the past couple of weeks. All of the sewer cleanout risers have been cut off below grade and small metal covers have been set on top of each cleanout. This project will be dropped from future reports. The electrical problem with some of the walkway lighting has also been fixed.

3. Hidden Village/Bough Water Main Replacement

Joe Nowakowski seeded the pipeline corridor on Loren Boughs property the first week of June. With all of the rain the new seed should take without any problem. Johnston Excavation also has some pavement work to do on Andesite Road from the construction traffic that damaged a section of the road. Aspen Groves has a paver under contract to do repair work from Aspen Groves to the corner of Andesite Road. I met with Johnston Excavation and we agreed to have the contract paver fix the sections that would have been theirs to fix and cost share that portion to Aspen Groves for their contractor.

4. Meadow Village Water System Project Costs

The table below shows the contracts and contract status for the Silverbow & Hidden Village replacement projects, and Meadow Wells 4 & 5 completion projects through March of 2010.

Water Facilities Plan Contract Summary - Water Project							
May-10							
Construction Contracts Summary	Original Contract	Change Orders	Total Contract	Paid to Date	% of Contract	Retainage	Contract Balance
Johnston Excavation- Silberbow Project	\$ 654,650	\$ 146,930	\$ 801,580	\$ 796,541	99.4%	\$ 5,000	\$ 40
HKM Engineering- Silverbow Water Project	\$ 135,372	\$ 139,378	\$ 274,750	\$ 215,925	78.6%	\$ -	\$ 58,824
Meadow Village Wells 4 & 5 Completion Project		\$ -	\$ -	\$ -	#DIV/0!	\$ -	\$ -
TD&H Engineering- Wells 4 & 5 Project	\$ 20,000	\$ 39,900	\$ 59,900	\$ 48,392	80.8%	\$ -	\$ 11,508
Johnston Excavation- HV Project	\$ 1,183,804	\$ 289,226	\$ 1,473,030	\$ 1,468,795	99.7%	\$ 5,000	\$ (765)
Allied Engineering- HV Project	\$ 235,260	\$ 119,228	\$ 354,488	\$ 362,366	102.2%	\$ -	\$ (7,878)

B. 2010 Resort Tax Allocations

The District received \$20,000 as a roll over allocation for the pilot snowmaking project, \$32,648.18 for bond debt service, and to my surprise \$35,000 for the storage pond liner cover project. We also get \$500,000 for bond debt service per our 1996 Inter-local Agreement which makes this allocation a fixed award each year until our first bond issue (\$5,513,000) is paid off. Copies of our applications are in the board packet. The allocations for all of the resort tax requests are summarized in the table below.

FY 2010/2011 REQUESTS

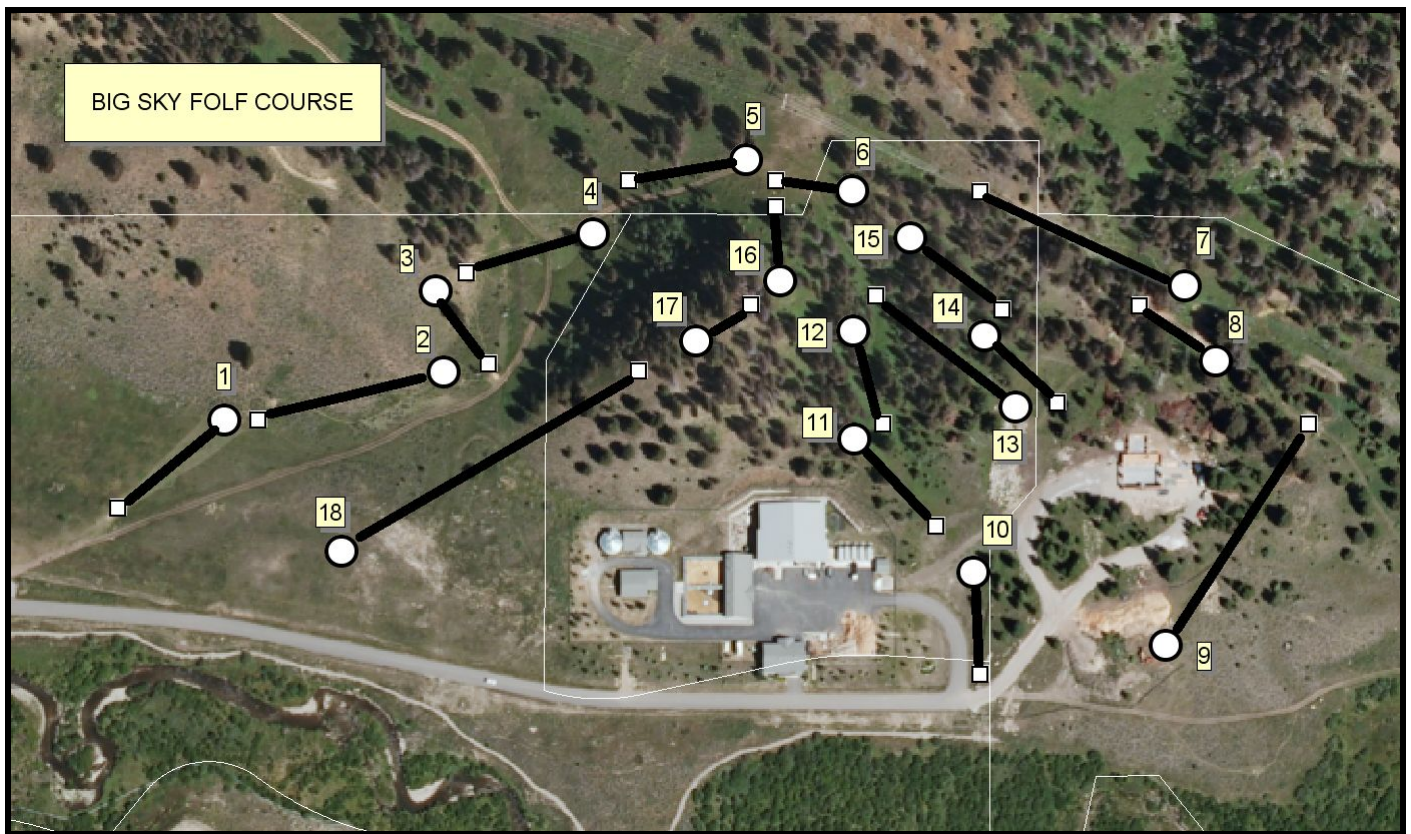
1 Arts Council of Big Sky			
Building the Arts in Big Sky...for our Residents and Visitors	\$ 71,560.00	\$ 71,560.00	100.00%
2 Big Sky Chamber of Commerce			
Biggest Skiing in America, Winter Marketing Campaign	250,000.00	\$ 250,000.00	100.00%
Warm Season Advertising Campaign	95,000.00		0.00%
Website Redesign	25,000.00	\$ 25,000.00	100.00%
Vacation Planner & Relocation Guide Reprint	25,000.00	\$ 25,000.00	100.00%
Big Sky Chamber of Commerce Total >	\$ 395,000.00	\$ 300,000.00	75.95%
3 Big Sky Community Corporation			
Community Park Project Construction Phase I-A Rollover	50,000.00	\$ 50,000.00	100.00%
Park & Trail Maintenance and Community Park Project Phase I-A	386,780.00	\$ 350,000.00	90.49%

4 Big Sky County Water & Sewer District No. 363			
Pilot Snowmaking Study Project Rollover	\$ 20,000.00	\$ 20,000.00	100.00%
Existing Water & Sewer Project Debt Service Cost Sharing	350,000.00	\$ 32,648.18	9.33%
Storage Pond Liner Project	50,000.00	\$ 35,000.00	70.00%
Big Sky County Water & Sewer District No. 363 Total >	\$ 420,000.00	\$ 87,648.18	20.87%
5 Big Sky Fire Department			
Big Sky Fire Department	\$ 467,500.00	\$ 350,000.00	74.87%
6 Big Sky Search and Rescue, Inc.			
Building Completion	\$ 44,500.00	\$ 37,000.00	83.15%
Operations	\$ 15,200.00	\$ 15,200.00	100.00%
Big Sky Search and Rescue, Inc. Total >	\$ 59,700.00	\$ 52,200.00	87.44%
7 Big Sky Transportation District			
Skyline	\$ 290,000.00	\$ 250,000.00	86.21%
8 Blue Water Task Force, Inc.			
Watershed Group Funding	\$ 31,750.00	\$ 20,000.00	62.99%
9 Friends of the Big Sky Community Library			
Big Sky Community Library	\$ 62,000.00	\$ 52,000.00	83.87%
10 Gallatin County Planning Department			
Update to the Gallatin Canyon/Big Sky Capital Improvement Policy	\$ 37,500.00	\$ 35,000.00	93.33%
11 Gallatin County Sheriff's Office			
Big Sky / Canyon Division / Patrol Services	\$ 111,130.00	\$ 111,130.00	100.00%
12 Gallatin Valley Snowmobile Association			
Buck Ridge Snowmobile Trail Grooming	\$ 15,000.00	\$ 12,000.00	80.00%
13 Montana State University's Big Sky Institute			
MSU & Big Sky Community Education Partnership: Phase Two	\$ 7,533.48	\$ 7,533.48	100.00%
14 Morningstar Learning Center, Inc.			
Excellence in Education and Childcare (through extra teaching staff)	\$ 28,000.00	\$ 20,000.00	71.43%
15 Northern Rocky Mountain RC&D			
Gallatin / Big Sky Noxious Weed Project	\$ 19,000.00	\$ 19,000.00	100.00%
Big Sky Forest Health and Fire Safe Program	\$ 15,600.00	\$ 15,600.00	100.00%
Northern Rocky Mountain RC&D Total >	\$ 34,600.00	\$ 34,600.00	100.00%
16 The Post Office, LLC			
Big Sky Post Office	\$ 39,000.00	\$ 35,000.00	89.74%
17 Women In Action			
Mental Health Program	\$ 20,000.00	\$ 20,000.00	100.00%
OTHER RESORT TAX FUNDING			
RESORT TAX GENERAL FUND	\$ -		
NEW RESORT TAX REQUESTS TOTAL >	\$ 2,449,520.00	\$1,781,138.18	72.7%
ROLLOVER REQUEST TOTAL >	\$ 77,533.48	\$77,533.48	100.0%
GRAND TOTAL >	\$ 2,527,053.48	\$1,858,671.66	73.6%

C. Folf Course Layout

Last year we had numerous complaints about the layout of the frisbee folf course which was located east of the treatment plant site. The complaints were mainly from hikers along the stream. To minimize these

conflicts this year the course has been reconfigured. The map view below shows the new layout which has many of the holes to the north and northeast of the treatment plant as opposed to the old layout which was mainly to the east of the plant.



D. Yellowstone Club Snowmaking Pilot Project

There is another meeting scheduled on June 21st in Helena to meet with the Director of the Department of Environmental Quality, Richard Opper to discuss the pilot snowmaking project. I will give a report on this meeting on June 29th. I did receive a letter from a Melee Valett who works in the permit section of DEQ. A copy of this letter is in the packet under the sewer operations section of the packet. She will want another update by July 1st on the “District’s stance regarding the renewal” of the Gallatin River Discharge Permit. After the meeting with the DEQ Director we should know more about our options.

E. Boyne Easement and Draft Agreement

I have emailed Susan Swimley and requested that she draft a legal MOU or some other agreement form that has the following provisions:

- A. Reuse of the Mountain Village water tank.

Benefits

1. We are interested in exploring the use of the Montana water tank. It would give us more summer storage during our peak demand months.
2. Assign the tank over to Boyne for their use. Any future liability for abandonment or repair work will be their responsibility.

3. The tank could be filled in the spring during low demand periods.

Conditions

1. The District will not agree that this concept will work but we are agreeable to investigate it with an engineer and write a summary report on the feasibility of using the old mountain water tank.
2. The District will not warrant the condition of the tank
3. Any water main extensions or service lines to use the tank for summer irrigation will be Boyne's cost.
4. Water used through the irrigation meters would still be billed at the current rates for water. A change would require board action to create some other category for irrigation water from this tank.
5. We could explore adjusting the summer irrigation restrictions for the core area of the mountain village if this tank were placed into service.

- B.** Using the water production from Cascade wells 5 & 6 for snowmaking water right purposes. This usage would be for the months of November, December & January when they make snow.

Benefits

1. The District has not used these wells due to high sulphur concentrations so they are available for this type of use.
2. The wells are in close proximity to the Middle Fork tributary of the Gallatin River so the feasibility of diverting flow is not a problem.

Conditions

1. The District will not make any representation as to the sustainable pumped volume of water that can be obtained from these wells when they are in use.
2. The District will not agree to treat this water for sulfur concentrations in the event the complaints arise from their use.
3. The power cost to run these wells during November through January would be the responsibility of Boyne. The water gallonage from these wells would not be billed.
4. If either well fails or declines in production the District will not be responsible for the replacement of the well or well rehabilitation costs to maintain a certain level of production.
5. The water rights or any portion of the water rights from these wells will remain in the District's name. Any costs or tasks associated with water righting additional snowmaking water will be Boyne responsibility.
6. Boyne agrees to record an easement for a future water tank site in the Mountain Village area on a site that the District and Boyne mutually agree upon. An easement for the pipeline to the water tank site will also need an easement.

I also sent letters to Susan which are in the packet for 2 other issues which we have discussed with Boyne staff. These issues are:

C. Boyne wants stricter guidelines developed for future use of Boyne properties.

The District has given a draft easement form to Boyne attorney for review and comment. If meetings are needed to move this ahead we are very agreeable to do that.

D. Boyne wants other easement issues and old reservations such as the snowmaking site and pond 5 storage pond site to be cleaned up.

I sent another letter outlining these issues and provided support documentation to clean up any legal and/or recording matters that need to be done.

Susan is out until June 23rd. I am hoping to have the draft agreement for our meeting on June 29th so I have it on the agenda for discussion.

VII. NEW BUSINESS

A. Sewer & Water Permits

We received 1 remodeling permit application for a house on Spotted Elk Road. We issued 1 new sewer connection permit for the Powder Ridge Phase IV Cabin and 1 water connection permit for the skating rink project in Town Center. The District currently has 163.17 SFEs available for permitting as shown on the table below.

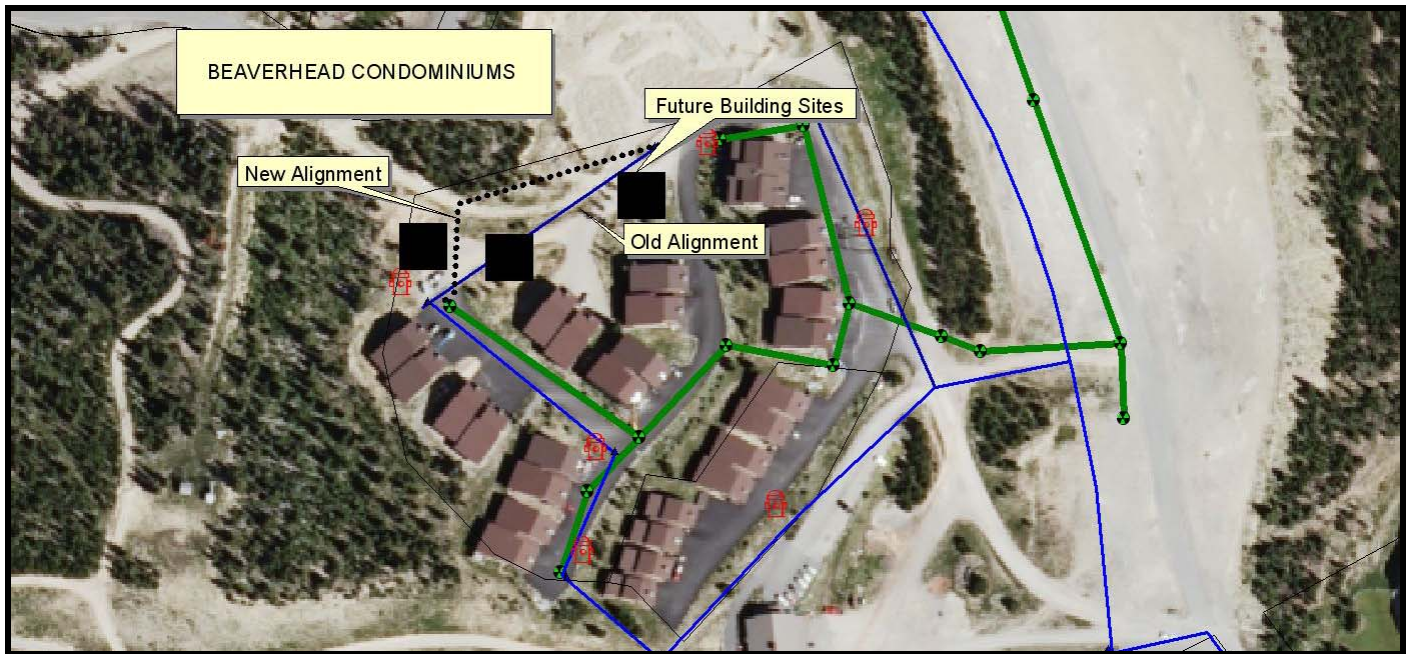
SFEs AVAILABLE FOR PERMITTING				
SFEs AVAILABLE			SFE's PERMITTED	
Board Action	Available SFEs		Year	SFEs Used
Ordinance No. 96-1002	200		1996	58.07
Ordinance No. 98-1001	200		1997	130.68
Ordinance No. 98-1002	125		1998	296.35
Ordinance No. 99-1003	100		1999	80.28
Ordinance No. 00-1001	200		2000	90.64
Ordinance No. 01-1003	100		2001	156.71
Ordinance No. 02-1002	75		2002	122.96
Ordinance No. 03-1001	150		2003	91.89
Ordinance No. 04-1002	150		2004	304.11
Ordinance No. 04-1003	200		2005	299.6
Ordinance No. 05-1001	200		2006	341.94
Ordinance No. 06-1001	300		2007	97.22
Ordinance No. 06-1003	300		2008	39.36
			2009	23.66
			2010	3.36
TOTAL	2,300		TOTAL	2,136.83
SFEs REMAINING FOR NEW PERMITS:				163.17

B. New Developments

1. Beaverhead Condominiums Water Main Extension

We received plans for a new water main extension in Beaverhead Condos. There is correspondence in the packet for this project. The map view below shows the location of the new water line alignment. This work is being done to move the current water line route to make room for 3 future building sites in Beaverhead. I have not seen a construction schedule yet but this work is anticipated for later in the summer. We have

asked the developer doing this work to install a tee and stub out to give us an access point to tie a future water main loop from Powder Ridge into the Beaverhead loop. We agreed to pay for tee and stub out for this since it will be done at our request.



C. General Correspondence

The snowpack reports for April and May are kind of interesting. As of June 1st the snowpack in the Gallatin River basin is 130% of average and 113% of average in the Madison. Precipitation for the month on May was 161% of last year in the Gallatin basin and 212% in the Madison basin.

The Blue Water Task Force published an educational pamphlet “Water Quality in the Upper Gallatin Watershed”. A copy of it is in the small manila envelope in the general correspondence section of the packet.

VIII. NEXT MEETING DATE

IX. OTHER BUSINESS

X. ADJOURN