

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – December 21, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, December 21, 2004, in the WSD Community Room. Board members present were President Skip Radick, Vice President Packy Cronin, and Secretary Gary McRae; and Directors Dick Allgood, Dick Fast, and Bill Olson. Director William Shropshire participated via telephone starting at 8:25 AM. WSDstaff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat.

PUBLIC FORUM

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

MEETING MINUTES

Director McRae moved to approve the minutes of November 23, 2004, as written. Director Olson seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Radick voting.

FINANCIALS

Smith reviewed the financials stating that the revenues and expenses will be close to budget as we get further into the fiscal year. The SRF loans are due on January 1, 2005, and Smith said the District will need to contribute about \$500,000 to cover the loans, which is what he expected. The sewer is coming in a little higher with the new plant, but Smith feels we will fall within budget over the next four months.

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

SEWER OPERATIONS

Burroughs' flow reports were distributed without comment.

WATER OPERATIONS

Muscat reported that HV well #2's pilot test to take out the H₂S, iron, and turbidity is being worked on and should be done around January 1st. The District is trying to make this well usable in high demand season (June-August). The Yellowstone Club water use is a little higher than it should be for what they have developed and Muscat suspects they have a leak in their system. Edwards reported that YC is about at a ¼ of their maximum use allowed with the agreement and he has notified YC of the use.

LONG TERM COMPLIANCE WORK PLAN

Edwards reported that the District tried to start up the pumps last week, but, according to the field representative, the bases must be grouted in before the pumps can be started due to the potential for shifting. The District will wait until February, or March, to reschedule the test. This delay should allow Bodell time to finish this work and a punch list of other items. Edwards said some preventative modifications to prevent freezing of the pump station needs to be done. Edwards will be rejecting Bodell's request to release retainage until all the work is done.

WATER FACILITIES PLAN

Edwards met with McMeekins and they are satisfied with the work. There are some trees that need planted and a barrier needs to be built. Director Cronin would like the barrier to include redoing the ditch, reseeding, and some logs randomly placed. The Board would like the area posted, with "no motor vehicles allowed." Edwards reported that a buried field tank also needs to be installed as part of the agreement and McMeekins' association will need to decide where it will go. Edwards said a well could be put in to fill the tank and Director Cronin felt that it would be a logical site to drill a well next to the tank. Edwards has not asked the McMeekins about drilling a well. *Director Cronin asked that the District at least consider drilling another well next to the tank and to get the initial work started.* Edwards responded that the District would need to do geology homework before proceeding. Edwards also reported that additional work would need to be done in the area to serve Radick's development. *The Board directed Edwards to meet with the Fire District to find out what will be required for McMeekins et al to be included in the fire district.* However, the Board does not want the WSD to be responsible for making sure the development meets the requirements. The development may need to do additional work before being allowed in the fire district, as just having a buried tank may not be enough.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

North Fork Creek, Lot 1: Edwards reported that Gaston Engineering submitted a proposal for a 9-condo development on Lot 1 a few months back. The SFEs needed for the development did not have an SFE commitment to the lot by District records and the subdivision lot was approved for single family. Tim Mitchell has since provided a copy of an agreement dated October 30, 1996, that allocates 14.0 SFEs to Lot 1. Edwards said he is okay with the allotment and this is enough documentation to allocate the 14.0 SFEs to Lot 1. The remaining balance of the 29.75 SFEs will be for the remaining lots. The proposed development will have to go through subdivision and zoning approval.

Powder Ridge Phase III: Edwards reported that the sewer line walk through is scheduled for tomorrow to look over the new extension work for the 14 new cabins. The conveyance paperwork will then need to be done. A new plat for Phase III has also been filed.

Cascade Ridge & The Knob: This development is in the NE corner of Section 19. The District has been requested to split the conveyance work, with the Knob area as the first phase. Edwards has told the developer that that would be allowed. Weather permitting, the developer would like to do it in April.

Car Wash Proposal, MV, Lot 3A: Edwards has talked to the Gallatin County Planning office and they have referred the proposal back to the Big Sky Planning and Zoning, with a meeting planned in January. Edwards will attend that meeting. Edwards said a Hill condo owner, with experience in the car wash area, has offered his expertise to the District if desired. Edwards reported that the District, per the last meeting, has requested additional information from the developer. *The Board requested Edwards to run the numbers past the Hill condo person who offered his expertise.*

PERMITS

The District has permitted around 300 SFEs this year, and the new permitting has slowed down a little in the last month.

Black Eagle Lodges: Edwards reviewed the application for 8 units totaling 14.20 SFES.

Director McRae moved to approve the permit application for Black Eagle Lodges at 14.20 SFES. Director Cronin seconded the motion. Edwards said this a routine approval, hooking into an approved extension. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

NEW DEVELOPMENTS & SUBDIVISIONS

Cascade, Speaking & Spotted Eagle Roads: Edwards said that Boyne is coming in with extensions in this area of Section 19. According to Edwards, Boyne is under time deadlines to provide water and sewer to this area.

Town Center, Tamarack Court Phase 2: This is south of Phase I, and a sewer and water extension will be done like Phase I. A subdivision approval will also be required for this area, which is currently part of a COS.

GENERAL CORRESPONDENCE

Fire District Flyer: The Fire District requested approval from the WSD to insert a two page letter into the January quarterly water and sewer statement. The letter from the Fire District concerns a public meeting to collect input on the level of service people want from the Fire District. President Radick feels that this type of flyer may open the floodgates to start putting inserts in our bills. This flyer asks for money and the District Board feels that people will be confused about who is asking for funding. *Edwards will offer assistance to the Fire District in preparing a mailing list specific for the Fire District area.*

Neubauer: Edwards has not received comment from either Neubauer, or their legal counsel, regarding his letter.

Silver Tip Development: Edwards said the District has received a couple of court documents regarding the bankruptcy of this development.

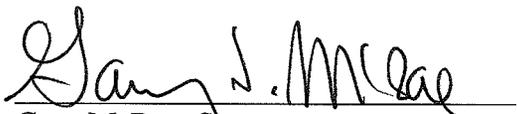
Locati: Edwards has not received any new information on this development, and believes that the issues have been resolved.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, January 18, 2005, at 8:00 AM. The annual dinner will be March 4, 2005, 7:00 PM, at Lone Mountain Ranch.

ADJOURNMENT

Director Cronin moved to adjourn the meeting at 9:08 AM. Motion passed, 7 yea votes to 0 no votes with President Radick voting.


Gary McRae, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – November 23, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, November 23, 2004, in the WSD Community Room. Secretary Gary McRae chaired the meeting with Directors Dick Allgood, Dick Fast, and Bill Olson in attendance. President Skip Radick, Vice President Packy Cronin, and Director William Shropshire were not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Mark Goode, Squeaky Moose LLC, addressed the Board regarding a car wash.

PUBLIC FORUM

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

MEETING MINUTES

Director Olson moved to approve the minutes of October 19, 2004, as written. Director Allgood seconded the motion. Motion passed, 4 yea votes to 0 no votes with Secretary McRae voting.

FINANCIALS

Smith reviewed the financial reports, stating that operating revenues and expenses are on target. Westland properties were reimbursed about \$4,000 for tax money collected in error. Edwards noted that collection of PIC fees are much higher than anticipated due to the number of connection permits issued. Smith explained the pledged collateral and accounts receivable aging report. Smith stated that he will send out another letter offering the bank draft option for payment of quarterly water and sewer charges.

Director Olson moved to approve the October financials as presented. Director Fast seconded the motion. Motion passed, 4 yea votes to 0 no votes with Secretary McRae voting.

Smith: expects a confirmation from Knaub on presenting the audit report at the December meeting. The audit started late this year and this has delayed the report. Smith will send the report to board members once it is received from Knaub.

SEWER OPERATIONS

Edwards reported on Burroughs' flow reports, noting that October is about 70,000 gallons over last year, but year to date flows are about even with last year. So far, everything looks good with total flow to the new treatment plant and the effluent basin has been cleaned up. The contactor has a punch list of items to complete. The filter plant has been shut down for the winter. Edwards reported that a new full-time employee, Denny Black, was hired this week.

WATER OPERATIONS

Edwards reviewed Muscat's water production report. Director Olson asked about the fluctuation in production for the mountain. Edwards noted that the *Yellowstone Club is pulling water from the mountain system and recommended that their use data be added to the report.* The Aspen Groves demands are a function of the number of homes. The meadow flows are almost 50 percent lower in October as compared to summer peak flows. Edwards said the meadow's total lower

production reflects a combination of metered billing plus the cooler and wetter summer. Edwards reported that the equipment has been removed at the HV #2 well and a firm will work on the well after Thanksgiving.

AMEND AGENDA

Director Allgood moved to amend the agenda to address Mark Goode's proposal for a car wash. Director Olson seconded the motion. Motion passed.

GOODE CAR WASH PROPOSAL, MEADOW VILLAGE LOT 3A

Following up from his earlier request for board approval for a car wash in the Meadow Center, Mark Goode distributed a water usage proposal where the car wash would be a "hydro-spray" system that uses recycled water for the wash cycle. The proposal consisted of paying a \$.04 per gallon penalty for water use over a quarter's average use. Goode stated that he is willing to restrict operating hours and/or pay penalties for water usage. In responding to questions, Goode stated that the only thing that would go into the sewer system would be water with detergents and the filtered solid waste would have to be trucked out about once a year. Edwards said he looked at the current flows to calculate an average use and plugged that in for Goode's SFE numbers based on his (Goode's) water usage data presented during his first request. Goode stated that there are no statistics available for use for an area like this and that he was conservative in his original estimates. Director Allgood asked *Goode to supply comparative figures from the number of gallons of water used for the amount of gallons that will be going into the sewer system.* Goode said he could probably get that information, but that it would be so arbitrary without knowing how many cars a day would go through the car wash. Edwards is concerned about the increased water use in the summer, however, there is a certain percentage of water use that would be offset by people no longer washing their car in their driveway. Edwards asked if the zoning and the Meadow Village Association would allow the use. Goode believes that the zoning can be worked out, but reported that he quit pursuing the zoning change after the last meeting with the board when they asked for more information. With regards to association approval, all they need is architectural approval. Goode said one way to monitor and restrict use is to make the penalty for overuse prohibitive to operate. Allgood stated that if Goode could make the use fit the SFEs, zoning allowed, etc; then the board would have to approve the request. Edwards feels that the maximum allowable water use will need to be enforced in the summer. The board commented on the perceived unfairness to single out a car wash for penalties and possible shut down if they go over their allowed SFE use when use by other businesses and individuals has not been strictly monitored and/or enforced. Edwards said that most of the water used will go to the treatment plant, plus the water demand is also an impact. Edwards would like *Goode to furnish information on the types of detergent and the impact on the sewer system.* Goode asked the board to set a maximum use. Edwards commented that we are dealing with unknowns since a car wash would be new for the District and he doesn't feel like the District can let it go without some monitoring and limitations. Director Fast expressed concern about singling out one business entity for a penalty and the possible recourse that it could create if one business is penalized, or shut down, for over use. Edwards recommended that the District consider binding a car wash into a penalty and maximum use if it is done as a condition of approval and it is legal. Edwards said *the District will need more information, such as: detergent type, phosphorous levels, load of the existing line, is there an oil separator, and the general impact on the sewer system.* Director Fast again asked about the enforcement and how you could penalize, or shut down, one business with imposed restrictions without an

enforcement system for all customers. Edwards said *we need to look at historical data from other car washes and use that as a base for setting SFEs and permitting on this category.* Director Allgood stated that he is not fond of the SFE system and making special provisions with penalties does not make sense when other parties could bring in more SFEs and do what they want. *The board asked for better estimates of usage and sewer loads for a car wash. Edwards will ask Ray Armstrong for information on usage.* Director Olson stated that we have had no control with the existing laundromat, and asked why we are holding Goode up. *Goode will get the discharge, detergent type information for the next meeting; but he said he cannot get a usage because it is unknown.* The board indicated that they would not deny a hook up for a car wash on the proposed property, but it will have to be done in a way to protect the District within the 4.71 SFEs allocated. Edwards stressed that the board needs to approve only what is reasonable for flows within the SFEs allowed. Additionally, the board needs to know what chemicals are going to be put into the treatment plant and what trap will be used to prevent grease, or oil, from going into the treatment system. *Edwards asked for the information to be presented in writing. Edwards will also research the water and sewer impact of car washes, breweries, etc.* The board doesn't believe there should be extra penalties for use. The board said the District needs to work toward some rationale for expanding its SFE table to deal with a broader range of uses. Goode reported that the maximum use per car is 20 gallons of new water. Edwards wants to have the option of restricting hours available since this business use impact is unknown. The board said if it fits the SFEs, Goode provides a full analysis of flows and discharge, architectural is approved, and zoning is approved; then the board will approve the request. *Prior to the next meeting, Edwards will discuss the penalty issue with legal counsel to create a punitive rate structure category. Goode will provide the analysis information for the next meeting.*

LONG TERM COMPLIANCE WORK PLAN

Edwards reported that Bodell is working on a final punch list. Sludge removal in the pond is shut down for the winter with about 1 1/2 feet left for removal. The removed sludge will sit for the winter and be hauled out next spring, hopefully to the Spanish Peaks golf course. The equipment will sit here this winter even if the District has to pay a fee since the mobilization fee is expensive. Ray Armstrong will address the board in the future on the liner look. December 6th is the tentative date to pressure test the line to the Yellowstone Club. Contract payments to date total \$14.24 million; the remainder is mainly for relining the aeration pond.

WATER FACILITIES PLAN

Edwards said that the water facilities work is done except for a little landscaping that includes planting 8-foot trees. The letter of completion was in the board packet and the contractors have been paid out. Edwards explained the engineers' change orders and mentioned that there will be close out engineering costs for the as built.

LEGAL ISSUES

West Berlin: A list of creditors, including the District, was provided in the board packet. Edwards does not know why the District was added. Edwards said our two-year notice to remove the water line was up in October and the District can remove it at any time. Edwards has told prospective buyers to come to the board for support to tie into the water line that currently exists.

PROPOSED DEVELOPMENTS

Alpenglow sewer and water extension work is done. The Turkey Leg Road sewer and water extensions, for the Blue-Green Condominium proposal, are being worked on. Powder Ridge III already includes about 14 cabins with sewer and water extensions and they are close to finishing the lines with walk throughs scheduled for 1 1/24/04. Black Eagle Condominiums Phase I sewer and water extension work has been done. The work for Black Eagle Phase II will begin soon. An extension at the Town Center will also begin soon. Water and sewer extensions are being installed in Cascade Ridge, Block 2, The Knob.

ASPEN GROVES, LOT 6, JONES

Edwards has sent Jones a letter putting the last meeting's discussion in writing. The letter basically requires Jones to connect to the water and sewer system by August, 2005. Jones responded that he didn't realize that he had a deadline to hook up. Edwards asked the board to specify when the hookup will be required. According to Edwards, the District could have pursued having Jones hookup to the District system by the ordinance. Edwards said if the property is subdivided, then he would like a stub out required to the second lot. The board unanimously agreed that the letter stands as is for a deadline, allowing until August, 2005, for hookups. If Jones doesn't sell the lot, the board will still require that he hook up.

PERMITS

Edwards reviewed Maus/Alpenglow permit applications.

Director Allgood moved to approve the sewer and water connection permit application for Maus/Alpenglow Condos for Units 17 A-D at 6.80 SFEs and Units 18 A-D at 5.60 SFEs. Director Olson seconded the motion. Motion passed, 4 yea votes to 0 no votes with Secretary McRae voting.

Edwards noted that 56 SFEs have been permitted in the past month. Edwards will correct the placement of Bauchman/Koehler on the table in his manager's report. Edwards said this year may be the all time high for permitting.

NEW DEVELOPMENTS & SUBDIVISIONS

Cascade, White Butte Road: Edwards reviewed the proposed extension work. The homes on the north set of lots are about at the same elevation as the water tank and the developer will have to figure out how to boost the water pressure for water use and fire protection. The District still is not satisfied with what has been proposed for the booster station and will continue review of the plans. Boyne will be filing a plat amendment.

NEUBAUER CORRESPONDENCE

Edwards reviewed the history of the Neubauer correspondence. Neubauer doesn't believe that the District should be able to bill them at a 50/50 split for the water use with a shared meter. Edwards said Neubauer is not being treated any differently than other units where plumbing limits the installation of individual meters. According to Edwards, the District relied on Fry Plumbing to decide what could be individually metered, and did not solicit a second opinion. Edwards reported that he has written to Neubauer, stating that the District will supply the meter equipment if they will hire a plumber to retrofit the plumbing to allow individual metering.

Edwards said the owners association does not want to be involved in how to bill charges with shared meters, so we are using the rate ordinance which allows a 50/50 split of the costs per the metered water use. Director Allgood recommended giving Neubauer a meter and an installation cost allowance per previous installation costs by Fry, and then let the unit owner install it. Edwards stated that the cost of the meter pit, which was used in this instance, was more than the cost for an individual meter installation. The board discussed the need for the owners to work together to reallocate the split. Edwards said the District has refunded/credited them money when there was a leak, but would not recommend refunding additional money. *The board directed Edwards to write a comprehensive summary letter that states the amount and date the bill was adjusted, offer a separate meter supplied by the District if they want to hire a plumber, and ask that they try to work out what they think would be an equitable cost share with the other unit owner on their shared meter. The letter is to also state that the District was not prepared to undertake the expense, or legal liability, to retrofit the plumbing to creatively install individual meters into units.* Edwards commented that if the owner wants to create a box that hangs into a hallway that will house the meter, then they can. Edwards said if the owners association wants to create an agreement on the split, then the District can adjust the billing. *Director Allgood asked that a letter be sent to all parties affected by shared meters, stating that says if they desire to hire a plumber, the District will furnish the meters. The letter is to also ask that they agree on how to split the costs.*

LOCATI DEVELOPMENT

Edwards has not received any response on the Locati development. Edwards has put the Section I hearing on hold until the Spanish Peaks request comes in.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action.

NEXT MEETING

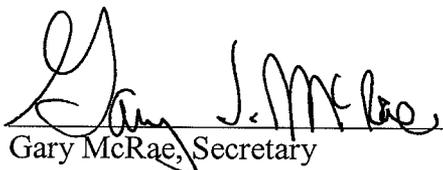
The next Board meeting is tentatively scheduled for Tuesday, December 21, 2004, at 8:00 AM.

CHRISTMAS PARTY

The Board discussed having an annual dinner at one of the following locations: Covered Wagon, The Dug Out, and Lone Mountain Ranch. Kennedy will contact board members and staff to confirm a date (possibly mid-January) and location.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:25 AM. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with Secretary McRae voting.



Gary McRae, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – October 19, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, October 19, 2004, in the WSD Community Room. Board members present were President Skip Radick, Vice President Packy Cronin, and Secretary Gary McRae; and Directors Dick Allgood, Dick Fast, and Bill Olson. Director William Shropshire was on conference call with the District Board. WSD staff present were Ron Edwards, Terry Smith, and Grant Burroughs. Developer Jerry Locati was present for the discussion concerning his property.

PUBLIC FORUM

President Radick called for public comment at 8:10 AM. Jim Jones and Mary and Dennis DeGroot were in attendance for the public forum. With no further public comment, President Radick called the meeting to order at 8:15 AM.

MEETING MINUTES

Director Bill Shropshire moved to approve the minutes of September 14, 2004, as written. Director Gary McRae seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

Director Radick moved to amend the agenda to address Jim Jones' connection request and District Resolution 04-02. Director Gary McRae seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

Edwards reviewed the file correspondence and previous minutes regarding Mr. Jones' earlier request to subdivide his lot in Aspen Grove into two new lots. Mr. Jones has since contacted Gallatin County and has employed Gaston Engineering to complete the process. Gaston Engineering suggested to Mr. Jones to go back to the District to formally request permission to eventually connect the new lot to the public sewer and water system if it is subdivided. It is not clear what the DEQ requires, or will require to allow the lot to be subdivided. Jones said that there have been two lots (prospective hookups) removed from the subdivision through plat amendments. President Radick reported that those lots have made inquiries about reversing their earlier decision to combine the lots. The Board discussed if the District needs to hold those connections available for a future change.

President Radick stated that if Mr. Jones' lot is subdivided, he would also be required to connect to the public water and sewer systems. The Board concurred. Edwards confirmed that he had previously talked to Mr. Jones about that issue. Director Radick then asked Mr. Jones if he had considered that, and if he is willing to hookup to the system. Mr. Jones answered yes and went on to say that he is not in a hurry to do that connection at this time. To clarify the timeline for connection, President Radick again asked if Mr. Jones is willing to connect his existing home if the Board looks at the subdivision request since his home meets the criteria under District ordinances for required connections to the sewer and water systems.

Director Shropshire moved to approve the request with the stipulation that Jim Jones comply with all the District ordinances including connecting his home to the sewer and water system. Director Cronin seconded the motion. Motion passed, 6 yea votes to 0 no votes without President Radick voting.

After the motion, Director Cronin further noted that the extension could be installed in a couple of days.

RESOLUTION 04-02

Resolution No. 04-02 certifies that the Big Sky County Water and Sewer District No. 363 has accepted the new treatment plant and that the new treatment plant project has been completed.

Director Shropshire moved to accept the resolution as written. Motion seconded by Director Cronin. Motion unanimously passed via voice vote as follows: Bill Olsen, Yes; Dick Fast, Yes; Paul Cronin, Yes; Dick Allgood, Yes; Gary McRae, Yes; Skip Radick, Yes; and Bill Shropshire, Yes.

FINANCIALS

Smith reviewed the financials for September 2004. No unusual items were reported to the Board. The fiscal year end (7/1/03 to 6/30/04) audit will begin today.

Director Allgood moved to approve the September financials as presented. Director Cronin seconded the motion. Motion passed, 6 yea votes to 0 no votes without President Radick voting.

SEWER OPERATIONS

Grant Burroughs reported that the flows are normal for this time of year and that the filters were shut down on 10/18/04. There are some minor repairs to be done after shut down and that all equipment worked reasonably well this summer. The new treatment plant is running pretty well according to the Aquarobics personnel that visited the plant. Sludge removal will be shutting down shortly when the freeze begins. The sludge pile should be moved out before the winter freeze. Director McRae said that they have six trucks going down empty that could be used to help move the sludge. Director McRae will contact the District as soon as possible with timing of pickups for the sludge.

WATER OPERATIONS

No water operations report was available as Jim Muscat was out of town. Director Fast asked about using grey water for irrigation in the District outside of the golf course areas. Edwards said the capital costs would be prohibitive.

Due to another scheduled meeting, Director Shropshire left the WSD Board meeting.

LONG TERM COMPLIANCE WORK PLAN

Edwards recommended that the Board approve Bodell's change order #13 as presented.

Director Cronin moved to approve change order # 13 to Bodell's contract in the amount of \$6,911.00. Director McRae seconded the motion. Motion passed, 5 yea votes to 0 no votes without President Radick voting.

Edwards reported that the sludge removal project will continue to move along until cold weather shuts it down. Edwards said they still want to try and pressure test the force main to the Yellowstone Club if YC can finish installing nower to their pump station.

Edwards discussed recent correspondence concerning a sewer connection for the Locati lots located between Spanish Peaks and Aspen Groves. Developer Jerry Locati joined the meeting during this discussion. The Board suggested that this issue may need to be addressed in the Yellowstone Club agreement because these lots are not addressed with respect to the sewer connection fees paid to hookup to the sewer system.

According to Edwards, the ordinance and agreement covering the Spanish Peaks additional annexation and easement is still at the Spanish Peaks attorney's office for comment. Locati said that the current Spanish Peaks annexation petition is not what he had in mind with respect to all the lots having to connect to the District system. Locati wants to have the lots connect, but Spanish Peaks did not offer the SFE's to have the other four lots connect so all but one lot are planned for septic systems. Director Radick asked if the District needs to ask Spanish Peaks to give the capacity to Locati to connect all his lots. *The Board asked Locati to go back to Spanish Peaks and work out details to have either all the lots included with the sewer capacity allocation in the YC agreement, or just have the sewer easement with all the lots served by individual septic systems.*

WATER FACILITIES PLAN

Edwards reported that the water tank area had been hydro-seeded.

LEGAL ISSUES

Edwards discussed the draft agreement, prepared by John Brown, for the Hidden Village road repair cost sharing request in the amount of \$2,500. President Radick suggested that all dates be taken out of the draft.

Director Allgood moved to accept the agreement with the changes suggested. Director Fast seconded the motion. Motion passed, 5 yea votes to 0 no votes without President Radick voting.

SEARCH AND RESCUE

Edwards described the equipment that the S&R wants to store. *The District asked for a letter from S&R defining the terms of their request.* To date they have not given the District anything in writing. The Board is willing to consider this request as a short-term fix, but not a long-term fix. Until the S&R gets back to the District, the District will wait to make a final decision on storing their equipment.

ORDINANCE 04-1003: RELEASE 200 SFEs (1st Reading)

Director Shropshire moved to waive the first and second reading of Ordinance 04-1 003 to release 200 SFEs for sewer and water connection permits. Director Cronin seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

PERMITS

Edwards reviewed the sewer permits for the month and presented the following permits for Board approval:

- RJS, Town Center - 12.29 SFEs (commercial)
- Powder Ridge Cabins - 12 Cabin, 24.00 SFEs
- Powder Ridge Cabins - 4 Cabins, 8.0 SFEs
- Spanish Peaks Club, Tract 1 1-6.8 SFEs

Director Cronin moved to accept all permit applications as presented. Director McRae seconded the motion. Motion passed, 5 yeas and 0 nays without Director Radick voting.

NEW DEVELOPMENTS & SUBDIVISIONS

North Fork Creek. Lot 1 - Brown Condominium Development

The lot owners have to decide how to allocate the SFEs per lot from what the original tract had available. *Until some form of agreement between the owners is developed, the Board cannot make any decision on accepting or rejecting any projects or homes contained in Lot 1 of the North Fork Creek Subdivision.*

GENERAL CORRESPONDENCE

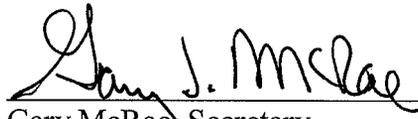
No general correspondence required Board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for November 23, 2004, at 8:00 am.

ADJOURNMENT

Director Olson moved to adjourn the meeting at 10:30 am. Director McRae seconded the motion. Motion passed, 6 yeas and 0 nays with President Radick voting.



Gary McRae, Secretary

1 O-19-04. min (Board Approved 11/23/04)

BIG SKY WATER & SEWER DISTRICT NO. 363
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PUBLIC FORUM

Vice President Cronin called for public comment at 8:10 AM.

On behalf of the Big Sky Search and Rescue, Jeff Daniels asked the Board to consider letting the non-profit, volunteer organization to store their equipment on District property. Daniels explained that the Search and Rescue has to vacate their space at the fire station when the Fire District gets their new ambulance. Storing their equipment in the meadow area on District property, in one spot, would also save the Search and Rescue about an hour response time as their equipment is stored in various locations, such as the mountain and Ousel Falls. Some of their equipment is temperature sensitive and needs indoor storage, plus they would like secure storage for their vehicles. They are non profit and would like to make a reasonable deal with the District to store their equipment. Edwards said a bay in the filter building and a bay in the treatment plant would be available, plus the lower level of the treatment plant building has administrative office space. Edwards said if any space is to be made available, the District would need to have access to move the search and rescue equipment, if needed. Vice President Cronin stated that if we are going to provide space, it needs to be done right without it being a band-aid approach. Edwards said that it might also be possible to have land available for the Search and Rescue to build a building on District property in the future.

Director McRae moved to authorize Edwards to work out the details with Jeff Daniels to allow the Big Sky Search and Rescue storage space on District property. Director Fast seconded the motion. Edwards noted that Search and Rescue would need a transmitter for property access and that would also need to be worked out. Daniels said they would want to put in a caged area, at their expense, to lock up their gear but everything would be run by the District for approval. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.

Daniels said that there is not a definite date for the Search and Rescue to have to move, but they will have to move when the new ambulance arrives. *Edwards and Daniels will work on the details to present to the Board for approval at the October meeting.*

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of August 17, 2004, as written. Director Olsen seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.

FINANCIALS

Smith briefly reviewed the July financials. Director Olsen asked about the increased sewer operating expenses that are much higher than budgeted. Edwards responded that some of the expense is start up and that we have no history with plant expenses. Also, the District tends to have higher expenses in the summer due to treatment and irrigation. Smith said the revenues were only estimates until the end of September and he will present final figures at the next meeting.

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

Smith briefly reviewed the August financials, noting that he did not see a problem with revenues yet, but will have a final report at the end of the month.

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

2004 Tax Levy

Smith reported that the water levy is \$92,440 and the sewer levy is \$387,413.75. Smith said with the support of the resort tax and the PIC revenues, the mill rate was substantially lower than originally projected. Edwards noted that a lot of revenue will be generated through new projects paying PIC funds this year. *The Board directed Edwards to notify the paper to do an article, or press release, regarding the reduced levy on paying for the water and sewer bonds due to the support with resort taxes.* Edwards stated that the annual growth rate will also decrease the levy. *The Board also directed Edwards to send a letter to the Resort Tax Board thanking them for their support, noting the reduced levies.*

Director Allgood moved to approve the tax levy as presented. Director Olson seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.

Delinquent Accounts were turned over to the counties for collection.

Insurance: Smith reported that the insurance changes have been made with the District being covered sufficiently for earthquakes at \$20 million per occurrence with a \$500 deductible. Smith does not feel that the District needs any additional coverage. The Director and Public Officials liability insurance is \$750,000 per claim and \$1,500,000 per occurrence. The coverage also pays for the insurance fees to defend. In previous years, the District had additional coverage and Smith presented figures for adding coverage. With the cost of the additional coverage, it would still be less expensive than what the District had paid in the past.

Director Shropshire moved to approve the additional D & O liability insurance coverage up to \$5,000,000 at a cost of \$4,568, as quoted. Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with Vice President Cronin voting. Director Olson abstained, stating that he feels we are covered by statute.

SEWER OPERATIONS

Edwards reviewed the sewer flows prepared by Burroughs. This summer, flows in the meadow are down and mountain flows are up. Edwards reported that for operation purposes we will go into the winter months with more water in the ponds to prevent freezing of equipment.

WATER OPERATIONS

Muscat said the water use will be dropping off as irrigation season is essentially over. Using January and February production, Muscat reported that we are running at about 59% with three **wells running** and WC can meet that demand at that time of the year. However, summer capacity is **about** 190% of what we can produce. Jim Potts will be **reworking the** meadow wells when the demand drops off, taking about 3 weeks. Muscat stressed the need for the District to explore additional water sources, i.e. using Hidden Village well #2, or drilling more wells. Edwards believes that MV well #1 can produce substantially more GPM with it being reworked, and possibly replacing the pump. According to Muscat even if well #1 was increased another 100 GPM, it will not be enough production to meet summer demand. Director McRae reported there are two wells in Lone Moose that might be usable and the Ousel Falls wells are good producers, too. Edwards commented that not knowing the build out of Lone Moose doesn't give the District the ability to calculate that production into the entire system. Muscat reported that the Westland water rights were protested and that could be a problem with exploring additional water. Vice President Cronin said the District needs to take the first step by rehabilitating the wells currently in use, second is to explore the use of the existing wells that might need treatment, and third is to explore new water sources. Edwards said that the District could explore the concept of one big water system starting at the mountain. Muscat noted that the purpose of his report is to get the District moving toward having more water production by next summer. *The Board directed District staff to prepare a plan, including costs, for more water production that can be presented to the Board at the October meeting.* The plan is to include evaluating the shut-in Hidden Village well for adding it to the production, potential drilling of additional wells, and use of mountain wells with piping to Lone Moose to start and then to the meadow. Edwards discussed the possible costs of drilling wells. Muscat reported that Hidden Village Well #2 was shut down in about 1995 due to the sulphur smell. It was drilled about 20 years ago, but with sulphur present it was not used. From a health point standard it is fine; it just has a sulphur smell. Edwards said the District is looking at this well and is doing some analysis at possibly using it as a water source supply.

LONG TERM COMPLIANCE WORK PLAN

Edwards reported that the open house was held on September 3 with about 50 people going through. Glen Wood has told Edwards that the primary pipe at Yellowstone Club is being laid and once that is done, the lines can be pressure tested. The hole has been excavated, but they need to get the liner done. Overall, everything has been going well even though sludge dewatering is being done at a slow pace. Edwards has met with Spanish Peaks golf course representatives for the possibility of using the sludge on their golf course area and we are waiting to get an answer. The engineer estimates that there are 2,500 yards of sludge that will need to be hauled via truck. The three contracts have \$417,000 left. Bode11 has the upper pump station to complete. The compliance order report is required every 6 months and Edwards has submitted it with a copy of the substantial completion paper work requesting that the compliance order be rescinded. *When doing the press release regarding the reduced tax levy, the Board directed Edwards to include being in compliance and the treatment plant work is done.*

Aeration Pond Sludge Removal:

Edwards reviewed Bodell's change order for some blower room work for \$7,500 to finish the venting, etc. and recommended approval

Bode11 Change Order #12: Director Shropshire moved to approve Bodell's change order #12 for \$7,500 for finishing work at the blower room. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.

WATER FACILITIES PLAN

Hidden Village Request: Edwards read the HV letter that requested the District contribute \$2,500 to their road repair. Edwards recommended approval, stating that the District work did have some impact on the road, even though the roads were in bad shape to start with, but believes their request is reasonable. In a conversation with Edwards, President Radick had asked that the Board get a release from Hidden Village for any additional requests for road repair. Director Fast stated that he would have been more comfortable with Hidden Village coming to the Board with an estimate for approval prior to having the work done.

Director McRae moved to approve Hidden Village's request for \$2,500 for the road repair contribution, with a letter from Edwards stating that this is the only request that will be approved. Director Shropshire seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.

Edwards reported that Allied Engineering still has as-builts to complete.

LEGAL ISSUES

Sarah Hall Litigation: Edwards reported that Hall's attorney is trying to get some movement on the litigation. The judge has given Boyne's counsel an extension to respond. Edwards stated that the WSD Board has never approved any settlement agreement.

PERMITS

Edwards reviewed the four permits that exceeded the 5 SFE capacity for District staff to approve. Edwards stated that the special improvement charge for Spanish Peaks is basically a guarantee/security deposit for Yellowstone Club to complete their work. Edwards read the applicable information from the agreement with Yellowstone Club that would allow the District to use that money if the YC does not complete their work. The fee will be reduced/changed over time as Yellowstone Club completes their work. The Spanish Peaks money will be set up in a separate account as security money and will be released when all their work is done. However, all the Spanish Peaks' property will have to pay the tax levy for the water and sewer bonds. Edwards stated that the YC agreement can be amended if the parties agree. Director Allgood asked about the vacant lot charge that Westland has objected to paying and has legally contested. *Edwards stated that District counsel is researching case law on the vacant lot charge and will report to the District.* Edwards said that the transfer agreements that Westland signed states that they will abide by all District ordinances, policies, etc. The Board discussed not approving permits in the Town Center area until the past due vacant lot charges are paid. The Board decided not to delay permit application approvals after staff reported that, as property is sold, the past due charges are paid either through the taxes or in closing through a title company.

Director Olson moved to conditionally approve the water and sewer permit applications for First Security Bank at 13.85 SFEs, Spanish Peaks Holdings Clubhouse at 32.91 SFEs, Lone Peak Townhomes at 25.60 SFEs, and Bauchman/Aspen Building/Hungry Moose Building at 6.91 SFEs. Director Fast seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting. Director McRae disclosed that he works with Spanish Peaks.

For the next meeting, Edwards will prepare a draft ordinance to release 200 additional SFEs for permitting.

SFE REALLOCATION APPLICATION

Edwards reviewed Boyne's request to reallocate SFEs for two projects, one for the Blue-Green Corporation for a time-share development and the other for employee housing. The request fits the ordinance as Boyne owns all the property now and is reallocating prior to selling.

Director Shropshire moved to approve Boyne's SFE reallocation totaling 208 SFEs. The total SFEs include 88 SFEs from Sweetgrass Hills Tract 2 and 128 SFEs from the SFE Pool. These SFEs will be reallocated with 88 SFEs for Cascade Lot 2A and 120 SFEs for Cascade Lot 2B. Director McRae seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.

Edwards did not know if the SFEs from the Boyne pool were unencumbered or encumbered, that is something that Brian Wheeler will need to inform the District about.

GENERAL CORRESPONDENCE

Smith has responded to Walter Blessey's letter and we have not received a response. Edwards reported that because the water use was from a leak on the irrigation line an adjustment was made to Blessey's account for no additional charge on the sewer for the water use, but Blessey is still responsible for the full water charge.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, October 19, 2004, at 8:00 AM.

ADJOURNMENT

Director Allgood moved to adjourn the meeting at 10:40 AM. Director Shropshire seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.


Gary McRae, Secretary

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

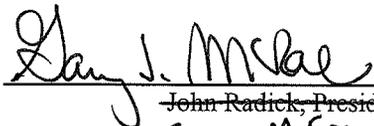
Acceptance of Monthly Financial Statements

Date 11/17/2004

The Board of Directors at its 1 1/23/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	10/31/2004
Assets:	<u>\$ 42,780,240</u>
Liabilities	<u>\$ 19,845,265</u>
Equity	<u>\$ 22,934,975</u>

2 Income Statement as of	10/31/2004
Total Revenues	<u>\$ 1,281,202</u>
Total Expenses	<u>\$ (863,511)</u>
Net Revenues	<u><u>\$ 417,691</u></u>


John Radick, President
Gary McCrae, Secretary

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

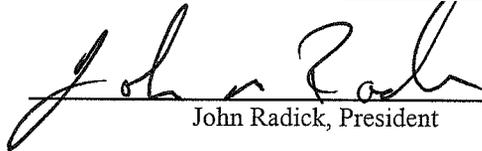
Acceptance of Monthly Financial Statements

Date 10/19/2004

The Board of Directors at its 10/19/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	9/30/2004
Assets:	<u>\$ 42,509,287</u>
Liabilities	<u>\$ 19,813,351</u>
Equity	<u>\$ 22,695,936</u>

2 Income Statement as of	9/30/2004
Total Revenues	<u>\$ 919,307</u>
Total Expenses	<u>\$ (653,627)</u>
Net Revenues	<u>\$ 265,680</u>



John Radick, President

**Big Sky Water & Sewer
PO Box 160670
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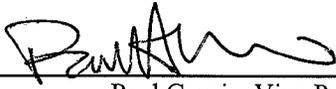
Acceptance of Monthly Financial Statements

Date 9/14/2004

The Board of Directors at its 9/14/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	8/31/2004
Assets:	<u>\$ 42,221,854</u>
Liabilities	<u>\$ 19,715,103</u>
Equity	<u>\$ 22,506,751</u>

2 Income Statement as of	8/31/2004
Total Revenues	<u>\$ 518,969</u>
Total Expenses	<u>\$ (443,105)</u>
Net Revenues	<u><u>\$ 75,864</u></u>



Paul Cronin, Vice-President

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

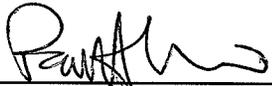
Acceptance of Monthly Financial Statements

Date 8/9/2004

The Board of Directors at its 8/17/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	7/31/2004
Assets:	<u>\$ 41,296,504</u>
Liabilities	<u>\$ 18,811,346</u>
Equity	<u>\$ 22,485,157</u>

2 Income Statement as of	7/31/2004
Total Revenues	<u>\$ 189,750</u>
Total Expenses	<u>\$ (141,886)</u>
Net Revenues	<u><u>\$ 47,864</u></u>



John Radick, President
Paul Coxin, Vice-President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – August 17, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, August 17, 2004, in the WSD Community Room. Board members present were President Skip Radick, Secretary Gary McRae; and Directors Dick Allgood and Bill Olson. Vice President Packy Cronin and Directors William Shropshire and Dick Fast were not present. WSD staff present was Ron Edwards, Marlene Kennedy, Grant Burroughs, and Jim Muscat. Lone Peak Lookout writer Pat Davis was also present.

PUBLIC FORUM

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

MEETING MINUTES

Director Olson moved to approve the minutes of July 20, 2004, as written. Director McRae seconded the motion. Motion passed, 4 yeas to 0 no votes with President Radick voting.

FINANCIALS

With the absence of the financial officer, the Board tabled the July financials until the September meeting.

SEWER OPERATIONS

Burroughs was not available to present a flow report.

WATER OPERATIONS

Edwards and Muscat explained the District's need for more water production in the meadow as the current wells are running 24/7 and the production is a little lower than previous years. The District has started using pond water for dewatering the sludge as the meadow well production could not keep up with domestic demand and this special project. Muscat reported that the closed-in Hidden Village well is good quality water, but it just has a sulphur taste and smell. This well needs additional testing and a little plumbing to make it useable for emergency purposes. Muscat and Edwards suggested treating this water to diffuse the sulphur smell and will have HKM explore the options for treatment. HMK inspected Meadow Village wells 1, 2, and 3 with the recommendation of rehabbing one well when the demand drops off. Edwards also suggested looking for other sites to drill a well. Edwards said level loggers will be installed in the wells to monitor the water table. *Edwards and Muscat will try to pull together the options to present to the Board at the next meeting.* Director McRae reported that Spanish Peaks has approximately 600 ft of pipe casing that the District could use at a cost savings. Director Olson reported that Madison and Gallatin counties are monitoring ground water and Edwards stated that he received a note from Doris Fisher on this. Muscat also reported that the water tanks were inspected and cleaned this week.

Edwards reported on the cause of the fire at the new booster station-it was a defective lug nut on the backside of the panel. There was no damage to the building, but the panel has been sent to GE for warranty evaluation. There was no other damage, but Edwards has taken pictures and sent them to the insurance company as a heads up.

LONG TERM COMPLIANCE WORK PLAN

Aeration Pond Sludge Removal: Edwards reported that the sludge removal process is working well. Ray Armstrong will re-calculate the total volume of sludge. The plant and composting are both working well. Edwards said the District is waiting for EPA approvals. The contract balance is now \$418,000, but the variable is the rental of the dewatering equipment at \$16,000 a month. The open house for the new treatment plant will be September 3 from 3:00-6:00 pm and an ad will be printed in the paper.

WATER FACILITIES PLAN

Edwards reported that AM Wells finished their punch list and Chief has a couple items to complete. The contact balance is approximately \$49,000. The landscape estimate is \$20,000 to finish the dirt work, hydro seeding, and to plant a few trees. The bid also included \$1,200 for watering tubes.

Director Olson moved to approve the landscaping bid from Challenger Landscaping at a cost of \$20,670 and to approve the alternate of \$1,200 for the watering tubes. Director Allgood seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting.

LEGAL ISSUES

Sarah Hall Litigation: Edwards reported that the lawsuit is still active.

PERMITS

Edwards reported that there were 5 new permits this month.

NEW DEVELOPMENTS & SUBDIVISIONS

CTA and Blue Green Corporation will do a 70-unit project near Lake Condominiums, where sewer and water extension work will be required. A sketch plan on employee-housing has been presented to Edwards. The developers will send submittals to the State for approval and anticipate starting construction later this fall. The Snowy River project in Cascade Subdivision will probably start next year. The Town Center is becoming more active--a submittal was received for another commercial building and the Lone Peak Town Homes are being built behind the firehouse.

Edwards stated the District is still planning on moving the water line from the Silver-tip property. The Board discussed the possibility of leaving the line in place to facilitate a sale of the property. Edwards did not recommend providing sewer to the property as it would open a can of worms on the sewer capacity issue. Edwards further stated that it might make sense to serve the property at some time in the future.

GENERAL CORRESPONDENCE

The Pines: President Radick outlined the new phase of his development, The Pines that will be built near the Hidden Village water tank. President Radick stated that there may be a benefit for the District to cost share in the installation of a larger line to boost pressure, instead of the developer just installing a booster station, which is all that he is required to do. Edwards explained what the engineers presented--replace a 20-year old line with a new, larger 12" line that would increase pressure and also increase tire flows. Edwards does not recommend putting in a booster station, as it would be equipment to maintain. President Radick stated that if the

District does not contribute to the cost; they would probably just install a booster station. President Radick said they would be amenable to a 12" line. The Pines development is getting ready to make a submittal to the State and President Radick asked that the Board make a decision today regarding the 50/50 cost share proposal that will up size the water line.

Director McRae moved to approve Radick's request for the District to cost share in the expense of upsizing the line as discussed and presented. Director Olson seconded the motion. President Radick disclosed that he was the developer. Motion passed, 4 yea votes to 0 no votes with President Radick voting.

Walter Blessey: President Radick asked about the letter from Blessey regarding his water issue. Edwards reported that the water use was a busted irrigation line, which was under ground. Smith has written Blessey a letter and, since it was an irrigation line, an adjustment will be made on the sewer side but the water use will be charged.

BSOA ELECTION

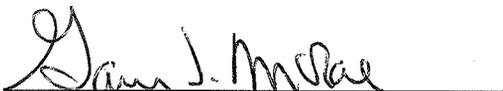
The Board elected not to vote on the BSOA election.

NEXT MEETING

The next Board meeting is scheduled for Tuesday, September 14, 2004, at 8:00 AM.

ADJOURNMENT

Director Olson moved to adjourn the meeting at 9:15 AM. Director McRae seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Radick voting.



Gary McRae, Secretary

08-17-04. min (Board Approved 9/14/04)

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

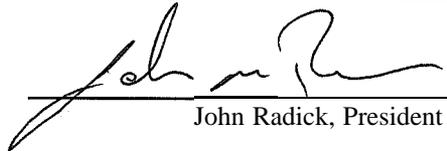
Acceptance of Monthly Financial Statements

Date 7/20/2004

The Board of Directors at its 7/20/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	6/30/2004
Assets:	<u>\$ 41,365,783</u>
Liabilities	<u>\$ 18,918,617</u>
Equity	<u>\$ 22,447,166</u>

2 Income Statement as of	6/30/2004
Total Revenues	<u>\$ 3,159,916</u>
Total Expenses	<u>\$ (1,881,803)</u>
Net Revenues	<u>\$ 1,278,113</u>



John Radick, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – July 20, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, July 20, 2004, in the WSD Community Room. Board members present were President Skip Radick, Vice President Packy Cronin (arrived at 8:21 am), and Secretary Gary McRae (arrived at 8:43 am); along with Directors Dick Allgood, Dick Fast (left at 9:27 am), and Bill Olson. Director William Shropshire was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Grant Burroughs, and Jim Muscat. Others present were Lone Peak Lookout writer Pat Davis and HKM engineer Ray Armstrong (arrived at 9:10 am).

PUBLIC FORUM

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

MEETING MINUTES

Director Dick Fast moved to approve the minutes of June 22, 2004, as written. Director Allgood seconded the motion. Motion passed, 4 yeas votes to 0 no votes with President Radick voting. Director Cronin and Secretary McRae were not present for the motion.

FINANCIALS

Smith briefly reviewed the financials, and reported that Marjorie Knaub will arrive in mid-September to start the FY 03-04 audit. Director Olson asked about the delinquent accounts and inquired if service could be shut off if people do not pay. President Radick stated that the District is able to put the delinquent accounts on the tax rolls, and eventually the fees get paid.

Director Olson moved to approve the June financials as presented. Director Cronin seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting. Director McRae was not present for the motion.

SEWER OPERATIONS

Edwards distributed Burroughs' flow reports, noting that a new flume was put in and the net shows that the flows are down from last year. Edwards feels that I & I are low since the sewer flows have not increased with the recent moisture. The plant has been running since April 19 and Burroughs has been making compost. The District is waiting for the permits from EPA on land applying the compost. Ray Armstrong will address the sludge issue on the ponds.

WATER OPERATIONS

Edwards reported that the Meadow Village production report shows a decrease of 13 million gallons from a year ago. Edwards presumed this is probably due to fixing the leak at Park Condos. The repair work incident on Sioux Rd may have inflated the Mountain flows. Muscat said there is a leak in Aspen Groves near a fire hydrant and the District will work on that in the fall. The one-year walk through for the Low Dog project is scheduled for August. Edwards has only heard from one owner regarding erosion and Edwards has contacted Madison County about the work that may need to be done to correct this. Water restrictions started July 1 and are liberal in that there is no time limit, just even and odd days according to an even or odd address. Edwards reported that Dave Potts did a pump test on meadow well 1 and it looks good. Potts is recommending reworking wells 2 and 3. This work will be done in the fall when water demand has decreased. Director Fast asked if sediment is a problem in Aspen Groves.

LONG TERM COMPLIANCE WORK PLAN

Edwards reported that a walk through has been done and a punch list has been given to the contractor. Edwards has talked to the BSOA about doing an open house for the plant on September 3 from 3:00-6:00 pm. Bodell will be done with all the work before that. The control start up issues have been worked out. The aeration pond sludge removal was overloading the SBR basins at the rate it was being pumped. Pumping at a slower rate will take about 12 months to empty the pond. Edwards stated that the power company trenched over our lines by Ousel Falls and left a mess that SMI has since cleaned up. Edwards noted that Spanish Peaks has talked about the District taking over their water system at some point, so they have been making all their plans available to the District for review and comment. Edwards explained that the District cannot send treated wastewater to YC yet, as their ponds are not lined. The District can, however, pump test with fresh water. This year, the District will use all the wastewater on the meadow golf course. Edwards noted that a "T" was installed in the area of Spanish Peaks to allow for additional disposal in the future if needed. Director McRae, arriving at 8:43 am, stated that a couple of lined ponds will be done this week in Spanish Peaks. Edwards reported that the contract balance is about \$959,000 to finish the work

WATER FACILITIES PLAN

Edwards reported that the work is done on the water tank improvements above Hidden Village and the next-door owners are happy with the work. Everything is looking good, with about \$60,000 left in the contract to finish some reseeding and planting a few trees.

LEGAL ISSUES

Uplands Cluster B-Removal from Water & Sewer District: Resolution 04-01: Edwards reviewed the history of this land and why it was included in the District originally, but it has since been established that this area will not be served by the District. Edwards had Mae Nan Ellingson prepare a draft resolution to remove this 16-lot subdivision from the District water and sewer jurisdictional areas for tax assessment purposes. Edwards explained that Simkins wants Section 1 to remain in the District boundary even though they do not have service. The Board discussed the issue on whether to leave the lots in the District service area if they want to stay in. Then, require payment of any fees they would have had to pay from the beginning of the tax assessment if they are ever served. Edwards explained that Lone Mountain Ranch is in the District and served by the sewer district, but is not in the water tax jurisdictional area. Edwards reviewed all the other lots with either water, or sewer, service exceptions; such as Kircher's lot and lots in Pinewood Hills. Edwards feels that a precedent has been set with the other properties with exceptions. Edwards believes that any owner out of the District's jurisdictional taxing area be required to pay fees equal to the fees the served property owners have paid for the improvements to water and sewer if they are ever served. Edwards said a separate resolution could be prepared without much problem since taxable values are available. *Edwards will work with Mae Nan Ellingson to prepare a resolution to address the taxing issue prior to adopting a resolution to remove the Uplands area from the tax assessment area. Edwards will also write to Simkins about what the District will be doing and also advertise for a public hearing date.*

PERMITS

No permit applications required Board action.

ORDINANCE 04-1002: RELEASE 150 SFEs (1st Reading)

Edwards presented a draft ordinance to release 150 SFEs, bringing the total SFEs available for permitting to about 200 SFEs.

Director Cronin moved to waive the three readings of Ordinance 04-1002. Director Allgood seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Radick voting..

Director Cronin moved to approve Ordinance 04-1002, Release of 150 SFEs for Sewer and Water Connection Permits as presented. Director Allgood seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Radick voting.

NEW DEVELOPMENTS & SUBDIVISIONS

North Fork Creek, Lot 1- Brown Condominium Development: Edwards reviewed the request, stating that both public water and sewer serve the lot with a total of 29.76 SFEs for the entire North Fork Creek Subdivision. The project will go through the BSOA for approval and Edwards is not aware of the zoning density. The Board discussed the 29.76 SFE limit for the entire North Fork Creek, and wants to an allocation for each lot so that lot owners are not left without building capability. *The Board directed Edwards to send a letter regarding capacity and request a per lot SFE allocation prior to any approvals. Edwards will also check the courthouse records for allocations.* If there are no allocations, Edwards said the District could use the lot size to determine an allocation. *Edwards will also find out BSOA's involvement and what density is allowed.*

AERATION POND SLUDGE REMOVAL

Ray Armstrong reported that Bode11 provided a change order to remove the sludge which involved burying the dewatered sludge, a similar process to what was done for pond 1 construction. This type of disposal would need an EPA permit, and a notice of intent stating what and how it will be done has been prepared. Edwards has forwarded the information, or permit request, prepared by Armstrong to EPA. Armstrong feels the process will be approved, but is not positive how long the permitting will take as they have 90 days to respond. Groundwater wells will be monitored and Armstrong feels there would be very little chance of contamination since the sludge is buried under the pond liner and little moisture penetrates the soil. Armstrong stated that this may be one of the best options, and still be in the total project budget as Bodell's bid was for time and material. Armstrong also presented an alternative to haul the sludge to West Yellowstone since they are permitted to handle sludge. Armstrong does not know their fees. Armstrong wants the liner in by October if it is going to be done this year. However, a stop work order can be issued to Bodell, and then they can return next year to complete the pond lining. The other option is to delete the pond liner from the contract and rebid it next year, but Armstrong feels that you would still be dealing with the same options. The last option presented was to continue pumping through the plant at a slow rate, but freezing could be a problem as the temperatures drop, plus the composting capacity is limited and it would take about a year to year and one-half to compost. Armstrong recommended working with Bode11 on the first option. The District Board does not want to have sludge hauled and doesn't even know if hauling would be allowed through the park. *The Board asked Armstrong to contact the State for approval.* Armstrong recommended that the District start the dewatering process since it will take about a month or month and half, and then to cover it. A belt press

would need to be rented, and Armstrong stated that Bode11 estimated \$16,000 a month for rental, plus another \$17,000 for set up and running power. Edwards reported that the District has a belt press, but retrofitting would have to be done. After discussing the possibility of retrofitting the District's belt press, or renting one, the Board decided renting would be less complicated and quicker at getting the dewatering done.

Director McRae moved to work with Bodell on sludge processing at a cost of \$66,000 which included renting the belt press to dewater the sludge and to store in the pond embankment. Director Cronin seconded the motion. The Board discussed the issue, and agreed that this was the most effective way to get rid of the sludge. Motion passed, 5 yea votes to 0 no votes with President Radick voting.

With Director Fast no longer present, Armstrong reported that Bode11 requested substantial completion and an inspection was done about a month ago. Armstrong sent a letter of substantial completion to Bodell, and the District has 7 days to add to the list, even though warranty work will be done. Edwards said the fencing has been delayed since the original fence was rejected for a defect. The replacement fence that was received is a dark green, not the grey that was approved. Armstrong and Edwards will follow up on the fencing material.

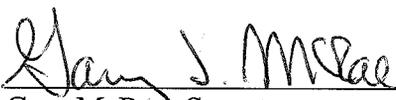
Edwards presented some new liner material samples, including a tan color. According to Bodell, the liner color can be changed. Edwards recommended changing the liner color to tan. Armstrong said it is a different type of material, reinforced polypropylene, and he will have to make sure it is as durable as the original liner specified.

NEXT MEETING

The next Board meeting is tentatively scheduled for August 17, 2004, at 8:00 AM.

ADJOURNMENT

Director Cronin moved to adjourn the meeting at 9:55 am. Director Olson seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.



Gary McRae, Secretary

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

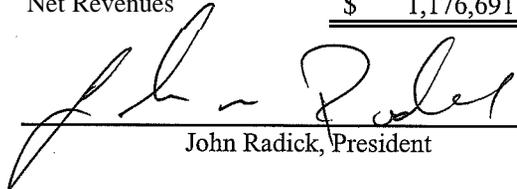
Acceptance of Monthly Financial Statements

Date 5/25/2004

The Board of Directors at its 612212004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	4/30/2004
Assets:	<u>\$ 41,357,021</u>
Liabilities	<u>\$ 19,011,256</u>
Equity	<u>\$ 22,345,765</u>

2 Income Statement as of	4/30/2004
Total Revenues	<u>\$ 2,515,987</u>
Total Expenses	<u>\$ (1,339,296)</u>
Net Revenues	<u>\$ 1,176,691</u>



John Radick, President

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

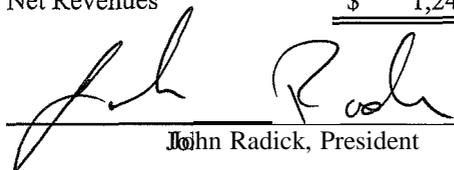
Acceptance of Monthly Financial Statements

Date 6/16/2004

The Board of Directors at its 612212004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	5/31/2004
Assets:	<u>\$ 41,389,759</u>
Liabilities	<u>\$ 18,974,281</u>
Equity	<u>\$ 22,415,478</u>

2 Income Statement as of	5/31/2004
Total Revenues	<u>\$ 2,694,649</u>
Total Expenses	<u>\$ (1,448,225)</u>
Net Revenues	<u>\$ 1,246,424</u>



John Radick, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Public Hearing: Rate Ordinance 97-1002 Amended
Public Hearing: FY 2004/2005 Budget
Regular Meeting Minutes – June 22, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled public hearings and a regular meeting for 8:00 AM on Tuesday, June 22, 2004, in the WSD Community Room. Board members present were President Skip Radick, Vice President Packy Cronin, and Secretary Gary McRae (left at 8:58) along with Directors Dick Allgood, Dick Fast, Bill Olson, and William Shropshire. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Grant Burroughs. Others present were HKM engineer Ray Armstrong; a potential Meadow Center lot buyer Mark Goode; Legal Counsel John Brown; and District property owners Kirk Dige, Les Loble, and Ron Downer.

PUBLIC FORUM

President Radick called for public comment at 8:09 am. Kirk Dige stated that he was in attendance to gather information, but as a Silverbow owner they are concerned with the shared meters as people not even using their condo would be paying extra with the current policy of splitting the bills. Edwards explained that the initial shared metering was done due to plumbing limitations and that the ordinance says that if a meter is shared, the bill is shared. Edwards stated that the District would supply the meter equipment if the condominium owners installed the equipment and retrofitted the plumbing. Dige commented that the owners association would have to deal with it. With no further public comment, President Radick called the public hearing to order at 8:12 AM.

PUBLIC HEARING: RATE ORDINANCE 97-1002 AMENDED

Smith reviewed the principals used in calculating the proposed rate. There was an objection from a Hill condo unit owner to using the proposed rate as the new rate will financially impact that group of people with a low number of SFEs. Edwards reported that the proposed rate would eliminate any gallons of water use for the base rate. The studio units, like Hill condos, will see about a \$3 1 increase per unit. Smith said the only way to accommodate this group would be to create a special category. Director Cronin feels that the District needs to move forward and to forget about how the billing used to be done. President Radick stated that the Board may have created another problem by raising the fees for those that might be less likely to afford it. Smith said a 2 bed/2 bath condo will pay about a 20% increase over the old SFE rate. Edwards said using the billing on gallons used will probably instill conservation. Director Fast reported that the analysis shows that the small condos use about the same 3,000 gallons of water per quarter as a single family home with two people living in there. According to Director Olsen, the argument made by the customer is right and the fixed costs should include G & A and be in the base rate. Additionally, the operating costs should be in the variable rate. Edwards explained that the high fixed costs include asset depreciation and setting a base rate just on that would create too high of a base rate. Director Olson stated that the customer's analysis would have a customer that uses more water paying more. Director Allgood noted that as the number of customers increase over

the years, the rates should come down. President Radick said the proposed rate will plug some holes, but it will not make everyone happy. Edwards said that part of our cost is based on the decision to store and spray waste water instead of using the cheaper system of treating and discharging wastewater. According to Edwards, Big Sky is the only place in the state that treats and reuses 100% of its wastewater. Smith said that Ordinance No 97-1002 will need to be amended according to what rate the Board agrees to. Edwards distributed a letter from Tom Fritz that was received on 6/21/04. Fritz disagrees with the \$3,500 per SFE charge when a home is built or remodeled. Fritz is asking for a connection for an addition, but without any additional costs. Downer said that under the proposed rate, he will be paying more than under the old SFE charge, but that it is more equitable than the current rate. Downer would also like the Board to decrease the rates as the customer base increases. President Radick thanked Downer for participating in the rate setting. Les Loble asked how summer rates are calculated. Smith explained the winter averaging for the sewer portion and the actual charge on the water use for the April-September period. Edwards pointed out that the ordinance still allows a quarterly vacant lot charge of \$45.

Director Shropshire moved to accept the ordinance as presented. Director Fast seconded the motion. Motion tabled until the readings were waived.

Director McRae moved to waive the three readings to amend Ordinance 97-1 002... Director Olson seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

Director Shropshire moved to approve amended Ordinance 97-1002 as presented. Directed Fast seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Radick voting.

The Board discussed the options for meters with multiple units and the District needs to suggest alternatives to the condo owners. *The Board directed the staff to send a letter with billing alternatives to the associations with common meters to alleviate billing problems under the new rate.*

PUBLIC HEARING: FY 2004/2005 BUDGET

The public hearing for the FY 2004-2005 Budget was called to order at 8:58 am without Director McRae present. . Smith noted that the budget presented includes the \$200,000 resort tax funding and the budget ties back to the rates.

Director Cronin moved to accept the FY 2004-2005 budget at presented. Director Olsen seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

REGULAR BOARD MEETING

With no further public comment, the regular meeting was called to order at 9:02 am.

MEETING MINUTES

Director Cronin moved to approve the minutes of April 21, 2004, as written. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

Director Cronin moved to approve the minutes of May 19, 2004, as written. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

FINANCIALS

Smith briefly reviewed the April and May financial reports.

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

Retirement Plan Funding

Smith discussed the way the optional DC retirement plan was set up with only 80% of the funds going to the individual's retirement and that the State is working on making the plans fair, but it will take some time. In the interim, Smith wants the Board to make up the 20% difference of what is diverted from the retirement of those four staff that are in the DC plan. Smith said that the DC plan has not changed from the initial offering, but that he wasn't aware of the costs. Edwards explained the history of creating the retirement options, but said that the State didn't tell you that the DC plan costs would be covered 100% by the DC participants. Further, when it came time to opt for the retirement plans, the market had taken a dive and not as many people signed up for the DC plan as the State anticipated. Smith asked the Board to consider supplementing the retirement for the employees on the DC plan. President Radick asked if funding the DC participants retirement would create inequities for those in the other plan. Smith also said an alternative would be that the Board allow opting out of the PERS retirement plan. President Radick said making a decision based on waiting for the state to make a change seems unreasonable and a time limit is needed. Director Shropshire asked where the supplementary funding would go. Smith responded that it would go into a voluntary retirement 457B plan that is also administered by the State. President Radick said it is impossible for the Board to make a decision today, and there also isn't a point in time to have the payment stop. The Board needs to see comment from all employees and something to act on in terms of numbers. President Radick said the Board needs specific information to act on. Director Shropshire asked if there are other plans available that gives the same choices. Director Shropshire commented that making up the difference probably isn't a very good policy, but there should be a District committee formed to review the retirement system and he agreed to be in charge. President Radick said making up the lost revenue is an option, but fixing the system is also an option. Smith will bring the inequities up to the retirement board at a meeting he will attend on Thursday. Smith is to get input from all staff and then make a presentation on that information to the Board.

SEWER OPERATIONS

Burroughs reported that flows are down, which is probably due to I & I work that was done last year. Burroughs said the filters have been shut down for about two weeks and that fresh water

has been used for irrigation. Irrigation will be switched back to filtered water today or tomorrow. The shut down was done due to the overload from sludge from draining the ponds during the start up transition for the new plant. The aeration pond needs to be lined, but there is about 4 feet of sludge that must be removed first. The filters were started on June 18 and seem to be running fine.

AMEND AGENDA-CAR WASH W/S APPLICATION

Director Cronin moved to amend the agenda to address the letter from Mark Goode. Motion passed.

MEADOW VILLAGE CENTER LOT 3A—CAR WASH W/S APPLICATION

Mark Goode is looking at buying Meadow Center Lot 3A and installing a car wash. Edwards distributed an analysis of the average gallons per day per SFE, showing about 70 gallons per SFE per day. Using this analysis and the numbers given by Goode, the use would be 11.5 SFEs with 800 gallons per day. Edwards said the SFEs needed are about double of what is allocated for this lot. Edwards said Goode would need to look at getting more SFEs allocated to the Lot 3A, look for another lot with more SFEs, or scale down the proposed operation. Goode said his numbers are probably overestimated in that most people probably will not purchase the full wash service. President Radick and Director Shropshire asked for additional information on the effects of putting this wastewater into the District system. *The Board said that the lot does not have enough SFEs for the proposed operation and Goode needs to address this issue, plus come back to the Board with an analysis of the effect of the waste water.* Edwards stated that the SFEs need to be figured out for this category, plus for another potential user that is a micro brewery. Edwards said the Board needs to revise the SFE schedule with a category for projected water user that will be high water users that don't fit a current category.

WATER OPERATIONS

Edwards reported that the new system seems to be working well and a few items are being worked on.

Edwards distributed a letter from Walter Blessey explaining that without being allowed to hook to the water system, he wants removed from the BSOA. Edwards has previously written Blessey informing him that he is out of the District service boundaries, annexation would be needed, and has also let him know the problems with his locations. *Edwards is to write a response asking Blessey for something the Board could act on.*

LONG TERM COMPLIANCE WORK PLAN

Ray Armstrong discussed the change orders and stated that Bode11 has requested substantial completion. An inspection is scheduled for June 29. The change orders are for changing the gate from a manual gate to an electric gate at a cost of \$6,206, and to change the floor sealant to a more durable finish at a cost of \$16,450.50. Another change order, that will be coming, is for a liner cover for a more aesthetic look. This liner cover may be around \$100,000-\$150,000 and Bode11 will be submitting that cost. Armstrong said a concrete trench of 30" wide around the pond perimeter will need to be done to secure and hold the liner. President Radick said the Board would like something visually on the liner cover product and asked if a roll back gate is practical with snow removal. Edwards and Armstrong commented that a lift gate would be substantially more, probably around \$20,000. Armstrong said there will be an additional change order for piping that was undersized. Edwards asked if that additional cost will be covered by HKM. Sludge treatment for pumping through the plant has been impacting the plant more than

anticipated. Armstrong is looking at alternatives to remove the sludge without hauling it. The options would include a dedicated land disposal site. To continue running the sludge through the plant would take about a year. According to Armstrong, Bodell's contract includes lining the pond and a stop work order would need to be issued and then Bode11 would need to come back next year to finish the pond. *Armstrong is to present all options with costs and timelines to the Board at the next meeting.* Armstrong thinks it is worthwhile to go through EPA to see what it will take to get an approval for disposal, but to continue running the sludge at a slower pace through the plant until a decision is made.

Director Shropshire moved to approve Bodell's change order on the mechanical rollback gate for \$6,206. Director Cronin seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Radick voting.

Director Shropshire moved to approve Bodell's change order on the floor sealer for \$16,450.50. Director Fast seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Radick voting.

Armstrong reported that Bode11 needs to redo the floors in other buildings as they didn't clean the floors before putting the sealer down.

Armstrong stated that around \$500,000 has been withheld and Bode11 has requested release of some retainage. Armstrong recommended releasing money over \$200,000. By contract, the District can continue full retainage through substantial completion. Armstrong stated that April 19 was the contract deadline and feels that Bode11 should be able to be done by the end of July. President Radick feels if we lessen the incentive (i.e. the money) to get the project done, then the motivator is gone. The Board would like the site cleaned up before any money is released. Armstrong reported that Bode11 will be submitting another pay request in about a week. Armstrong feels equipment cost is a big percentage of the retainage. The Board requested Edwards to identify a list of items that need to be done and then the Board will release \$200,000 when those items are done.

Armstrong discussed the liquidated damages clause of the contract, which allows a \$2,500 per day penalty. As the project progressed, schedules were revised with substantial completion by April 18. On April 19, water was running through the plant, but there was still quite a bit of work that needed to be done on the buildings in addition to the landscape and pond lining. Armstrong did write a letter stating that they were 10 days over their contract time and they would be charge \$750 day, or \$7,500, to cover the additional inspection fees. Bode11 feels that running water through the plant means they were substantially complete. Armstrong asked if the Board wanted to eliminate the liquidated damages, but if they do he doesn't feel that HKM should have to cover the inspection charges. Armstrong estimates about \$15,000 in additional inspection charges. Edwards reported that previous change orders had not been submitted with additional time. Armstrong said that Bode11 may come back and ask for additional time. President Radick said the Board doesn't feel it is the District's responsibility for the delay in contract completion and feels that Bode11 and HKM need to work out the costs between the parties to come up with an agreement that doesn't cost the District. President Radick asked if it

the District's responsibility for the costs of the delays and if it is not caused by the District, it shouldn't be the District's responsibility. Armstrong said the additional work needs to be looked at to see if additional days should be added. Edwards and Armstrong both feel that an inspector needed to be on site through the end of May due to the work that still needed to be done.

Edwards feels that the plant was on line and operating on April 19, but the buildings were not substantially complete in regards to finish work. President Radick asked Edwards if they were on time, or over. Edwards stated that he feels that Bode11 met their obligation, but a letter should have been sent about liquated damages starting. Armstrong had a different understanding of substantial completion and that is why he withheld \$7,500 in liquated damages on the last pay request. Armstrong said that HKM will be submitting a change order to cover additional inspection if it isn't covered by liquidated damage withholdings. Director Shropshire doesn't have a problem with reducing the liquated damages to \$750 day. Armstrong said that he feels it will be a fight to get the project complete if the District withholds liquidated damages. *The District asked Armstrong to get a concession from HKM on the inspection charges and the work Bodell still needs to complete and then the District will release the liquidated damages. Armstrong is to come back to the District with an agreement by allparties.*

Armstrong discussed the need to have an additional operator for the plant. The substantial completion inspection date will be scheduled for Wednesday so that Grant Burroughs is also available.

WATER FACILITIES PLAN PROJECT

AM Wells still has clean up to do and, once the area is dried out, they will be back to finish up.

LEGAL ISSUES

Uplands Cluster B/Gray Drake Subdivision-Removal from Sewer & Water Jurisdictional
~~Edwards~~ Edwards has Mae Nan Ellingson working on a draft resolution to remove this Uplands area from the District. *Edwards will present the draft document at the next meeting.*

Westland Section 1/Town Center Taxes: These lots were assessed in error according to the court case and the District needs to refund the taxes on the sewer fees paid for the treatment plant, #307. The other issue is the vacant lot charge and, by statute, the District is allowed to add this to the tax roles. Westland is requesting a refund for paying this fee. *Legal counsel will write a letter saying the bond taxes will be repaid, but that the District will enforce the vacant lot charges.* Via telephone at 11:00 am John Brown discussed the vacant lot fees. Brown said that he has talked to Westland's counsel and told him that the bond taxes will be paid, but that he will be sending a letter explaining our ability to collect vacant lot charges and let the court decide. Westland's counsel, Brian Gallik, is using a precedence case Trunk vs Rae. Brown said that Westland signed documents saying that they would abide by all District rules and regulations and Westland lots have a stub to each lot. Edwards also has told Westlands if they replat the land to fewer parcels to let the District know when it is recorded and the District will adjust the billing for the recorded lots. According to Brown, the Rae case is different than the District's situation. Edwards asked if the District loses how far back would have to be refunded. Brown said the ruling could be from a set date or from this point forward. Director Cronin asked who paid for the broken pipe in the Town Center and who paid for the water. Since the District covered these

costs, it shows that the District does have costs involved in operating this system. The Board's position is that the vacant lot charge is a legitimate charge and they owe it. *Brown will meet with Gallik within the next 30 days after he researches the Trunk vs Rae case. The Board directed Brown to write a letter to Gallik regarding refunding the bond tax and holding firm on the vacant lot charge.*

Ordinance 04- 1001 – Spanish Peaks Annexation: Edwards reviewed the draft annexation agreement and the draft will be sent to their legal counsel, Steve Brown, for review. *The Board asked that there be an addition that states the District is not obligated to provide irrigation water to Spanish Peaks even though the District will be allowed to irrigate on their lands. An irrigation agreement will be worked on in the future, when the golf course is done.*

Hall Litigation: John Brown discussed the legal action requested by Bob Baldwin on behalf of Sarah Hall. Boyne will have a chance to respond and may file a motion to drag the District back into the suit. President Radick asked about Boyne trading their unencumbered SFEs to Hall. Edwards explained that the Board felt it was a breach of the District's reallocation to transfer the SFEs to Hall. The District offered to have Boyne pay the SFE charge within one year of an agreement and did not get a response. Edwards noted that Hall and Boyne could play the paper game to transfer SFEs.

WSD RESORT TAX APPLICATION

Edwards reported that the resort tax application of \$200,000 was funded. Edwards felt that the resort tax board's reserve was getting large enough that they did not have to add to it and with their collections and reserves they were able to fully fund all the requests with the exception of the sheriffs request. The resort tax will run through 2008, our last payment of the \$500,000.

PERMITS

No permits required board action. *Edwards will prepare an ordinance to release an additional 200 SFEs.* Edwards stated that he has not had time to address the SFE issue with allocations, but will prepare something for the next meeting. Edwards would like to keep the SFE system around. Director Allgood is concerned if the SFE allocation decreases the value of property. President Radick stated that people knew what they had going into the system. The Board feels, for now, it is an isolated incident where the SFE is a commodity.

SFE REALLOCATION

Scott Hall LLC submitted an SFE reallocation application to transfer 15.27 SFEs from Meadow Villager Center Lot 5A/6, to a condominium unit in Lot 1. Lot 1 is being sold and Scott Hall wants the excess SFEs that the buyer won't need before they sell the property. Edwards explained the assigning of SFEs of the bigger parcels and condominium parcels. The Board discussed the transfer request, noting the transfer of SFEs to a condominium unit was not the intention of the District's policy.

Director Olsen moved to approve Scott/Hall LLC SFE reallocation application. President Radick seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

The Board discussed charging a fee per SFE for SFE reallocations.

MOUNTAIN WELL NO. 7

The well drilled by Yellowstone Club needs to be connected to our main line and the mountain pump house needs to be replaced. Bode11 has submitted a cost of \$227,000, which is over the \$50,000 allowed before public bidding is required. *Edwards will go out to bid for this project.*

GENERAL C&RESPONDENCE

Neubauers: *The District will write a letter to the association on the options and then the association can decide on how they want to handle it.*

Country Store/Lynne Anderson: Edwards explained that the lines in the Meadow Center are not really mains and not really services. Burroughs believes that the lines are a service and the owner is responsible and that the District should not cover this maintenance expense. According to Edwards the line is in the PUD and the Board feels that it is either the owner's responsibility or the PUD's responsibility. Burroughs explained that the Country Store connects to a 6" line and the lines get grease plugs that need to be cleaned. The 6" line is substandard and an option would be for them to upgrade to an 8" line. Burroughs doesn't know if there is a grease trap at the Country Store. *The Board directed Edwards to send a letter to Anderson stating that the District does not own the line.*

Water Restrictions will begin July 1, allowing watering on odd and even days according to an odd or even address.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, July 20, 2004, at 8:00 AM.

ADJOURNMENT

Director Shropshire moved to adjourn the regular meeting at 12:05 pm and go into executive session to discuss employee compensation. Motion passed.



Gary McRae, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – May 19, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Wednesday, May 19, 2004, in the WSD Community Room. Board members present were Vice President Packy Cronin, Secretary Gary McRae and Directors Dick Allgood and Dick Fast. Directors Bill Olson and William Shropshire and President Skip Radick were not present. WSD staff present was Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Snowy River/Dudes Development representative Jim Schultz and District legal counsel John Brown (via phone).

PUBLIC FORUM

With Vice President Cronin chairing the meeting, the meeting was called to order at 8: 10 am without any public comment.

FINANCIALS

FY 2004-05 Draft Budget: Smith reviewed the draft budget, noting that water and sewer expenses and revenues will have increases and the administrative budget will decrease by 7%. Budget adjustments will need to be made if the resort tax request of \$200,000 for offsetting the debt service for water and sewer improvements is funded. Director Allgood noted that Blue Cross/Blue Shield is working with the Montana Chamber of Commerce to offer a health insurance program and recommended that the District join the Chamber, which would provide the District access to the insurance program. The annual dues to the Chamber are \$250. Edwards noted that the cash carry over could be reallocated to offset some of the increasing operating expenses in the new treatment plant. Edwards said the numbers for the new treatment plant are only educated estimates and it is hard to budget for the operations since there is no history of power and chemical costs. Director Allgood suggested that the reserves go to the water system. Edwards asked, from an accounting standpoint, if there is a reason why the Board could not allocate that money to the water side. Smith did not know, but said that the reserves come from the sewer. Vice President Cronin would like the District to consider using the reserve for further improvements to the water system. Edwards stated that asset replacement funds could be used for water improvements and, with the uncertainty of the operating expenses, he would like the reserves used to offset the costs of operating the new plant. Director McRae asked about tapping into the two new Spanish Peaks wells since they are high producing wells. Edwards said if the water rights can be obtained, it is something to explore. Vice President Cronin stated that the District should look into it if the cost of buying water from Spanish Peaks is comparable to doing something individually. Edwards said that the water improvements would be discussed later in the agenda under the engineering proposal from HKM. *The Board would like Smith to investigate using the reserves for water and/or sewer without restrictions.* Edwards believes that about \$300,000 is sufficient in restricted operating reserves and the budget indicates \$741,037 for sewer. Smith suggested moving about \$400,000 of the \$741,037 into asset replacement. Vice President Cronin said that by moving the funds, you're just shuffling, but it doesn't make any difference in the Board being able to use the funds. The Board did not see any advantage in moving the funds from restricted sewer operating reserves. Edwards noted that moving the water line at the Berlin project will cost about \$20,000 and that project can be funded through asset replacement. No action was necessary on the draft budget; however, a public hearing will need to be scheduled before adoption. The Public Hearing date is set for June 22, 8:00 am, along with the regular monthly meeting.

FY 2004-05 Proposed Water & Sewer Rates: Smith reviewed the proposed rate alternatives. Alternative B-1 factored in more administrative and asset replacement costs in the monthly base charge of \$22.04 and had a variable rate of \$3.85 per 1,000 gallons. This proposal has a higher monthly base rate than our current rate \$16.98 and does not allow the monthly 3,000 gallons of water use. Director Allgood supported alternative B-1 as he felt that this rate would be very defensible. Director Fast liked the 40/60 split where rates would encourage conservation by the more you use the more you pay. The Board discussed the idea of using the reserves to offset the rate, but dismissed this idea when the calculations did not show a significant rate reduction and there would not be a great advantage in **using the reserves** in this manner. The Board recommended having a rate hearing using the sewer rate presented in alternative B-1. Director McRae asked what rate would be more easily accepted by the customers. Edwards commented that whatever rate is used, someone is not going to like it.

Smith reviewed the proposed water rate alternatives with the Board supporting alternative B-2 with a monthly base charge of \$14.25 and a variable rate of \$2.35 per 1,000 gallons. *The Board directed Smith to come up with a more reasonable water rate for hydrant users-a higher charge than a property owner would pay for 1,000 gallons.*

Director McRae moved to use alternative B-1 for the sewer rate and alternative B-2 for the water rate for presentation at the public hearing. Director Fast seconded the motion. Motion passed, 4 yeas votes to 0 no votes with Vice-President Cronin voting.

SFE REALLOCATION

Edwards explained the SFE transfer request from Craig Reichstetter, Dudes Development Corporation. The SFE reallocation request is for transferring 20 SFEs from Lot 1 in Westfork Meadows to Tract 2 in Westfork Meadows, with both properties owned by Dudes Development Corporation. Reichstetter plans to purchase the tract after the SFEs are transferred and own it outright. He will then request a transfer of the SFEs to the Cascade property that he is a part owner of. Edwards recommended approving this application, but doesn't know if Reichstetter will be in compliance with the ordinance to transfer SFEs to the Cascade lot. Edwards said there are holes in this whole procedure and he is also not sure if zoning will allow it. Vice President Cronin said if it fits within the box (ordinance), then the Board should approve it. Cronin feels that the case made at the previous meeting by Dudes has merit and the SFEs should probably be able to be moved around. On the philosophical aspects, Cronin stated that Table 3.1 was good for what it was, but we might need to acknowledge that the SFEs are fluid and the SFEs should be able to be moved around as long as the system has capacity. Edwards commented that if zoning was in place in Madison County, then he would be willing to disband Table 3.1. Director McRae agreed with Vice President Cronin that the use of the Table needs to be revisited. Edwards would like the SFEs revisited since they were calculated years ago, before improvements in I & I had been made; and now that total gallons per day have decreased that decrease has not been translated into the Table. Jim Schultz said in unknown areas, some type of limits would probably be needed. Schultz asked if the Board will approve Reichstetter's next SFE transfer request.

Director Allgood moved to approve Reichstetter's SFE reallocation application to move 20 SFEs from Lot 1 in Westfork Meadows to Tract 2 in Westfork Meadows. Director McRae seconded the motion. Motion passed, 4 yeas votes to 0 no votes with Vice President Cronin voting.

At 9:48 am John Brown was called for a legal opinion on the transfer of Reichstetter's SFEs. Edwards explained the SFE transfer request that will come from Reichstetter and transfer to Snowy River. John Brown stated that the ordinance does not say you have to be a sole owner and that Reichstetter would be able to transfer SFEs to the Snowy River Co. as a part owner.

Edwards asked John Brown to expedite the Spanish Peaks agreement. Edwards will stop by Brown's office on Thursday to pick up the document.

The Board directed Edwards to present, at the next meeting; some informal thoughts on how to approach revisiting the Table and whether it should be disband.

Meadow Village Well Work-Engineering Proposal

Edwards presented the next phase for improvements to the water system with a proposal from HKM. Edwards and Vice President Cronin would like the proposal expanded.

Director McRae moved to approve HKM Engineering's proposal as presented. Director Allgood seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President Cronin voting.

WATER & SEWER OPERATIONS

Edwards believes the community will have issues with drought conditions and would like to institute irrigation restrictions based on the basin reports Edwards has received. Edwards proposed using an address of odd and even for setting irrigation days. *The Board directed Edwards to do what he feels is best for the water supply and what could be done administratively easy.*

In response to Director Allgood's questions, the commercial accounts and condominium accounts will be billed on actual use year round. Single-family homes will be billed on winter averaging, but they can request to be billing on actual use.

Edwards suggested that the best way to notice the public hearing for sewer and water rates would be to create a dummy bill on how the rates affect the individual. The Board did not support the idea and asked Edwards to notice the public hearing as done in previous years.

NEXT MEETING DATE

The next regular meeting, plus the public hearing on rates, will be held on June 22 at 8:00 am.

ADJOURN

Director McRae moved to adjourn the meeting at 10:09 am. Director Fast seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President Cronin voting.



Gary McRae, Secretary

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

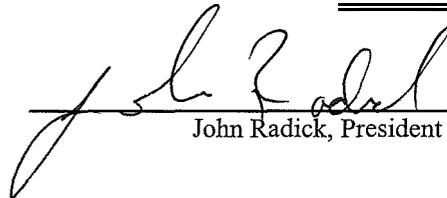
Acceptance of Monthly Financial Statements

Date 4/12/2004

The Board of Directors at its 4/21/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	2/29/2004
Assets:	<u>\$ 40,859,903</u>
Liabilities	<u>\$ 18,813,796</u>
Equity	<u>\$ 22,046,107</u>

2 Income Statement as of	2/29/2004
Total Revenues	<u>\$ 2,105,215</u>
Total Expenses	<u>\$ (1,228,181)</u>
Net Revenues	<u>\$ 877,034</u>



John Radick, President

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – April 21, 2004

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Wednesday, April 21, 2004, in the WSD Community Room. Board members present were Vice President Packy Cronin, Secretary Gary McRae, and Directors Dick Allgood, Dick Fast, Bill Olson, and William Shropshire (participating via telephone). President Skip Radick was absent.

WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith (via phone). Others present were HKM engineer **Ray Armstrong**; legal counsel John Hrnwn (via phone); bond counsel Mae Nan Ellingson (via phone); Dudes Development/Tract 1 representatives Craig Reichstetter, Bob Biggerstaff, and Jim Schultz; and Spanish Peaks representative Wade Pannell. Department of Environmental Quality representatives Todd Teegarden and Mike Abrahamson were present for the discussion on the long-term plan and the update on the new treatment facility.

PUBLIC FORUM

Chairing the meeting, Vice President Cronin called for public comment at 8:09. Reichstetter and Biggerstaff stated that they were present for the discussion on the transfer of SFEs. With no further public comment, Vice President Cronin called the meeting to order at 8: 10 am.

AMEND AGENDA

Director Olsen moved to amend the agenda to item V. C., SFE Reallocation. Director Allgood seconded the motion. Motion unanimously passed.

SFE REALLOCATION

Vice President Cronin summarized the history of the SFE allocations for Big Sky area properties and the Westfork agreement where they were entitled 48,000 gallons of sewage per day that the engineers translated to an SFE number. Not sure of how to address the SFE transfer request, Vice President Cronin stated that the fear of the Board is that the excess SFEs from Westfork will turn into a commodity and transferring those SFEs to a different development area goes against the agreement. Edwards read the Westfork agreement and wondered if transferring the SFEs would undermine the agreement. Edwards explained the transferring of SFEs as allowed by District Ordinance. Reichstetter has requested to transfer SFEs from a parcel in Westfork, that he is a partner in, to a parcel in Cascade that he also has a partnership in. The Board discussed the partnership concept and felt that the two partnerships would be separate entities. John Brown's opinion was that the separate partnerships are separate persons and, the way the ordinance is written, the request doesn't satisfy the ability to transfer the SFEs. Edwards reported that there would be about 70 SFEs remaining on the Westfork parcel if 20 SFEs were reallocated. Edwards said from a capacity and flow standpoint, there is not a problem with the transfer. Director Olsen asked if legal counsel should look into the agreement.

Director Shropshire moved to deny Reichstetter's request to transfer SFEs. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting.

Reichstetter requested a synopsis of the Board's decision, stating that what he has heard allows SFEs to go from one parcel to another if the entities remain the same. Reichstetter also stated that he doesn't understand why it matters where the flow comes from as long as it is allocated. Vice President Cronin explained that, as he sees it, Snowy River is made up of a certain group of partners and Dudes in made up of other partners, which doesn't follow the language in the ordinance to be able to transfer SFEs between the partnerships' property. Schultz asked if Reichstetter solely owned the Westfork property then could the SFEs be transferred to the mountain property. Edwards reread the definition of person and partnership. Brown said the ordinance doesn't say "**solely**" owned by a person, and it would be okay to transfer SFEs as requested by Schultz. Director McRae concurred **that the ordinance doesn't** say that it has to be sole ownership. Director Olsen responded that from what Brown said, the SFE reallocation and motion is a little bit cloudy. Director McRae clarified that the partnership interests have to be in agreement. Director Shropshire stated that the ordinance restricts the transfer of SFEs if the partnerships have different tax ID numbers. Brown agreed with Director Shropshire in that separate partnerships, that own different land, cannot transfer SFEs to each others property. However, if a name appears individually as owner, than the SFEs can be transferred to property where that owner is a partner. Vice President Cronin said if all we are doing is shuffling paper so that SFEs can be transferred, than what are we really doing. Reichstetter stated that the SFEs are not coming out of a pool of SFEs; they are coming from Dudes Development Corp. Edwards reported that the SFEs are allocated to Dudes' Westfork property that also ties back to the Westfork agreement, and asked if SFEs are pulled out of Westfork, is the District in breach of this agreement. Mae Nan Ellingson, bond attorney, voiced her concern about public water and sewer systems allowing SFEs to be sold, as transferring SFEs can be problematic for property values. Vice President Cronin asked if the Westfork SFEs would become "free" SFEs (unencumbered) if they were transferred to another property outside of Westfork. Edwards stated that the ordinance doesn't address the issue. Director Olsen commented he would be very concerned about putting the District in a liability over the issue. Biggerstaff stated that he was involved in the arbitrary allotment of SFEs from the beginning and feels that, originally, the table was to be used only as a guidance tool since property owners did not know their development plans. Additionally, the District should be able to work within the system of the whole big picture. As a comparison, Biggerstaff said that the smaller Westfork lot was assigned 100 SFEs, and the larger Cascade lot was assigned 70 SFEs. Vice President Cronin fears that this is like musical chairs and, when the shuffling is done, someone is going to be left without a chair, or without development capability. Schultz reiterated that the original SFE allocation was only intended as a guideline and that the District now is essentially regulating development like zoning. Edwards informed the Board that, unfortunately, there are loopholes in the ordinance when calculating SFEs, and developers have been able to get their SFEs down to the SFEs allotted by plan modifications such as eliminating closets. Director Olson said if one individual owns two properties there isn't a problem with an SFE transfer. Schultz stated that he believes their request to transfer SFEs fits within the ordinance guidelines and questioned Boyne's SFE transfers. Vice President Cronin explained that Boyne's transfers have been done before the selling of their property. Wade Pennell commented that by not allowing the transfer, all the Board is doing is creating paperwork as this ownership issue could be clarified through warranty deeds. Director Olsen stated that he has seen the plan proposed for the Cascade lot and it is a good development plan and he would like to see it happen. The Board recommended that the

developers make the ownership issue fit within the ordinance. Director Allgood asked if the Westfork SFEs would be required to pay PICs. Edwards stated that, in his opinion, the agreement is for Westfork property and any SFEs transferred outside of Westfork would be subject to the PIC. *Edwards will have legal counsel review the agreement.*

AMEND AGENDA

Director McRae moved to amend the agenda to item IV. F., Ordinance 04-1001. Director Fast seconded the motion. Motion unanimously passed.

ORDINANCE 04-1001 (2nd Reading)

Brown reported that additions were made to the ordinance; such as using the golf course and that the entities would also be required to reimburse the District for annexation costs. Legal counsel recommended entering into an agreement to provide for these changes before the ordinance is finalized.

Director Olson moved to approve the second reading of Ordinance 04-1001, Petition of Annexation for Additional Land in Spanish Peaks Resort. Director Allgood seconded the motion. Vice President Cronin called for discussion. Wade Pennell said they do not have a problem paying the legal fees. They would, however, have to have approval from DEQ before displacing the treated water because the Gallatin River will be classified as an outstanding resource. Ray Armstrong reported that, currently, a separate permit is not required for using treated water for irrigation. Penell said if they cannot achieve the permit status, they do not want to be held liable for irrigation. Edwards asked if their storage will be built to store treated wastewater. Penell said they will be built to store treated wastewater but that they have other issues to address; such as storing runoff and impounding runoff. With no further discussion, Vice President Cronin called for a vote. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting. Legal counsel will prepare the agreement for signature before the third and final reading. John Brown will work with Edwards, Steve Brown and Wade Pennell to have the agreement prepared within the next couple of weeks.

MEETING MINUTES

Director McRae moved to approve the minutes of March 23, 2004, as written. Director Olsen seconded the motion. Motion unanimously passed.

FINANCIALS

Monthly Financial Report: Smith (via phone) briefly reviewed the financials noting that the operating summary shows a shortage in water revenues and excess in sewer revenues. Overall, the budget is on target with expenses and revenue. Smith explained that the propane and power expenses have been itemized and about \$1,900 will need to be reimbursed by Bode11 to the District as discussed at a previous meeting.

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

FY 2004-05 Draft Budget: Smith reported that the draft budget was prepared from the projected operating costs of the new plant. There will be an increase of 25% of operating revenues and 19% increases in expenses. The new resort tax requests were not incorporated into the budget. Vice President Cronin stated that the draft budget is directly related to the proposed water and sewer rates. Edwards commented that the draft budget is for discussion only and that public hearings will be held in June for the proposed budget and rates, so that they can be adopted by July 1. Smith reviewed the proposed sewer and water rates. With the proposed rates, a customer will be for paying a base charge with zero water use and then also be charged for gallons of water used.

Water Rates: Smith incorporated a growth factor of 10%, with the current customer accounts at 1,900 and next year's accounts to total 2,080. It was noted that the water and sewer accounts do not have the same customer counts as some customers only receive water service and some customers only receive sewer service. It was also noted that the reports reflected numbers from old average usage reports. With a 50/50 split, the base rate would be \$12.00 per month and \$3.00 per 1,000 gallons. Edwards said the District could put together an impact summary for customers such as Hill Condos where they share a meter, so that they would know how the rate would affect the bill. Director Olsen asked for a comparison of quarter charges using the current rate and the proposed rate. Director Fast stated that with his usage of 12-13,000 gallons, his bill would increase over the prior billing rate method. Director Fast commented that his calculations indicate that accounts with usage above 13,000 gallons would see a decrease in their total bill. Smith noted that, to date, the District is about \$45,000 short in water revenue. With the proposed rate, the effect will be the more water you use, your sewer bill will decrease from the previous rate structure. Edwards stated that the District looked into phasing in depreciation, but the Board had decided not to dip into that. Director Shropshire stated that the depreciation use life is very modest as presented and that depreciation is something that the District has to plan for. Directors Allgood and Olsen commented that the District has a very expensive system, in a unique area, for a small number of base customers. Directors Olson and Shropshire suggested that the depreciation might have been taken out too far. Smith said this is as far as we can go with the depreciation schedule. It was noted that compost revenue has not been plugged in, as Edwards doesn't know its marketability. In regards to the rate allowed for water charge to the Yellowstone Club, Smith has not reviewed the agreement. Edwards believes that whatever the going rate is, the District can charge this to YC. Edwards discussed the water use from hydrants and said the overall amount of water sold to water tenders is a small amount compared to production and Edwards looks at it as a community service to provide this water. *Edwards and Smith will provide a comparative with winter averaging and a new analysis for the next meeting. Director Fast recommended looking at a 60/40 split.* Director Allgood confirmed that the goal is to have an adjusted rate system in place prior to next fiscal to meld with the new fiscal year budget. Director Fast asked that public relation work be done to notify customers of the impact of a rate change. Smith noted that even with rebating, the sewer revenue is up about \$100,000.

SEWER OPERATIONS

Edwards reported that the new plant was started yesterday and Ray Armstrong is here to monitor the start up.

WATER OPERATIONS

Edwards stated that water production is down about 10% on all three systems. As required by DEQ, the Consumer Confidence Reports have been published in the Lone Peak Lookout.

AMEND AGENDA

Director Allgood moved to amend the agenda to item IV. C. 1., Uplands Cluster B. Director Fast seconded the motion. Motion unanimously passed.

UPLANDS CLUSTER B

Edwards explained the history of the Uplands and inclusion in repayment of the bond debt. Mae Nan Ellingson said that the tax payment could be refunded by simply taking money from the District's own account and to not try to have the county do it. Ellingson wasn't sure if a change in boundaries could be provided in time for affecting the second billing and to just assure the taxpayers that they would be reimbursed. The Board would need to adopt a resolution for excluding the entire property from the water and sewer district. Ellingson said the Board does have some discretion in removing the property from the District boundaries and it was the original intent to only have property in the District that is provided service. Leaving the property in the District entitles the owners to vote, and Ellingson is unsure why you would want the property in the District if it were not being served. Edwards said the driving force to leave the property in the District had come from the developer, the owner of most of the lots. Ellingson stated that the Board could initiate the exclusion of the property. Vice President Cronin supported following Ellingson's recommendation for the District to refund the 1st payment and 2nd payment. The District will then need to amend the boundaries to remove the property from the District. Edwards stated that Section 1 area might need to be addressed, too. Ellingson also recommended that the District take the initiative to remove the property from the District and then to refund the tax payments. Ellingson said that the District can initiate the procedure for exclusion and that the Board has the final determination to approve the exclusion, as the law allows, since being in the District does not benefit the land. Additionally, by leaving the property in the District, it may provide an implicit obligation to serve the property in the future.

Director McRae moved to have the District initiate the procedure to remove the existing Gray Drake property from the District boundaries and to refund the tax payment after the property is removed from the District, as recommended by Ellingson. Director Allgood seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President Cronin voting. Edwards will e-mail the property description to Ellingson and then Ellingson will e-mail the draft paper work to Edwards.

LONG TERM COMPLIANCE WORK PLAN

Armstrong reported that the start up at the plant began yesterday. He expects that it will take two to three weeks to get the treatment levels up. There is probably about another month, or month and one-half, to finish the site work, aeration pond liner, etc. SMI will be back soon to complete the pipeline work.

Armstrong discussed the aesthetics of the pond liner, ruling out putting in a bench and riprap due to conflicts in construction. Armstrong stated that a Terrace 11 liner would be his recommendation and distributed a flyer that described the liner. The estimated cost of material and installation would be about \$95,000, plus additional engineering. Hydro seeding the cells would be an option, but then you would have maintenance issues. Speaking from experience, Vice President Cronin stated that the first effort at filling the cells will settle and then you will

see the honeycomb pattern. Armstrong would stay away from dirt filling and planting due to the maintenance. Possibly natural grasses could be used, but Armstrong will have to check with the manufacturer of the cell liner so as not to interfere with the integrity of the liner. Armstrong also wasn't sure about the drainage capabilities of the cell. Armstrong said the next step would be to take the Terrace11 plan to Bode11 for a cost estimate. *Armstrong is to follow up with Bodell and the manufacturer and get back to the Board.*

Armstrong presented two change orders on the pipeline costs from SMI. Armstrong recommended approving the ~~change order~~ for the realignment at a cost of \$89,500 for additional excavation and rental of a rock hammer. SMI had requested \$133,000. The next change order was a deductive change to reduce the cost due to a shorter pipeline installation-- about 3,000 feet less pipe, for \$207,176 and that also included several other items. The total original contract was \$2,217,533, and the change orders will bring the cost back to about \$30 from the original contract. The excess pipe not used has about a \$30,000 value and is sitting in the yard in Texas. Edwards said a deal is in the works with Spanish Peaks for them to buy it. Armstrong will present two change orders to the Board after he gets signatures from SMI. Barry Drake, SMI, should be in Big Sky the first part of May.

At 10:38 am Edwards introduced Todd Teegarden and Mike Abrahamson from DEQ. The DEQ representatives are in Big Sky to review the start up of the plant and Abrahamson is also reviewing the technology of the SBR since it is new to Montana.

Wastewater Storage Pond Work: Armstrong reported that it would be approximately \$370,000 to rip rap pond #1. The alternative bid price was to line the entire slope. Edwards stated that this would be eligible for SRF money. Armstrong stated that Terrace11 would probably not work on pond #1 since the pond level fluctuates. *The Board asked Armstrong to pursue getting a firm number from Bodell for the riprap and removal of stockpiled dirt.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Powder Ridge Phase III & Block 5, Tract 5: Edwards reported that this phase is just west of the existing Powder Ridge Cabins and there may be 12 cabins constructed this summer.

L3 area is being worked on and the roughed in piping is done. All plan sheets for extension work have been reviewed and comments letters have been written.

Town Center-The Park: A pre-construction meeting was recently held. A small sewer and water extension will be done to service the area and the property is being re-platted.

Grev Goose/Tract 12: A preconstruction is planned for next week.

STOCKPILE FILL MATERIAL

Edwards has talked to Catchpole and his market to use the material is gone. Now, he is agreeable to haul off the material at \$4 a yard. The District can advertise to sell it, though. Vice President Cronin said the Board needs to respond favorably to James Taylor's request to split the proceeds. Edwards reported that legal counsel said the offer to split the proceeds is more than fair. Edwards will write a letter to Taylor memorializing the offer. Edwards believes that if the District still wants to use any of the stockpile for the treatment plant project, it falls into the original agreement.

WSD RESORT TAX APPLICATION

Edwards reviewed the two applications from the District, \$200,000 for debt service and \$9,918 for water monitoring for the Blue Water Task Force. Edwards will represent the District at the resort tax meetings.

PERMITS

Edwards stated that seven new applications were received, with one application needing Board approval. Edwards recommended approving the bank's application conditional on the water and sewer extension, etc., as noted on the permit.

Director McRae moved to conditionally approve the permit application for Big Sky Western Bank for 6.02 SFEs as discussed. Director Allgood seconded the motion. Motion passed, 6 yeas votes to 0 no votes with Vice President Cronin voting.

Edwards noted that the Board might need to allocate additional SFEs for permitting as only 97 SFEs remain for permitting.

Director Allgood asked if Reichstetter and Biggerstaff could petition the Board to ask for more SFEs to allow for development on the Cascade Tract 1. Edwards said it has never been done and it would be a dangerous precedence to set. *Vice President Cronin recommended reviewing our capacity with the additional use of the YC golf course and storage pond and now the possible inclusion of using the Spanish Peaks golf course and storage pond.* Edwards reported that the gallons per day have been reduced with I & I work and SFE capacity may be greater than the original table provides. Edwards said the mission is to stay ahead of development and allow for development. Director Olsen stated that the SFEs transferred from Westfork to Cascade should have to pay the plant investment charge. Director Olsen also suggested that the District charge an SFE transfer fee. Director Shropshire asked if there is a guarantee for a vacant lot owner to be able to build on their lot. Edwards responded that with people paying the vacant lot charge, he considers it a guarantee. Vice President Cronin stated that if capacity has been met, then there isn't the ability to provide service. Edwards commented that the Board would always need to be planning for service and that is also why the District has not opened the doors for new subdivisions, or expansion of SFE commitment to come on line.

Director Shropshire left the meeting at 11:30 am

WEST BERLIN/SILVERTIP DEVELOPMENT

Edwards reviewed the history of the agreement and correspondence of the West Berlin agreement for the Silver-tip Development. As it stands right now, the District has sent a letter stating the original agreement will be terminated in September, 2004. *The Board directed Edwards to begin engineering work to build a new line; the existing line will be vacated.* The Board stated that they could always work with a future owner to possibly provide water service.

GENERAL CORRESPONDENCE

There was no general correspondence requiring Board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for May 19, 2004, at 8:00 AM. Kennedy will check with all Board members on their availability. Director Allgood invited all Board members to his birthday celebration on May 20. Director Olsen and President Radick will be gone in May.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 11:35 AM. Director Allgood seconded the motion. Motion unanimously passed, 5 yea votes to 0 no votes.



Gary McRae, Secretary

04-21-04. min (Board Approved 6/22/04)

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

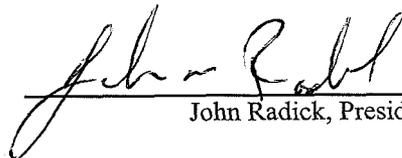
Acceptance of Monthly Financial Statements

Date 3/22/2004

The Board of Directors at its 3/23/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	2/29/2004
Assets:	<u>\$ 40,472,742</u>
Liabilities	<u>\$ 18,445,588</u>
Equity	<u>\$ 22,027,154</u>

2 Income Statement as of	2/29/2004
Total Revenues	<u>\$ 1,970,551</u>
Total Expenses	<u>\$ (1,122,773)</u>
Net Revenues	<u>\$ 847,778</u>



John Radick, President

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – March 23, 2004

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Tuesday, March 23, 2004, in the WSD Community Room. Board members present were President Skip Radick, Vice President Packy Cronin, and Secretary Gary McRae; and Directors Bill Olson and William Shropshire (participating via telephone). Directors Dick Fast and Dick Allgood were not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Spanish Peaks representative Wade Pannell was also present.

PUBLIC FORUM

With no public comment, President Radick called the meeting to order at 8:08AM.

MEETING MINUTES

Director Cronin asked for clarification of the Hall litigation

Director Cronin moved to approve the minutes of February 24, 2004, as written. Director Shropshire seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting.

FINANCIALS

Smith briefly reviewed the revenue and expenses on the financials with no expense items of note. Director Olson asked why the expenses on Sewer Plant Operations-propane, blowers, etc. was way over budget. Smith explained that some of the power bill expenses relate to the construction and this will be covered by Bodell. Smith reported that the earthquake insurance increased 8% over last year's costs. Overall, revenues are slightly over and expenses are slightly under. Smith is waiting for the 1st quarter usage data to be able to compare it to the proposed new rate structure. Edwards noted that from the last meeting, the intent was to adopt a new rate structure with the new fiscal year. Smith said that the retirement plan administrative costs for the defined contribution is excessive for those participating in that plan and Smith wanted to inform the Board that staff are looking at alternatives. Kennedy noted that not all staff are in support of dropping the PERS retirement program and looking at alternatives. Kennedy stated that each employee signed up for the retirement plan of their personal choice and some employees signed up for a less risky, lower payout guaranteed plan; unlike the retirement plan that Smith referred to that will likely pay much more over time, but may initially have higher administrative costs.

Director McRae moved to approve the February financials as presented. Director Olsen seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting.

SEWER OPERATIONS

Edwards reported that the total flows are up slightly from last year. Basically, Burroughs has been doing start ups on different pieces of equipment at the new treatment plant.

WATER OPERATIONS

Edwards reported the meadows flows are probably down due to the repair at the Park Condos, and the lower mountain flows may have been from fixing a leak at the Stillwater Condos.

Mountain Village Well #7: Edwards explained that well #7 was drilled as part of the agreement with Yellowstone Club. Morrison-Maierle has finished the engineering and Bode11 will be providing a cost estimate to replace the pump station. The District will cover the cost of the pump station. The DNRC water right has been approved for the well. Yellowstone Club will be billed for any costs for the water line that exceed the \$28,000 of the Yellowstone Club's money that the District has. Morrison-Maierle will be doing the landscape plan and Edwards assured the Board it would not be excessive. Director Olsen asked what the master plan outlines for the surrounding area. It was noted that the master plan has been a tool that has not been widely followed.

LONG TERM COMPLIANCE WORK PLAN

Edwards reported that the contractor, Bodell, is about 4 weeks off their original schedule with project completion estimated in May. SMI will return in the spring to finish the pipeline.

Edwards recommended approving Bodell's change order for \$10,729 for changing the telemetry from phone read to radio read. This change is necessary since there is no phone line available, and the estimate from 3 Rivers to install a phone line is over \$100,000.

Director Cronin moved to approve Bodell's change order for \$10,729 for the telemetry change. Director Shropshire seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting.

LEGAL ISSUES

Hall Litigation: Edwards reported that Mike Wheat wrote a letter to Steve Barrett, but no response has been received.

Grey Drake: Edwards revisited the history of the property, noting that the area was initially defined as in the District as one property. If the property had been platted at the time of the bond election, Edwards would have exempted this area from repaying the bond debt. Edwards has sent a letter to Mae Nan Ellingson asking for clarification on exempting this area and refunding the bond debt tax. As directed by the Board, *Edwards is waiting for an answer from Ellingson before responding to the property owners who have requested a refund on the charge.*

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards reported that several developments such as Grey Goose, Lone Sky, Town Center, and Upper Cascade Block 2 will be under construction this summer;

West Berlin: Edwards noted that a two-year notice is required to rescind the water agreement to West Berlin and a letter was sent that would be effective October, 2004. In addition, Edwards would not recommend allowing that area to hook into the sewer. As directed by the Board, *Edwards will revisit the history of the agreement and the last letters of correspondence to possibly propose extending the agreement out another year so that the District doesn't block the way for another developer to get the project fixed, or finished.*

PERMITS

Edwards reported that new permits are being issued with 114 SFEs remaining for permitting. Edwards said that 200 SFEs may need to be released, but he would hesitate to release all SFEs available until all of the treatment plant and storage construction is done. Wade Pennell reported that at least 16 holes in their golf course development would be ready this summer.

ORDINANCE 04-1001: SPANISH PEAKS ANNEXATION-FIRST READING

Edwards presented the first reading of draft Ordinance 04-1001 for Board review. Edwards would like a provision for golf course irrigation added, plus a couple of other things that were not specified that he will review with legal counsel. *Edwards will incorporate those changes into the next reading.*

Director Shropshire moved to approve the first reading of Ordinance 04-1001 to annex land owned by Spanish Peaks Holding, LLC; Thumb Development, LLC; and Kari Sue Locati into the District with document changes as discussed. Director Olsen seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting.

NEW DEVELOPMENTS & SUBDIVISIONS

Edwards stated that he received a letter from Gaston Engineering on the Speaking Eagle road area and they plan to work on the lines this summer.

Director Olsen reported that Crow King Road in Cascade will be renamed to Beehive Basin Road.

STORAGE POND STOCKPILE PROPOSAL

Edwards reported that the agreement for the dirt stockpile originally went as first right to refusal to Westland/TM. James Taylor has said they probably won't need the dirt and has proposed selling off the dirt and splitting the proceeds 50/50. The Board noted that the specific use was spelled out in the agreement and it doesn't specifically say Westland/TM cannot sell it. Edwards estimates that there are 60,000 yards, even though that much will not be removed. The last time Edwards checked with Catchpole, dirt was \$4 a yard. *The Board asked that Edwards have legal counsel review the original document for clarification and to also review James Taylor's proposal. Edwards is to check with Catchpole for estimates of cost per yard. Edwards will present the information at the next meeting.*

SFE REALLOCATION APPLICATION

Edwards explained that the L3 group has Area 13 and wants additional SFEs attached to a Boyne owned Cascade Lot 66A that they will buy from Boyne. L3 will then transfer the SFEs to their Area 13 for their condominium development. Edwards stated that with no zoning in Madison County, Lot 66A could be a single family lot with 10 SFEs and the transfer does fit within the District Ordinance. *The Board noted that the Ordinance needs to be reviewed for loopholes.*

Director Olsen moved to approve Boyne's reallocation application to allocate 10 SFEs from their pool of SFEs to Cascade Subdivision, Block 2, Lot 66A. Director McRae seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting.

RESORT TAX APPLICATION

Edwards would like to receive resort tax money to offset the mill rate debt service repayment and feels it would be easy to explain the cost benefits per \$10,000. Edwards asked if the District should request relief funds for people struggling with water and sewer bills. The Board discussed the issue and decided that the District should not ask for relief funding. Edwards also noted the possibility of asking for funding for the mountain booster station. Edwards will put together a resort tax application.

Director Shrapshire asked **what the District is doing** for beautification of the pond area. Edwards said he could approach the State for higher berming and possibly rip rapping. *Edwards is to research what kind of funds we have, such as proceeds from the sale of the stockpile. Edwards will have Ray Armstrong at the next meeting to present possible ideas. Edwards was directed to present rip rap figures and run higher berming past Todd Teegarden for approval. Edwards is to report his findings at the next meeting.* Edwards suggested getting numbers from Bode11 for rip rap of the aeration pond since this pond will be worked on any way. The Board feels there are reasonable options within budget restraints that the District needs to explore. Edwards said it would be reasonable to ask for resort tax money for these improvements.

GENERAL CORRESPONDENCE

No general correspondence required board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Wednesday, April 21, 2004, at 8:00 AM. President Radick will be gone until June. Director Shropshire will be available via telephone.

ADJOURNMENT

Director Cronin moved to adjourn the meeting at 9:36 AM. Director Olsen seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting.



Gary McRae, Secretary

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

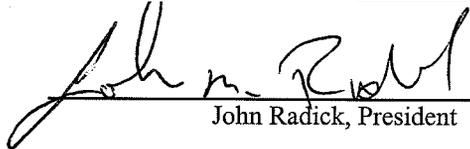
Acceptance of Monthly Financial Statements

Date 2/18/2004

The Board of Directors at its 2/24/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	1/31/2004
Assets:	<u>\$ 40,044,934</u>
Liabilities	<u>\$ 18,015,413</u>
Equity	<u>\$ 22,029,522</u>

2 Income Statement as of	1/31/2004
Total Revenues	<u>\$ 1,888,958</u>
Total Expenses	<u>\$ (1,028,510)</u>
Net Revenues	<u>\$ 860,448</u>



John Radick, President

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – February 24, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 3.63 scheduled a regular meeting for 8:00 AM on Tuesday, February 24, 2004, in the WSD Community Room. Board members present were President Skip Radick and Secretary Gary McRae (left at 10:45 am after the LTCWP Report) along with Directors Dick Allgood, Dick Fast, Bill Olson, and William Shropshire (participating via telephone beginning at 8: 15 AM). Director Packy Cronan was not present.

WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present during specific agenda items were District legal counsel Mike Wheat, HKM engineer Larry Wyman, **Spanish Peaks** representatives Wade Pennel and Mat Ekstrom (Morrison-Maierle engineer), and District customers Victor Sarmiento and Ron Downer.

PUBLIC FORUM

President Radick called the meeting to order at 8:05 AM and delayed public comment until later in the meeting when District customers would be available.

MEETING MINUTES

Director McRae moved to approve the minutes of Janua y 15, 2004, as written. Director Allgood seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Radick voting. Director Shropshire was not participating during this motion.

SPANISH PEAKS ANNEXATION

Mike Wheat reported that he reviewed the Spanish Peaks petition for annexation and it meets statutory requirements. Wheat discussed the options for approving the petition, stating that the petition could be approved with just board approval as long as there is sufficient capacity. Edwards noted that the annexation petition is not asking for additional SFEs. Spanish Peaks will use the 1900 SFEs under the agreement with Yellowstone Club, where there are 900 SFEs for Lone Moose and 1,000 SFEs for other development. In addition, they are not asking for any water service as they will install their own system. President Radick reiterated the January discussion where the Board agreed that the developer would have to pay any costs associated with annexation of the additional Spanish Peaks property. Following the SFE allocation from the agreement, President Radick stated that Spanish Peaks would have to work within the designated 1,000 SFEs. According to Edwards, a meter will be installed to measure wastewater coming from the development and Edwards will also push to have water meters installed in all the development. Edwards presented two options for billing quarterly user charges 1) one single bill to the development/owners association, and 2) require individual meters and send bills to individual owners. The developers reported that they plan to install individual water meters on all development. Edwards would like the District to be able to acquire wastewater spray irrigation rights on the Spanish Peaks golf course and have that in place before annexing the additional property. President Radick asked if the Board wanted to have the ordinance prepared for annexation as discussed and to cover the following: 1) using the 1,000 SFEs for "other development," 2) the developer cover the costs for annexation including the costs to prepare the documents, 2) quarterly billing, and 4) use of the golf course for wastewater spray irrigation. President Radick wants the agreement worked out without adding any additional SFE commitment from the District. Edwards noted that taking on additional property would include additional maintenance costs, but that would be covered through user charges and plant

investment charges and the property does create an additional revenue base. Edwards stated that the developer is 100% responsible for engineering and installation and then the lines will be transferred to the District.

Director Fast moved to direct counsel to draft an ordinance to annex the additional Spanish Peaks property as discussed. Director Olson seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting and Director McRae abstaining. The Board directed Wheat to have the draft ordinance for presentation at the March meeting.

HALL LITIGATION

Mike Wheat reviewed the history of the settlement as offered by Boyne and what the Board has previously agreed to with Boyne paying the SFE Plant Investment Charge within one year. Edwards reviewed the history of the Boyne development surcharge and stated that Tract 4 was an identified property owned by Boyne in July 1997 and it is subject to the surcharge. Wheat commented that the District is only involved in the lawsuit because the District wants to get paid the PICs on the SFEs and he feels the District's position is defensible. Edwards reported that the actual documents that transferred the property to Hall were after the date of the Boyne settlement agreement with the District. As discussed and agreed upon at previous meetings, President Radick restated that the Board would only support the original agreement where Boyne has one year to pay the Plant Investment Charge on Hall's 64.1 SFES on Tract 4. Wheat said that Boyne has the understanding that the Board agreed to the transfer of Tract 4 SFES for Boyne's unencumbered SFES. Wheat also stated that District legal counsel has said that the District has no agreement to let Boyne use unencumbered SFES. Per District Ordinance, President Radick said that Boyne could not transfer SFES from Boyne to Hall. Wheat discussed the possible benefit of the Board accepting an offer from Boyne to pay the SFES on a schedule. President Radick and the Board directed Wheat to respond to Boyne's settlement offer by stating what the District has previously agreed to where the PIC on the 64.1 SFES must be paid within one year by Boyne. Wheat will write to Boyne's legal counsel reiterating what the District has previously agreed to and also inform them that the District will not consider any other compromise.

PUBLIC COMMENT

Victor Sarmiento expressed his concern about paying an 800% increase in sewer fees and that the increase will kill his business. Sarmiento stated that his water use in 3rd quarter was higher than 4th quarter even though he was not even operating until August. In addition, his 3rd quarter bill was less than his fourth quarter bill. Director Allgood explained that the fourth quarter billing was calculated on actual usage, and that Sarmiento received a benefit in 3rd quarter by the District using winter averaging for billing 3rd quarter sewer charges as that unit was not operating during the period the average was taken. Smith and President Radick explained that there was a water leak in the refrigeration in the LaLuna space prior to Sarmiento occupying the space and that Bing had made repairs of some sort in the past. Smith further explained that the flower shop water does go through the LaLuna meter, but that use has been deducted accurately from his bill and the irrigation line is before his meter. Edwards said the meters have been reading accurately, but the District can change out a meter if an owner requests it. Additionally, if it is clear to the District that the water use, or leak, did not go into the sewer system, then there would be an adjustment to the sewer bill. The District will also be calculating future charges for commercial accounts on actual usage, not the winter average use as on LaLuna's third quarter statement. Director Allgood explained that his commercial account uses between 52-53,000 gallons of water per quarter compared to LaLuna's use of approximately 73,000 gallons for 4th quarter.

President Radick said the District is trying to find a more equitable way for billing even though the rate structure is doing what it was supposed to do-which is when an account is using more water they pay more. Director Allgood said the \$18.96 variable rate on sewer is too high and would like the rate more equitable for everybody. President Radick asked Edwards what the Board could do to help these accounts that have a high charge. Edwards explained the 3rd quarter credit, approved by the Board in November, where about 130 accounts were given a credit for sewer charges that were more than 50% higher. Smith estimated a 4th quarter credit would cost up to \$60,000 and neither Smith nor Edwards saw a problem with a credit. President Radick stated a credit would be a finger in the dike and a temporary relief until a new rate structure can be set. Director Allgood noted that the sewer revenues are higher than what was projected. President Radick said we have enough money to offset a credit at this time and that the District will come up with a new rate structure for the new fiscal year using the history of use. Ron Downer asked that the credits apply through the rest of the fiscal year. Smith remarked that he would prefer that the Board look at a more permanent fix at this time instead offering a credit for the remaining of the fiscal year, and that the Board could have a public hearing and adopt a new rate at the March, or April, meeting. Edwards reported on public hearing schedule requirements. President Radick and Board members discussed possible adverse affects of rushing a rate change. Director Allgood disclosed that if the Board made any adjustment he would be a beneficiary. The Board authorized the staff to credit the accounts whose sewer bill is 50% higher than the prior calculations using an SFE charge.

Director McRae moved to allow a credit to accounts, as discussed, through the remainder of the fiscal year. Director Olson seconded the motion. Motion passed, 5 yeas to 0 no votes with President Radick voting and Director Allgood abstaining.

Ron Downer provided some rate statistics from surrounding communities based on his personal usage and explained how the variable rate affects him. President Radick said that the District's rate structure does need to be worked on, but that the District needs to be careful at comparisons to other communities as Big Sky has different methods of treatment (i.e. Big Sky does not dump into the river) and Big Sky has a different total customer base. Downer said he appreciates the Board looking at this rate structure and for allowing the credit while the Board addresses the rate. Victor Sarmiento agreed that if you use more water, you should pay more; but suggested that there should be variable rates for commercial and residential categories. Edwards explained that the cost to treat wastewater is the same for all categories. President Radick said the Board will be looking at the rate structure to hopefully take care of some of the inequities.

FINANCIALS

Smith reviewed the financials as of January 31, 2004, with no specific items of concern. The revenues are up approximately \$142,000 and the deficit on water will be covered by the reserves. Smith is comfortable with where the water rate is right now. Smith confirmed that the credit allowance to customers would be covered with the increased revenues. Smith will be sending Boyne a statement for the interest still owed on the late annual payment in addition to the statement of this year's annual payment. Director Shropshire asked that the approved credits be a line item on the financials. President Radick thanked the staff for handling the rate issue in such an efficient manner-keeping it from becoming volatile.

Director Shropshire moved to approve the January financials as presented. Director McRae seconded the motion. Motion passed, 6 yeas to 0 no votes with President Radick voting.

Rate Structure: Smith reviewed a spreadsheet with five alternative rate structures. Using the proposed Alternative #4, which is a 50/50 split, the base rate would be higher for all accounts. The base rate would be raised to \$20.62 and the variable rate decreased to \$7.42 per 1,000 gallons. Smith said the sewer charges would then be spread out among all users, not with high users paying so much more as with the rate currently used. Approximately 30% of the current budget is needed for depreciation and asset replacement. The other rate presented which anticipated growth was \$17.87 for the base and a variable of \$6.51 per 1,000 gallons. President Radick asked that staff make sure that what is being proposed be reviewed to follow state statutes and depreciation must be funded adequately. Director Shropshire said that depreciation is an accounting concept that must be used and revenues must cover depreciation. President Radick asked that staff be cautious when reviewing and recommending rate changes and to make sure we have the restricted funds available for unexpected expenses, especially with the new plant. President Radick asked that the Board members review the information presented and that the issue will be reviewed again at the next meeting. Director Allgood recommended that the water rate also be reviewed and restructured at possibly \$2.00 per gallon to cover the water revenue shortfall. Edwards noted that the Board is not locked into the 50/50 split alternative for setting the sewer rate even though it is used for the water rate.

SEWER/WATER OPERATIONS

Edwards pointed out that the data for the total flow is calculated by the mountain village data being deducted from the total flow to determine the meadow flow. The flows are up about .8% this year. With the peak flow in March, Edwards anticipates that there is still I & I. The Board advised that the mountain is still busy in March and that Edwards should look at May flows to determine if there is I & I. Overtime, the mountain village is becoming a higher portion of total flows at 50.8%.

Director Olson questioned the sewer flows as compared to the water production. Edwards stated that the conclusion is there is some consumption loss, but the other conclusion is that there is leak loss. Edwards said that District staff have not found anything that would indicate meters are not reading correctly. President Radick said leak detection and maintenance is an ongoing budgeted item. Edwards would like to do an analysis using the Aspen Groves system since it is a new system that he doesn't think has much leak loss.

LONG TERM COMPLIANCE WORK PLAN

Edwards reported that the contractor is still approximately 4 weeks behind schedule. Start up will be in March and April. In March, Edwards is planning on advertising for another operator and Edwards will discuss the staffing needs with Ray Armstrong. Approximately 81% of the total contracts have been paid.

Edwards explained Bodell's Change Order No.6 for a total of \$47,374.00 that included relocation of piping in Yellowstone Club and cross connection for the treatment plant. Edwards noted that, overall, the District is still within the original contract amount and he has reviewed the change order numbers with the engineers. According to Larry Wyman, HKM, the numbers have been reviewed and HKM has agreed to pick up some of the cost by accepting the responsibility on items they overlooked.

Director Olson moved to approve Bodell's Change Order No. 6 of \$47,374.00, with HKM being responsible for the items that Edwards and HKM have identified. Director Shropshire seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Radick voting.

WATER FACILITIES

Edwards reported that all three old tanks have been dismantled. To complete the project, there is clean up and seeding needed in the spring.

SFE REALLOCATION APPLICATION

Westland Enterprises requested a reallocation of 105 SFEs to the Town Center. Edwards recommended the approval of the reallocation as it is consistent with District Ordinance.

Director Fast moved to approve the reallocation of 105 SFEs as requested. Director Allgood seconded the motion. Motion passed; 5 yeas votes to 0 no votes with President Radick voting.

BLESSEY REQUEST FOR WATER SERVICE

Edwards explained the water service request from Walter Blessey who has property in the Hay Meadow area. The obstacles for providing service are: 1) the property is outside of the District and would need to be annexed, and 2) the house is higher than our highest tank and a booster station would be needed to serve the property. Edwards has sent Blessey the petition for annexation information, but Blessey has not responded. Edwards said an annexation request should be acted on by the Board based on our capacity to serve the property. The District's water facilities plan states that the water supply needs to be expanded to serve our future needs.

PERMITS

No permits required board action.

GENERAL CORRESPONDENCE

Westland Vacant Lot Charges: Edwards noted that Westland is still being billed for vacant lot charges and they still have not paid. Edwards expects to hear from their legal counsel again.

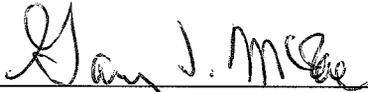
Uplands Area & Tax Assessment: Edwards explained that the Uplands area lots are now on the tax role assessments even though they should not have been included as they do not have service even though they are in the District. Edwards has instructed the owners that were mistakenly billed to send the District a copy of their tax bill and the District will refund the owners. Edwards doesn't feel that we should keep the property in the District. President Radick stated that if the property is in the District, then they should be paying on the debt service. President Radick asked if they wanted to be in the District. Edwards responded that via the public hearing everyone had the opportunity to comment and be removed from the District and removal of this area was not requested. *The Board directed Edwards to talk to Mae Nan Ellingson before refunds are made and to put the issue on the agenda for the March meeting.*

NEXT MEETING

The next Board meeting is tentatively scheduled for March 23, 2004, at 8:00 AM. Director Allgood will be gone on March 23.

ADJOURNMENT

Director Shropshire moved to adjourn the meeting at 11:15 AM. Director Fast seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Radick voting.



Gary McRae, Secretary
02-24-04. min (Board Approved 3/23/04)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes -January 15, 2004
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 AM on Thursday, January 15, 2004, in the WSD Community Room. Board members present were President Skip Radick and Vice President Packy Cronin, and Directors Dick Allgood, Dick Fast, Bill Olson, and William Shropshire (participating via telephone). Secretary Gary McRae was not present.

WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. District customers present were Bar Turner, Debbie Greene, and Mark Ganoom. Spanish Peaks representative Wade Pannell and their engineers, Mat Ekstrom and Jon Olsen from Morrison-Maierle, participated in the meeting during the annexation discussion.

PUBLIC FORUM

President Radick called for public comment at 8: 10 AM.

Debbie Greene expressed her concern regarding their combined quarterly water and sewer charges going from \$226 to \$586 for a family of five. Mark Ganoom is also concerned about the increase in charges and asked if a new base could be established by using the number of people in the household, and somehow incorporating the new and old billing systems. Ganoom suggested not placing the burden on the working person and providing for an allowance of 18,000 gallons per quarter for a family of four for the base charge. President Radick explained that the Board is trying to come up with something equitable, but the financial burden is currently on the customers using the larger quantities of water. Ganoom said their bill will be nearly \$1,700 per year and they practice conservation. Edwards explained that the water side of billing has not received any complaints, but it is the sewer side that is high due to the cost of asset depreciation being high. Edwards and Smith have been looking at the depreciation and evaluating options for restructuring it. President Radick explained that a small number of people have been affected dramatically and the District is trying to find an equitable way to bill the families that live here and still be fair to other rate payers. Bar Turner explained that they don't water much in the summer and feel they are being penalized by the District when the winter average is used for billing them in the summer. Edwards responded that the District would offer the option to bill on actual usage year round. Mark Ganoom pointed out that another way to possibly look at it is to somehow factor in the prior billing method using single family equivalents that is based on bedrooms and bathrooms. Ganoom feels that the people with larger houses should help pay more in that they have to be responsible for putting up a 10,000 sq. foot house. Director Cronin noted that the permitting fee that people pay when they build addresses that a house with more beds and baths pays more plant investment charges to connect to the sewer system than a smaller house. Edwards said the one thing that has not changed is the plant investment charge and the PIC is used to prepay what would otherwise go on the tax role. Edwards suggested that a portion of the plant investment fee could be used to offset the large depreciation expenses for capital assets. Smith reported that about 12% of the quarterly bills were higher and 7% were significantly higher than 50% of their previous costs. President Radick commented now that the percentage of affected users has been identified, we might be able to find a way to fine tune the rates without affecting the other 93% of the community. President Radick said our challenge is to look for ways to lessen the impact to the families and the District will do what it can. However, the District may not be able to satisfy the concerns of the families that are high users of water and the amount they will pay. Director Cronin suggested that the

District might be able to explore an adjustable base rate. President Radick commented that it won't be easy to be fair to everybody, but there is a billing segment that needs a little more attention. President Radick noted that similar concerns have been heard from other people in the community and that the District will continue to evaluate its rate structure. Director Cronin suggested that the District might want to establish an audit program. Edwards stated that any new construction is in compliance with UPC requirements for low flow appliances. Debbie Green suggested that the District publish conservation guidelines.

With no further public comment, President Radick called the meeting to order.

MEETING MINUTES

Director Shropshire moved to approve the minutes of December 16, 2003, as modified.

Director Cronin seconded the motion. Motion passed, 5 yeas votes to 0 no votes without President Radick voting.

FINANCIALS

Smith briefly reviewed the revenues and expenses, explaining that a new truck was purchased since Burrough's accident. The health insurance has increased 21% and Smith is shopping around for other rates. The insurance covers all family members and is a 50/50 plan. Director Allgood mentioned that he has had good experience with Blue Cross/Blue Shield and said it may be worth inquiring. President Radick said the District will continue to shop, making sure that employees and families are covered. Smith explained that the water and sewer charge presented in the Board packet is based on a 50/50 split. Using the updated data, the variable rate would be reduced to \$14.74 and the numbers include the new plant. Director Fast noted that the water use for some of the families is real high and asked what we could do to help reduce use. President Radick would like the District to pursue something for conservation with basic guidelines and would like to see the District take the lead in water conservation. Director Cronin would like to see the District be able to offer a home audit. *President Radick directed Edwards to come up with literature on water conservation.* Edwards suggested hiring someone to do the audit and then train our staff. Director Olson said families just use more water, and maybe the District does need to have a provision or allowance for this group of people. President Radick stated that other communities must have this same problem and we need to keep researching and fine tuning the rate structure. Director Allgood said that there are no other communities that he is aware of that have this high of variable charge and that the District needs to continue to do an overall review of the rate structure. Edwards responded it is the depreciation that is killing the District as the customer base is so small. Edwards doesn't believe we could do much better at adjusting the depreciation schedule, but we could change how we pay for it. Director Shropshire asked that the District approach the Resort Tax to apply for funding to offset the impact for low-income customers. The Board didn't feel that the resort tax's charter would allow for a benefit to a single individual. Smith said that about 130 customers have been affected with the drastic increase and also stated that the revenue is up. The Board will look at a whole year before they make any adjustments.

Director Cronin moved to approve the December financials as presented. Director Olson seconded the motion. Motion passed, 5 yeas votes to 0 no votes without President Radick voting.

FY 2002/2003 Final Audit Report

The final audit report was distributed and the report has been filed with the State.

SEWER & WATER OPERATIONS

Edwards stated that, with the absences of Burroughs and Muscat, he does not have any update on the flows and productions.

LONG TERM COMPLIANCE WORK PLAN

Edwards reported that the construction is about five weeks behind, but the District will have start up in March. *The Board asked Edwards to look into turning down the lighting on the new facilities.* The pipeline contractor will return in the spring to finish the last segment of pipeline.

WATER FACILITIES

Edwards reported that AM Welles has done a good job thus far, and the bulk of the project is complete with a little clean up to complete in the spring.. The Hidden Village tanks have been removed and they are working on removing the Westfork tank. The telemetry is scheduled to be installed at the end of February. The water tank won two awards from the Montana Contractor's Association at their January meeting. The awards won were "Montana Environmental Excellence Award" and "Best Specialty Contractor Project."

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Spanish Peaks Resort Petition for Annexation: Following up from the November meeting, Mat Ekstrom and Jon Olsen from Morrison Maierle and Wade Pannell from Spanish Peaks presented an annexation petition for annexing additional Spanish Peaks' land into the District. They are not asking for additional SFEs, they would use the 1900 SFEs available in the agreement with Yellowstone Club. Edwards would like to see the Locati parcel included. Edwards believes that the Board can approve the petition internally. However, Edwards would like legal counsel to review the petition and make a recommendation. President Radick stated that a tremendous amount of District time and expense were already expended for creating the existing boundaries and the District would like the developer to cover any expenses (staff time, legal costs, etc.) incurred in the process to annex additional property. Edwards would like to see an MOU between the developer and the District so that the District could use their golf course for irrigation. Wade Pannell said they have no problem with irrigation, but would like to have consideration for additional SFEs if the District would like more storage. The Board was not interested in increasing SFEs for the development. President Radick reiterated that the District would like the additional costs covered by the developer and doesn't believe the costs need to be covered by the District. *Edwards will run the information by legal counsel and will also quantify the costs. The petition should be ready for presentation at the next Board meeting. Director Fast would like the irrigation capabilities also explored before proceeding with annexation.* President Radick said the Board would try to handle the annexation request and not have to go to election. *The Board agreed that the developer must pay any costs associated with annexation. The irrigation will be considered, but there will be no additional SFEs involved. Edwards is to have the costs quantified and included in the approval with legal counsel preparing the necessary documentation.*

McBride Request to Keep COS 214 in the District:

Edwards reviewed the letter from Don McBride that requested that their property remain in the District. According to Edwards, the property is currently in the District and is also paying water and sewer taxes through the mill levy. Edwards explained that the McBride's are preparing to develop the property into a multi-family development, but the original facilities plan does not include allocated capacity. Edwards stated that the property should have an allocation for capacity and that it also should have been in the original facilities plan. Edwards noted that there is no action required on McBride's letter. However, Edwards would like the property assigned SFEs through the Westfork commitment.

LEGAL ISSUES

Hall Litigation: Edwards reported that Hall's attorney has submitted a counterproposal on how they will pay for the SFEs. Director Cronin stated that he is not open to any new negotiations and if he is not at a future board meeting where the issue is addressed, he will not support a change from what the District has already agreed to. All other Board members agreed that they don't believe the District and Board should be involved in settling the Kircher divorce settlement.

SEWER & WATER PERMITS

No sewer permits were presented for consideration.

GENERAL CORRESPONDENCE

Boyne Taxes: Edwards informed the Board that Boyne appealed their taxes for their Madison County property that was recently defined as individual lots for taxation purposes. The property had been previously recorded as one parcel and was classified as agriculture land.

Director Shropshire asked for clarification on the letter from the Legislative Audit Division and asked who has stated the loan amounts correctly--the state or the audit. *Smith will review the amounts and get back to Shropshire.*

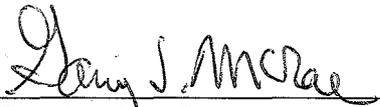
Meadow Village Signage: Edwards distributed a signage plan that the Meadow Village Center is proposing. The Board did not have any objections to the plan and *Edwards will send a letter that says the District approves of the sign.*

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, February 24, 2004, at 8:00 AM. Director Cronin stated that he will be gone until March 1, 2004.

ADJOURNMENT

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



Gary McRae, Secretary

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

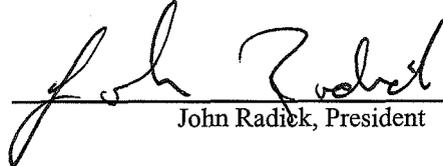
Acceptance of Monthly Financial Statements

Date 1/9/2004

The Board of Directors at its 1/15/2004 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	12/31/2003
Assets:	<u>\$ 39,552,306</u>
Liabilities	<u>\$ 17,656,891</u>
Equity	<u>\$ 21,895,415</u>

2 Income Statement as of	12/31/2003
Total Revenues	<u>\$ 1,588,801</u>
Total Expenses	<u>\$ (858,828)</u>
Net Revenues	<u><u>\$ 729,973</u></u>



John Radick, President