

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- December 14, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, December 14, 1999, in the BSOA Conference Room. President Jack Crowther, Vice-President Wendell Ingraham, and Secretary Dee Rothschiller and Directors Stewart Peacock (left at 8:30 am), Packy Cronin and Skip Radick were present. Director Bill Neece was not present.

Others present were WSD staff Ron Edwards, Bill Dutton, Grant Burroughs, Jim Muscat and Marlene Kennedy; Lone Peak Lookout writer Audrae Coury; MSE-HKM representative Ray Armstrong, Boyne representative Brian Wheeler, and legal counsel Maxon Davis.

President Crowther called for public comment at 7:45 am.

PUBLIC FORUM

Brian Wheeler, Boyne USA, requested that the Board review and reduce the \$28,000 for quarterly water and sewer assessments on 215 SFEs for the Summit Hotel as it will be completed in phases, with the first certificate of occupancy for only three floors. Edwards stated that the ordinance would need to be amended to allow for phasing in of fees on large projects that will be completed in phases. The District will have to follow the existing ordinance and quarterly water and sewer fees will be billed as is until the ordinance is amended. *The Board directed Edwards to work with legal counsel on a amendment to the ordinance for the January meeting.* Edwards also noted that the third and final payment of plant investment fees will come due when a certificate of occupancy is issued.

In regards to Edwards' lump sum payment proposal letter dated November 2, Wheeler discussed a modified buy down on Boyne's annual payment. The Board requested that Wheeler relay to Boyne that the Board is open to negotiating on the annual payment.

Wheeler noted that the snowmaking exhibit has been cleaned up and more acreage is now available for snowmaking. Section 33 is a potential area for snowmaking and could also be used for summer irrigation. Edwards noted that the additional acreage issue will be discussed today at a meeting with the District engineers.

Wheeler reported that the water "service" for the Andesite concession area is now considered by the state to be a service not an extension. As this property is outside District boundaries, *Edwards and legal counsel are drafting a water service agreement to enter into with Boyne that is similar to the agreement with Berlin.*

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

APPROVAL OF MINUTES

Director Peacock moved to approve the November 18, 1999, regular meeting minutes as corrected. Director Cronin seconded the motion. Motion carried, 6 yea votes to 0 no votes with President Crowther voting.

AMEND AGENDA

Director Ingraham moved to amend the agenda to address Item VIII, Board of Director County Appointments. Director Peacock seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Crowther voting.

BOARD OF DIRECTORS COUNTY APPOINTMENT

The Madison County Commissioners requested a recommendation from the District Board prior to the commissioners appointing one of the three applicants (Carroll Toepffer, Steve Berry or Dick Wiggins). The Board endorsed the appointment of Dick Wiggins. Edwards will write a letter to the commissioners. With Wiggins appointment, the appointment of Bill Neece will be finished.

Director Ingraham moved to have Edwards prepare a plaque to acknowledge and give recognition to Neece for his contribution to the District and to also present Neece with a dinner gift certificate for two. Director Rothschiller seconded the motion. Motion passed, 6 yeas votes to 0 no votes.

FINANCIAL REPORT

October Financial Reports: Dutton reviewed the October financial reports. Dutton got printouts of Gallatin County delinquent water and sewer user fees that are owed the District and will also get the same information from Madison County prior to the end of the year. Effective January 1, the District will change employee health insurance companies resulting in substantial savings to the District. The retainages for Williams Brothers and MSE-HKM was discussed and *Edwards will talk to Ray Armstrong about the retainages.* The cash performance table regarding the snowmaking was discussed, Edwards noted that the performance shows the District needing \$855,000 to fund the project. *The Board directed Edwards, Dutton and a Board member, if desired, to have dialogue with Boyne representatives, while they are here this month, regarding Boyne's annual payment.*

Director Rothschiller moved to accept the unaudited November financial reports. Director Radick seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Crowther voting.

OPERATOR REPORTS

Water System Operations:

Monthly Report--Muscat distributed his monthly report. The meadow flows are the lowest since accurate records have been kept. The mountain flows are high and Muscat recommended that leak detection and repair efforts be made in that area also. Muscat attended the last fire district meeting, providing an update of district water operation activities. Muscat will plan on attending future fire district meetings and provide a water operations report. *The Board would also like a district representative at resort tax meetings. Director Ingraham will work with Muscat on water operations public relations to educate both the resort tax and fire district boards with the hopes of receiving funds at the next resort tax allocation period for water improvements. Reports to the board will be made.*

Water System Transfers--Cascade: Muscat reported that they are very close and the District is ready to retest the system. When the wells have not been lying dormant the wells do not seem to have sulphur problems.

Aspen Groves: Edwards reported that Radick is working on the easements. Radick hopes to have the documents done in the next week.

Southfork Phase III: Muscat has not heard from Ken Hash as to completion of the punch list items. Cronin believes the items are done. Muscat will check the system again.

Sweetgrass Hills Generator: The power supply has been fixed and it is working fine.

If the generators at Blue Grouse and Meadow Village are run for two or three consecutive days in the winter, there is a risk the pipes will freeze. Muscat recommended installing insulation.

Water Main Services/Extensions--Andesite Mountain Water Line "service" was discussed earlier.

Sewer System Operations: Monthly Report--Burroughs projected the total flows for 1999 at 80.493 mg, with the work on the outfall line as the factor for improvement. Burroughs estimated the flows will put us at capacity the early part of October without irrigation. *The Board directed Edwards to publish a notice in the paper that the Board acknowledged at its December meeting the reduced flows were due to the work on the outfall line.*

South Fork III Sewer System Transfer: Status Report--Burroughs checked the development last week and the work on the man hole had not been done. Cronin reported that he believes the work was done last week. Burroughs will check on the man hole again.

SBR Treatment Plant Tours--Edwards and Burroughs reported on the plant tours they made to Pennsylvania last week. They were accompanied by a State representative and Ray Armstrong, MSE-HKM. According to Edwards, an SBR plant will work well for what the District is doing and the State representative's opinion seemed positive.

AMEND AGENDA

Director Ingraham moved to amend the agenda to address Item VI. Legal Issues.

Director Rothschiller seconded the motion. Motion passed, 5 yea votes to 0 no votes.

LEGAL ISSUES

Cronin Litigation: Edwards and Maxon Davis, legal counsel, briefly reviewed the history of the Cronin lawsuits. Rick Kerin's deposition, taken on October 26, 1999, was provided in the board packet. Edwards deposition is scheduled for December 15. Davis is a little bit at a loss as to why this lawsuit has continued and has heard that Cronin may expand the complaint or file a new suit. Director Ingraham stated that the Board does not want legal counsel making decisions that solely benefit the insurance company. According to Davis,

the insurance company has an obligation to represent the District and he has been hired by the insurance company to do so. The plaintiffs' letter of November 12, 1999, offering to settle Cause No. DV-97-366 was reviewed.

Director Ingraham moved to not accept Cronin's settlement offer as stated in the letter dated November 12, 1999, from Tiffany Lonnevik and based on the recommendation from Davis. Director Rothschiller seconded the motion. Motion passed, 4 yeas votes to 0 no votes. Director Packy Cronin abstained from voting.

Davis reported that all Board members are listed on the witness list. Director Ingraham noted that the insurance coverage is limited to 5 million. Davis said they will propose to consolidate the two cases into one and proceed.

Edwards noted that the lawsuit brought by Cronin against the public service commission opposing the transfer to Lone Mountain Springs still exists.

Discharge Permit Litigation: Edwards received the State's answer to the interrogatory and distributed it to the Board.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Snowmaking Project Status Report: Ray Armstrong, MSE-HKM, provided a status report. The plans and specs were submitted to the State on November 23 and the State is allowed 60 days for review. A deviation request on backup power was requested. If that is not granted, then there would be some added costs. Another deviation request for a skimmer was submitted. However, after the SBR plant tours in Pennsylvania, Armstrong now recommends that the skimmer be included and to drop that deviation request. MSE-HKM still has some work on architectural and electrical areas of the plans and specs. After discussing several options on how to deal with conflicts during construction, the Board directed Armstrong to have the contract written to settle disputes through binding arbitration. The bid spec format was discussed. Bid schedule 1 would be all of the buildings and all the snowmaking would be another bid schedule. The Board suggested initiating dialogue with Boyne to get additional acreage for additional storage, possibly eliminating the need for a discharge permit. *Armstrong will work on a number analysis factoring in the I & I work done on the outfall line and Edwards will take that information to Boyne with a proposal after the 1st of the year.* The concept of seepage cell was discussed as an alternative to discharge for the meadow area. Edwards still considers an emergency discharge necessary.

Advanced Treatment Plant Site Work: Armstrong reported that the drilling has been completed and groundwater doesn't appear to be a problem. The geotech report should be ready by the first part of January. Edwards reviewed the plans for an oxidation ditch originally designed for the meadow, and recommended that the District go with an SBR in the meadow too. This would alleviate having two different systems. According to Armstrong, changing to an SBR system in the meadow should not be a problem with the State.

SEWER & WATER PERMITS

Status Report: Edwards reported that there are 56.67 SFEs left for permitting. *Edwards is to work on a resolution to present to the Board at the January meeting to release possibly an additional 400 SFEs.*

OLD BUSINESS

Office Building Project: The office building is progressing on schedule. The big issue is the sprinkler fire suppression system. A sprinkler system designer has designed a system that would satisfy Bob Stober's requirements, it includes attic and basement sprinklers. At this point, the District approved sprinkling only the main floor space and that will be done for around \$5,0000, the amount approved by the Board at a prior meeting.

Water Facilities Plan: Edwards has amended the scope and Allied has amended their cost estimate for the project to be done with the \$20,000 as approved prior. A preliminary report should be done by the end of January. Edwards discussed cost sharing on water improvement costs by all entities. *Edwards will work with the Fire District.*

Y2K Planning: Dutton previously mentioned he received hard copy from Gallatin County and the same will be done with Madison County. Edwards noted the computer upgrades done and that District computers will be shut down on New Year's Eve. If power goes out the generators are on line. The tanks will be filled. All critical vendors have reported positively.

Old Computers: The CPUs and keyboards will be sold after the first of the year through individual sealed bids advertised in the paper.

NEW BUSINESS

New Developments--Pioneer Mountain Water Service Request: Pioneer Mountain requested to tie into the mountain water system. The December 3 letter of request provided a surplus analysis but it did not address SFE projections and other items typically in a complete proposal. *Edwards is to write Pioneer Mountain that the Board will not take action unless a complete proposal is presented.*

Kircher: Edwards verified that the property is in the District. He has not heard anything on the booster pump since he sent a letter on November 2.

EXECUTIVE SESSION

Director Ingraham moved to close the regular session. Director Cronin seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Crowther voting.

Director Rothschiller moved to go into executive session to discuss employee performance evaluations and employment compensation. Director Cronin seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Crowther voting.

Director Radick moved to go back into regular session. Director Rothschiller seconded motion. Motion passed, 4 yea votes to 0 no votes without President Crowther voting.

Director Rothschiller moved to raise Grant Burrough's salary 3% retroactive to his anniversary dates and will consider additional compensation after the board reviews a written performance evaluation and job description. Director Radick seconded the motion.

Director Cronin moved to raise Bill Dutton's salary 3% retroactive to his anniversary date and will consider additional compensation after the board reviews a written performance evaluation and job description. Director Radick seconded the motion.

Director Ingraham moved to give Mark Barajas a \$1,000 increase for passing his wastewater operator certification. Director Radick seconded the motion.

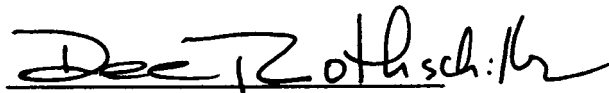
All motions passed, 4 yea votes to 0 no votes without President Crowther voting.

NEXT MEETING

The next board meeting is tentatively scheduled for Tuesday, January 18, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Ingraham moved to adjourn the meeting at 11:45 am.

A handwritten signature in black ink, appearing to read "Dee Rothschiller", with a stylized flourish at the end.

Dee Rothschiller, Secretary

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

Acceptance of Monthly Financial Statements

Date 12/14/99

The Board of Directors at its 12/14/99 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

Statement of Condition as of	11/30/99
Assets:	<u>\$ 18,086,005</u>
Liabilities	<u>\$ 9,107,484</u>
Equity	<u>\$ 8,978,521</u>

2 Income Statement as of	11/30/99
Total Revenues	<u>\$ 136,445</u>
Total Expenses	<u>\$ 95,377</u>
Net Revenues	<u>\$ 41,068</u>



Jack Crowther, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- November 18, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Thursday, November 18, 1999, in the BSOA Conference Room. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Stewart Peacock, Packy Cronin and Jack Crowther were present. Directors Skip Radick and Bill Neece were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, and Marlene Kennedy; Lone Peak Lookout writer Audrae Coury; Fire District representative Dick Wambsgan and Lone Mountain Ranch representative Enion Williams.

With no public comment, President Ingraham called the meeting to order at 8:00 am.

APPROVAL OF MINUTES

Director Rothschiller moved to approve the October 19, 1999, regular meeting minutes as written. Director Crowther seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

FINANCIAL REPORT

October Financial Reports: Dutton reviewed the financial reports. The District is within the guidelines of the budget. To avoid any potential Y2K problems with Gallatin County records, *Dutton will request a hard copy of the delinquent accounts on the tax rolls.* The new computers are in, the old computers will be sold and the lease will be paid off. *Dutton is to monitor the Summit occupancy date and make sure that Boyne makes their last payment when they get their certificate of occupancy.* When the Cascade extensions are accepted for water, the lots will go on the billing system. Dutton noted that Montana Power changed their billing and it is no longer broken down by service. Dutton will try to get the billing information itemized. *Telemetry is a major expense, and the Board requested that Dutton look into different financing for next year's budget.* Edwards sent a proposal letter to Boyne for a lump sum payment of their annual payment. Dutton is working with the banks to get the best rate for District accounts.

Director Cronin moved to accept the unaudited October financial reports. Director Peacock seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

Final Audit Report: The final FY 1998-1999 audit was provided in the board packet.

Director Peacock moved to accept the final audit report for FY 98-99. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

New Bank Accounts: Dutton requested Board action to open three new accounts and to close one account.

Director Crowther moved to accept Dutton's recommendation to open the three new bank accounts and to close one account as presented. Director Peacock seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Ingraham voting.

Accounting Procedures: Per the auditors recommendation, Dutton prepared and reviewed a first draft of his basic accounting procedures. Dutton will also send the outline to Marjorie Knaub for review and comment.

OPERATOR REPORTS

Sewer System Operations:

Monthly Report--Burroughs presented the year to date flow comparisons. The District is approximately 20 million gallons behind 1998 flow totals. The Board discussed the scenario of a dry year and the low flows and not having enough treated effluent for the golf course. Burroughs suggested skier counts as a means for estimating mountain village flows. Burroughs recommended that routine cleaning be done to avoid equipment malfunctions.

South Fork III Sewer System Transfer: Status Report--Burroughs reported that all work is done except for raising one manhole rim. Cronin reported that the part is on order. Edwards will work on the transfer documents with Cronin, posting additional bond if this work has not been done.

Landscaping: The area by the hydrant on Two Moons Road, next to Hanson's, will be reseeded as recommended by Director Cronin.

Edwards sent a letter to Doug Starz memorializing what trees need to be replaced next spring along the highway.

Water System Operations:

Dick Wambsgans asked that someone from the District attend the next fire district meeting to address the issue of fire storage to update the fire district on what the WSD is doing.

Monthly Report--A copy of the well production report was provided in the board packet. Due to leak reduction work, the usage has dropped about 50,000 gallons per day. Muscat noted that the annual well production reports have been filed with the state DNRC. A letter from a Hidden Village resident was briefly discussed. Muscat noted that some HV buildings either do not have curb stops or they can not be located due to paving or landscaping. For those buildings the water must be shut off on main line valves to allow for installation of unit shut off valves.

Water System Transfers--Cascade: Edwards will put a notice in the paper that the District will try the new mountain water system again.

Aspen Groves: The District is waiting to hear from the engineers if all punch listed work is done.

Andesite Water Service: Edwards is making it clear to the state, Boyne and the engineers that the Andesite water line is a service and not a main. *Edwards is to prepare a water service agreement for the water line as the concession building actually lies outside of the District boundary.* Edwards noted that he originally thought the Andesite concession building service was within the District boundary, but recent GIS digital images show that it is just outside of the boundary.

President Ingraham suggested that any buildings that are serviced which are outside the District should pay some sort of charge for the service, with the charge being substantial if they are not contributing water supply or storage to add to the capacity of the system. He used the cost of drilling a well as an example of a development cost if not connecting to the water system. *Edwards will work on amending the ordinance for this charge.*

Kircher's House: Edwards reviewed a letter regarding a request to install a new booster pump for the water line to the Kircher residence. Edwards could not find an recorded easement for the line so he subsequently wrote recommending that Lone Mountain Ranch be contacted for an easement. Edwards has asked to see the booster plans, and will also confirm that the house is within the District.

AMEND AGENDA

Director Crowther moved to amend the agenda to address Items VI. A. & B. under legal issues. Director Cronin seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

LEGAL ISSUES

BSOA Access Easement: Edwards updated the board on this issue as follows. BSOA has agreed to a gated access and that is what was approved by their membership. Gallatin County attorney, Susan Swimley is against gated accesses. Edwards discussed this matter with County Commissioner Murdock who suggested that the District meet with each commissioner to explain the issues. *President Ingraham directed Edwards to meet with each commissioner and explain the situation and to try to get the commissioners to agree conceptually to the gated access. Edwards will also talk to Bill Simkins to get the PUD moved ahead of schedule.*

Discharge Permit Litigation: Via conference telephone call, Mona Jamison and Mike Wheat discussed the discharge permit litigation with the Board. Wheat will be asking for a 30-day extension to respond to plaintiff's discovery request. Wheat, Jamison and Edwards will work on the response. After filing a response, Wheat recommended that the District wait and see what the plaintiffs are going to do. Wheat doesn't think there is any need to push it along at this point. Jamison discussed the recent supreme court ruling concerning the Seven Up Pete Mine and its potential implications on this law suit. She also discussed the decisions' impact on section 75-303, MCA. President Ingraham asked why the District shouldn't go ahead with the section 75-303 review now. Wheat feels the suit is going to be amended and the review may be fashioned through the courts. Jamison urged the board to

give Edwards, Wheat and her a little time to analyze this issue and make a recommendation to the Board. Edwards proposed talking with Dan Fraser who appeared as an expert witness in the supreme court case and has some familiarity with Big Sky to have him look at the facilities plan and evaluate the steps and costs to do a section 75-303 non-degradation review. Mona recommended that also Fraser look at the discharge permit as a part of his review. *Jamison will contact Fraser to find out if he could do this review.* The Board would eventually like to follow through with a 303 review to satisfy many of the concerns that have been raised over the discharge permit and its impact on the Gallatin River. *The Board would like action within 60 days and Edwards is to follow up with Ray Armstrong, Dan Fraser and legal counsel and report to the Board at a future meeting.*

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Snowmaking: MSE-HKM will be submitting their snowmaking plans and specifications to the state DEQ this week. *Edwards will invite the engineers to the next board meeting to provide an update.*

Advanced Treatment Plant: Edwards noted a letter in the packet which discusses the geotechnical work to be done in section 31 for the ATP.

SRF funding: A letter from Anna Miller, DNR was received that outlines the steps needed to draw the remaining \$1,207,000 from the original 7.14 million dollar general obligation bond.

AMEND AGENDA

President Ingraham moved to amend the agenda to address item X. C., Election of Officers. Director Cronin seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

Director Rothschiller moved to nominate Jack Crowther to be President and Wendell Ingraham to be Vice-President. Director Cronin seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

Director Ingraham moved to re-elect Dee Rothschiller as Secretary. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes.

The three re-elected board members each signed an oath of office form. New officers will assume their positions at the December meeting.

LEGAL ISSUES (continued)

Cronin Litigation: Edwards updated the board on the Cronin litigation. Edwards' deposition will be taken the week of December 13. Edwards requested Board action as a response to Cronin's settlement proposal.

Director Crowther moved to not accept the Cronin settlement proposal. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes.

SEWER & WATER PERMITS

Status Report: Edwards approved two permits since the last meeting. *Edwards will prepare a resolution to release additional SFEs for the next construction season.*

NEW DEVELOPMENTS--SEWER & WATER EXTENSIONS

Bear Back 2 Lot Minor Subdivision, Mountain Village: This property is near the employee housing by the Big Horn Condominiums. Edwards doesn't believe this is in the Table 3.1 for SFE commitments so Boyne may have to reallocate SFEs for this property as a condition of approval.

OLD BUSINESS

Cascade: Gaston wrote to the District as notice that three Cascade property owners elected to have their service put into their lot prior to paving.

Board Election Results & County Appointments: Edwards reported that Ingraham, Rothschiller and Peacock were re-elected. Radick was reappointed by Gallatin County. Edwards reviewed John Brown's letter regarding the appointment process. Attorney Brown concluded that the statutes require the appointments and the District has no involvement in it. Madison County will be advertising for their appointment next week. The Board would like a property owner from Madison County. *The Board directed Edwards to contact Bill Olsen to see if he would be interested in applying for the position. Director Peacock will talk to Dick Wiggins to see if he would be interested in the position or know of someone who is.*

Office Building Project: The project is moving along nicely with the building now enclosed and the water and sewer lines installed. In regards to the sprinkler system for fire suppression, Edwards updated the Board on what the requirements are from the fire district. The unsigned policy document states that all commercial property must be sprinkled. The state building permit and county land use permit were approved without a sprinkler system as a permit condition. Bob Stober has since given us a copy of his fire district land use permit sign-off that was sent to Gallatin County--it notes that a sprinkler system is required because the building is "commercial". The Board wants a letter from Gallatin County stating that a sprinkler system should have been a requirement on their permit. In addition, they want a signed copy of the fire district's policy.

Director Rothschiller moved to allow the district manager to spend up to \$5,000 for a fire suppression sprinkler system as long as the District receives a letter from the county and the fire district's signed policy per earlier discussion. Director Crowther seconded the motion. Motion passed, 4 yea votes to 0 no votes.

Santec Operating Agreement--Lone Moose Meadows: Edwards updated the Board on the agreement, noting a letter from an attorney in the board packet.

Water Rights Application: Final engineering correspondence has been sent to DNRC. The last step will include a public hearing.

EDM Water Quality Monitoring Plan: Edwards reported that he sent the monitoring plan to DEQ for their review and comments. He hopes to have their response by the December meeting.

Water Facilities Plan: Edwards revised the scope of work for the water facility plan. Allied Engineering also revised their estimate to not exceed \$23,475.00 to finish the facility plan. Edwards noted that the District budgeted \$20,000 from its projected 1998/99 carry over for this project.

Director Crowther moved to approve Allied's proposal up to \$20,000. Director Peacock seconded the motion. Motion passed, 4 yea votes to 0 no votes.

BSOA Irrigation Agreement: The agreement has been sent to BSOA legal counsel, Bob Planalp. The District has not received a response.

NEW BUSINESS

General Correspondence: No correspondence was discussed.

Boyne Payment Proposal: The District has not received a response to the letter proposal sent to Boyne for a discounted lump sum settlement payment.

Christmas Party: The Board suggested the First Place on December 14. The staff will check with board members, staff and the First Place.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, December 14, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 11:25 am. Director Peacock seconded the motion. Motion passed, 4 yea votes to 0 no votes.



Dee Rothschiller, Secretary

11/18/99

Board Approved New, Closed and Re-Opened Bank Accounts

Bank	Bank Acct #	Acct Name	Amount	Acct Type	Int Rate	Maturity	GL Acct No.
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CD RENEWALS

American Bank	631000097	Big Sky Water & Sewer	100,000.00	CD	6.15%	10/20/00	1415
American Bank	631000100	Big Sky Water & Sewer	57,875.00	CD	5.61%	10/20/00	1416
1st Security-West Yellowstone	13718	Big Sky Water & Sewer	100,000.00	CD	5.35%	10/20/00	1433

CLOSED BANK ACCOUNTS

	331000733	Big Sky Water & Sewer	157,875.00	CD	5.25%	10/21/99	1413
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RE-OPENED BANK ACCOUNTS

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


Acceptance of Monthly Financial Statements

Date 11/18/1999

The Board of Directors at its 11/18/1999 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

Statement of Condition as of	10/31/99
Assets:	<u>\$ 18,105,194</u>
Liabilities	<u>\$ 9,182,684</u>
Equity	<u>\$ 8,922,510</u>

2 Income Statement as of	10/31/99
Total Revenues	<u>\$ 128,286</u>
Total Expenses	<u>\$ 121,021</u>
Net Revenues	<u>\$ 7,265</u>


Wendell Ingraham, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- Tuesday, October 19, 1999, 7:30 am
BSOA Office

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, October 19, 1999, in the BSOA Office. President Wendell Ingraham and Secretary Dee Rothschiller, and Directors Stewart Peacock (left at 8:25 am) and Packy Cronin (arrived at 7:50) were present. Directors Bill Neece, Jack Crowther and Skip Radick were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, and Marlene Kennedy; auditor Marjorie Knaub; and two members of the general public LeeAnn Orr and Jamison Hill.

PUBLIC FORUM

President Ingraham called for public comment at 7:45 am. LeeAnn Orr and Jamison Hill requested a compromise on their water and sewer bills, asking that the Board waive the bills for their unit in the Gallatin Building in Westfork Meadows as they are trying to sell the unit and they are not living there and no water and sewer are being used. President Ingraham explained that many people are in their exact circumstances, and that the Board is sympathetic to their situation. The Board is committed to metering, with a proposed implementation date of December 2001, and that should alleviate the situation to some extent. However, there are fixed costs to run the sewer and water operations and the District cannot waive fees without amending the ordinance through a public hearing. Jamison and Hill asked if they signed something in the beginning that tied them into the fees. Edwards explained the District's permitting process and how SFEs are calculated for each project. Dutton explained the billing process and penalty fees for non payment of accounts.

With no further public comment, President Ingraham called the meeting to order at 7:55 am.

AMEND AGENDA

Director Peacock moved to amend the agenda to address Item III. B., Final Audit Report. Director Cronin seconded the motion. Motion passed, 4 yea votes to 0 no votes.

Final Audit Report: Marjorie Knaub, Knaub & Co., summarized the draft final audit report for FY 1998-1999, noting that it was a clean audit with past reportable conditions met. A major problem from last year was that there were a lot of adjustments that were not posted properly. The posting has been cleaned up and next year it should go much smoother. The \$250,000 from Boyne was not booked as a receivable and that adjustment has been made. The District can add footnotes if they so desire as this is only a draft. Edwards requested that a couple of terms be changed to clarify a couple of statements. Insurance coverage will be more specifically stated and a footnote about self insurance will be added. On pledged securities, Dutton is to get the banks' ratings with Standards and Poors. The last section on page 21 is to be deleted. The District does not have an accounting manual and Knaub recommended the District document the financial officer's procedures. Knaub requested that the Board read through the audit and make any comments to her by Friday. Edwards will work with Knaub on the revisions. The Board will review the final report at

the November meeting. Knaub contacted the Dept. of Commerce and they are in agreement with the filing of the report at the end of the week, however, Knaub will have to get another filing extension for after the November board meeting.

APPROVAL OF MINUTES

Director Rothschiller moved to approve the September 23, 1999, regular meeting minutes as written. Director Cronin seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Ingraham voting.

FINANCIAL REPORT

August and September Financial Reports: Bill Dutton reviewed the financial reports. A couple of CDs are coming due and Dutton will check into rates and reinvest. The Southfork bond will be returned to Cronin as that project is complete. We are basically doing fine with the budget, slightly under on expenses and slightly over on revenue.

Director Cronin moved to accept the August monthly financial reports as presented. Director Peacock seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Ingraham voting.

Cash Budget Projections: Dutton reviewed the cash budget projections. Cash wise, the District should be fine going into next year as the snowmaking has been delayed until Spring. *Dutton is to pull in the receivable as noted by Knaub. Edwards will get a legal opinion on using the Boyne unsecured monies for snowmaking. President Ingraham asked that dialogue begin with Boyne on a lump sum payment. Edwards and Dutton are to work with a third party on a fair rate. Edwards will write a letter to Boyne for an initial proposal, subject to Board approval. Dutton will write to American Bank and Big Sky Western Bank for rates. Ingraham asked that Dutton get the banks' financials reports, too.*

Building Loan Proposals: Dutton distributed the summarized loan proposals from American Bank and Big Sky Western Bank. *Dutton is to lock the District in to a 6% loan.*

Director Rothschiller moved to accept American Bank's loan proposal. Director Peacock seconded the motion. Motion passed, 4 yea votes to 0 no votes. Edwards noted that the treatment plant land will be subdivided and then used as collateral.

Generator: Dutton presented the paper work for the Intercap loan for the generator.

Director Rothschiller moved to adopt the Emergency Generator Intercap Loan Resolution 99-01. Director Cronin seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Ingraham voting.

OPERATIONS

Sewer System Operations:

Monthly Report--Edwards reviewed the flow reports, noting we look good for September and there is enough capacity to get to next July 25 without irrigation. The irrigation system will be blown out this week. The outfall project is being closed out. Edwards has not

heard from Boyne on whether improvements are needed on the access road. *Edwards will send a letter to Boyne letting them know that the projects is being closed. Edwards is to talk with Jim Schwalbe to get the embankment seeded.*

Status Report: South Fork Phase III Sewer System--Director Cronin asked that acceptance of the system be conditional on fixing the manhole #1. Edwards would like both the water and sewer system accepted at the same time.

Water System Operations:

Monthly Report--Edwards distributed the production report. The meter reads for the Mountain need to be kept current. The consumer confidence reports were sent out in a mailing with the election information and a copy was included the board packets.

Water System Transfers Status Report--Cascade, Aspen Groves & South Fork III Cascade--Muscat and Edwards met with Lee Evans last week. To prevent the PRV valves from freezing like last year, they have been corbonded and insulated. The new Cascade system was put on line last week using the water from the new deep wells, the pressures in the area jumped 20 pounds. However, that evening the District received calls that the water smelled like sulphur. The system was shut down and the District went back to the old system. We believe the problem is with one well, so we are trying to flush the wells by overflowing the tank, and the wells are being sampled. The District will want the problem corrected prior to accepting the system, possibly requiring that a new well be drilled. The question of the sulphur situation reoccurring if production slows down must be answered prior to acceptance of the system. *As advised by the Board, for liability reasons, Boyne's engineers must be supervising all the testing on the new Cascade system.*

Aspen Groves--Edwards reported that there are still some clean up and easement issues, with the developer responsible for that work.

Southfork III--Edwards reported that a few punch list items need to be done. Per Director Cronin, Terry Threlkeld will drop off the as builts today. Cronin would like the transfer done as soon as Muscat and Burroughs sign off on their punch list items. Edwards will try to get the transfer wrapped up next week.

President Ingraham asked that audits be done on each development prior to acceptance.

Road Repairs--Edwards is to contact Rich Allison, JTL, for an estimate on the asphalt repairs needed. Director Rothschiller asked that the area on Two Moons Road by Papes be included in the repair work. The Board does not want the work delayed until Spring.

INTERIM ACTION WORK PLAN

SRF Completion Certificates: Edwards presented the close out documents to President Ingraham and Secretary Rothschiller for signing.

LONG TERM COMPLIANCE WORK PLAN

Snowmaking Project Status Report: Edwards distributed a status report prepared by MSE-HKM. The design from Delta is basically done and MSE-HKM still needs to complete their review.

Advanced Treatment Plant Site Work: Edwards recommended that MSE-HKM be allowed to do the geotechnical evaluation work.

Director Cronin moved to approve spending up to \$16,500 for the geotechnical evaluation work noted in Section 31. Director Rothschilder seconded the motion. Motion passed, 4 yea votes to 0 no votes with Director Peacock participating via speaker phone.

LEGAL ISSUES

BSOA Access Easement: Edwards updated the Board on the easement issue. County Attorney Susan Swimley is against the gated emergency access. The letter from Brian Gallik made it sound like Gallatin County will not agree to the gate. *Edwards will contact Commissioner Murdock and discuss the issue.*

The road repair expense is an issue in the agreement. *The Board recommended Edwards come up with a prorated system based on a master plan that is fair for both parties.* The Board wants it kept simple, with the District paying 100% initially as the District will be the only one using it and then establishing a threshold of building before the payment formula changes. The Board wants this issue resolved and they will meet with Bill Simkins if he desires.

Discharge Permit Litigation: The deadline to respond to the interrogatories is October 29.

Cronin Litigation: Copies of correspondence regarding a deposition from Kerin on the rate study were provided in the Board packet.

Hidden Village: The correspondence relating to Hidden Village has been given to the attorneys as requested.

SEWER/WATER PERMITS

One sewer connection permit application was approved by Edwards since the last meeting. The application was approved as follows:

Middleton, Meadow Village Subdivision, Lot 41, Block 4. Remodeling Fee: \$50.
SFEs: 1. Middleton submitted his application prior to the PIC fees being changed.

WEST BERLIN AGREEMENT

Bob Berlin has signed the agreement for the District to provide 15.53 water SFEs. Berlin has to get the sanitary restrictions lifted on the property. Director Cronin would like the District to build a case for prescriptive easement if Berlin ends up not buying the property.

NEW DEVELOPMENTS

Boyne 2 Lot Minor Subdivision: In regards to the letter from Gaston Engineering requesting water and sewer service for a proposed Boyne 2-lot minor subdivision, Edwards recommended not approving the request at this time until the sulphur issue with the two new wells is resolved.

OLD BUSINESS

Board Elections: A copy of the newsletter was in the board packet. The mail ballot election has been a bit of a problem for people registered to vote outside the Ophir District. Next time around, the newsletter needs to get out earlier.

Office Building Project: The project is underway and going well. The water line needs to be cut in. The north entrance now has a gabled entry to deal with water runoff.

BSOA Irrigation Agreement: BSOA has the agreement and their counsel has made some revisions. *Edwards will contact Wheat to see if the agreement has been finalized.*

Santec Operating Agreement: *Edwards will find out the legal contact for Lone Moose and send them the agreement.* All legal costs to prepare the document will be billed to Lone Moose.

Water Facilities Plan: Edwards reworked the original scope of the work started by Neil Consulting. The revised scope information has been e-mailed to Allied Engineering for a cost estimate. Edwards would like to get the cost to around \$10,000-\$15,000 and enter into an agreement with Allied. *Once the final figure is received, Edwards will contact Board members for approval.* Edwards would like the water study data to put together a submittal for resort tax next year.

NEW BUSINESS

General Correspondence: Edwards received a Y2K letter from US Filter that essentially said there should not be any problem.

EDM Water Quality Monitoring Plan: A copy of the final report prepared by EDM on the District's water quality monitoring plan was included in the board packet. *Edwards will send the report on to DEQ and, if it is approved, it will become the District's water monitoring plan.*

Corridor Landscaping: Doug Starz has already replaced a few trees and will replace a few other trees in the spring. *Edwards will have Barajas cut down the dead trees. Edwards is to write a letter to Starz, noting the work to be done in the Spring.*

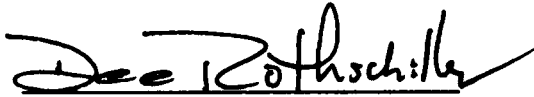
Board Member Appointments: Edwards distributed a legal opinion from John Brown on appointment of Board Members by Gallatin County Commissioners.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, November 16, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 10:15 am.

A handwritten signature in black ink, appearing to read "Dee Rothschiller", with a checkmark at the end.

Dee Rothschiller, Secretary

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

Acceptance of Monthly Financial Statements

Date 10/19/1999

The Board of Directors at its 10/19/1999 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

Statement of Condition as of	9/30/99
Assets:	<u>\$ 18,002,308</u>
Liabilities	<u>\$ 9,088,283</u>
Equity	<u>\$ 8,914,026</u>

2 Income Statement as of	9/30/99
Total Revenues	<u>\$ 179,941</u>
Total Expenses	<u>\$ 100,554</u>
Net Revenues	<u>\$ 79,387</u>

Wendell Ingraham
Wendell Ingraham, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting Thursday, September 23, 1999, 7:30 am
WSD Office

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Thursday, September, 1999, in the WSD Office. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Stewart Peacock (left at 8:35 am), Skip Radick, and Packy Cronin were present. Directors Bill Neece and Jack Crowther were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, and Marlene Kennedy; Lone Peak Lookout writer Audrea Coury; Westland representative Bill Simkins; and Fire District representative Dick Wambsgan.

PUBLIC FORUM

President Ingraham called for public comment at 7:42 am. With no public comment, President Ingraham called the meeting to order at 7:42 am.

APPROVAL OF MINUTES

Director Peacock moved to approve the August 17, 1999, regular meeting minutes as written. Director Rothschiller seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

FINANCIAL REPORT

June, July & August Financial Reports: Bill Dutton reviewed the financial reports. The Board requested that Dutton revise the budget report to correct an error in the "percent of budget" and send it to Board members after the meeting. Final approval of the financials was deferred until the corrected report can be reviewed.

Cash Budget Projections: Dutton reviewed the cash budget projections. Edwards noted that MSE-HKM has revised their cost projections for the snowmaking project so the cash projection needs to be revised to account for their revised estimate.

Preliminary Audit Report: Edwards handed out copies of the preliminary audit report. Marjorie Knaub is planning to attend the October meeting to present the final report to the Board.

AMEND AGENDA

Director Peacock moved to amend the agenda to address Item IX. B., Office Building Project. Director Radick seconded the motion. Motion passed, 5 yea votes to 0 no votes.

OLD BUSINESS

Office Building Project: Edwards reviewed the two office building bids: Biggerstaff Construction at \$376,535, and Rotherham Cooper at \$395,168. Edwards also handed out and reviewed a letter he received from Bob Biggerstaff. Edwards reviewed the procedure for Notice of Award and Notice to Proceed. Director Cronin directed Edwards to contact Biggerstaff Construction to clarify who will be responsible for hauling either fill or excess material. Fire suppression was discussed. Edwards informed the Board that the District had not received any correspondence from the Fire District nor was there any requirement

for a fire suppression system noted in the county or state building permit. President Ingraham recognized Dick Wambsgan who said that he thought that a fire sprinkler system would be required and that he would have Chief Stober contact the District. Edwards noted that Biggerstaff's bid did not include any provision for a fire sprinkler system.

Director Radick moved to accept the bid from Biggerstaff Construction in the amount of \$376,535. Director Rothschiller seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting. Directors Neece and Crowther were not present.

AMEND AGENDA

Director Rothschiller moved to amend the agenda to address Item V. B., Water System Operations. Director Radick seconded the motion. Motion passed, 4 yea votes to 0 no votes. Director Stewart was not present for this vote.

OPERATIONS

Water System Operations:

Monthly Report--Edwards noted that two generators are now on line, one at Spotted Elk and the other at Sweetgrass Hills. *President Ingraham requested that Fire District representative Dick Wambsgan have his board send a letter to the Water & Sewer District giving an indication if there are any other issues that are important to them that the District should be planning to address.* Muscat faxes his monthly report to the Fire District with the most recent report including information that the Spotted Elk generator is on line. *Muscat will send the Fire District another update which includes information on the Sweetgrass generator.* Dick Wambsgan said their board gets a copy of Muscat's report at their board meetings. Muscat reported that flows have dropped a little, but the true test will be when irrigation ends. Muscat plans to work on the mountain water system next year. Dick Wambsgan reported that the drainage problem in Westfork, near Allgoods, is fixed as they have installed a culvert to divert the water.

Westfork Water Tank Telemetry--Muscat reported that the Westfork telemetry is now on line.

Cascade & Aspen Groves Water System Transfers: Status Report--

Cascade: Edwards reported that the meter is faulty at the booster station and it needs to work before the telemetry will work. The District will check the valves after paving. A sample of letters sent to property owners by Gaston was provided in the board packet. The last Edwards heard, no lot owners took advantage of putting in their service prior to paving.

Aspen Groves: The meter damaged in last year's freeze up is on order for replacement as specified by Muscat and it will be compatible with the District's telemetry system. Radick reported that they will be ready for a walk through after the meter is replaced. Per Radick, the easements are to be handled by Fluidyne. *President Ingraham requested that the staff audit the system and individual homes being served prior to accepting the system. He also wants a report to the board saying staff have done the audit review and they are satisfied with accepting the system and that the billing is correct.*

Water Service:

Andesite Water Extension--The Board directed Edwards to check to make sure that the service is within the District and to find out what kind of service is wanted, i.e. how many SFEs. If outside the District, the Board will want to review the proposal and make a determination to enter into a contract to sell Boyne water, following the same agreement that we have with Berlin. Edwards believes it may be south of the District boundary.

Letters to Reichstetter and Langston--The Board felt that the individuals should have been backbilled for water service and also felt that the Board should have discussed this prior to the letters being sent out. Edwards explained that he made the determination to not back bill because of the lack of an ordinance allowing backbilling and he also followed past practice of Lone Mountain Springs. The new water ordinance allows backbilling for one year.

SEWER/WATER PERMITS

Status Report: One sewer connection permit application was approved by Edwards since the last meeting. The application was approved as follows:

Mindt, Cascade Subdivision, Blk 1, Lot 10, SFES: 1.8, Fees: \$750

President Ingraham noted that Mindt is also building a house in upper Cascade and asked if he also had a permit for that house. *Muscat will find out which lot and block they are also building on and then staff will check on permit status.*

MSE-HKM SFE Capacity Analysis:

Edwards will keep adding to the chart provided in the board packet. The Board discussed the SFE letter from MSE-HKM. Edwards would like to see a couple more years of data before releasing the total additional SFEs and recommended that the District release only 200 SFEs next spring. If the data is good, the Board would like to release an additional 500 SFEs to avoid a rush demand on the remaining SFEs as has happened in the past.

OPERATOR REPORTS

Sewer System Operations:

Monthly Report--Edwards reviewed the flow data prepared by Grant Burroughs. We are now irrigating with fresh water and around the second week of October we will drain the treatment pond water.

Outfall Line Replacement Project--Edwards reported that the final walk through looks good. The upper section of road may need some work, and Boyne will let us know if they feel any sections need additional work. There is about \$20,000 left from the hydroseeding budget and Edwards recommended hand seeding as two prior projects done with hydroseeding were not successful. Edwards thanked Audrea Coury for publishing the story on the outfall line in the Lone Peak Lookout. Edwards asked that Coury check with the Bozeman Daily Chronicle to see if they could run the story in their paper too. *Director Cronin directed Edwards to contact Schwalbe for native seed and then have the outfall line hand seeded.* Edwards noted the letter from Allied Engineering commending VanDyke on their work on the outfall line.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Snowmaking--The state is working with MSE-HKM on the deviations requested. Edwards distributed a cost estimate letter from MSE-HKM that was received last week. The estimate is now over 4 million, which is up substantially. The increase is mostly due to dealing with aesthetics. One way to get more cash would be to have Boyne make a lump sum payment on their annual payment and then we would not have to go to bond. The road work to get to the site will be done this fall coming in from the existing Lone Moose Meadows road. Edwards suggested pursuing road work being done with Lone Moose Meadows since they already have the equipment.

BSOA Access Easement--Edwards believes there is a hold on signing it until there is a boundary realignment or quick claim deed is done on the .43 acres. According to Simkins, all that has to be done is filing a COS. *The Board wants this thing done and Edwards is to call Barrett and get a final word on what needs to be done.*

Water Quality Monitoring Request to Gallatin County--Edwards has written Gallatin County asking that they consider having new development pay into a water quality study *Edwards will send a letter to Madison County with the same request as well.*

Fact Sheet--Edwards wrote a fact sheet for the BSOA annual meeting that responded to issues related to the long-term compliance work plan discharge permit. No questions or complaints were received at the meeting. The Board asked Edwards if an article has been published in the paper--no articles have been published. *Edwards is going to E-mail the fact sheet to the PR person to have her clean it up then he will submit it to the papers for publication. In addition to publishing it in the newspaper, the Board would like it included in the District newsletter.* The Board asked Coury if she would consider publishing the fact sheet in the Lone Peak Lookout. Coury will contact the Chronicle managing editor, Bill Wilke.

NEW DEVELOPMENTS

Cascade RID: See earlier report under Water Systems Operations.

Pines: Developer Skip Radick wants to get the sewer extension for the Pines development in this fall.

Andesite Water Line Extension: Report provided earlier in the meeting.

LEGAL ISSUES

Discharge Permit Litigation: The filed interrogatory request prepared by Wheat and Jamison was included in the Board packet. No board action was needed.

Environmental Review Board Non-degradation Appeal: The Motion to Dismiss, which was granted for the Environmental Review Board Appeal, was included in the board packet.

OLD BUSINESS

Board Elections--Two candidates submitted profiles by the September 20 deadline and telephone messages have been left for the other candidates to get their profiles in. The Board wants to make sure that all the candidates have had an opportunity to submit profiles. Edwards has not received a response to inquiry on county appointments. The Board suggested that Radick submit a letter to Gallatin County letting them know that he is interested in another appointment to maintain continuity of the projects and to copy it to the WSD. *Kennedy will find out who Radick is to write to and once the District has received a copy of Radick's letter, Edwards will follow up with Gallatin County to see they would like an endorsement.* Coury will be sponsoring a candidates' forum on Monday, October 18, at the Ophir School.

NEW BUSINESS

BSOA Irrigation Agreement: Edwards briefly reviewed the highlights of the draft document that was provided in the board packet. The irrigation hours are 10:00 pm-6:00 am. The BSOA board has not taken any action as yet as their legal counsel is reviewing the document. The proposal provides for free water for 5 years and after that time, the District will start charging. The Board was in agreement with the proposal.

A similar agreement will be made with the Big Sky Chapel.

Santec Operating Agreement--Lone Moose Meadows--Edwards and Burroughs reviewed the system a couple of weeks ago. It appears as if they are at least a month out. As an initial start point for an operating agreement, our counsel is reworking the old LMS agreement. If the management of the system does not work out, the District will be able to terminate the agreement with notice. District hours will be tracked and if hours are more than contracted, the District will be able to revise the charges.

General Correspondence--

Paul Pariser: Edwards received a letter from Paul Pariser requesting that the District operate a small wastewater system that may be similar to the Lone Moose Meadows system. The board requested that more information about the system and development must be submitted before the District responds. The board will then consider a request to operate another system.

Pioneer Mountain: Edwards had a meeting last week with engineers representing Pioneer Mountain. Edwards noted that another request will come from Pioneer requesting that the Mountain sell water to Pioneer and, in exchange, they will look at paying connection fees and drilling wells to replace the water. A formal request from their engineers, Morrison-Mairele, will be presented to the Board in the future.

Westlands: Bill Simkins asked if the agreement has been finalized. There apparently are some issues in the road maintenance assessment and that will be run past both legal counsels. The dispute resolution section was also revised. The board wants it as simple as possible with arbitration. Simkins asked that Edwards have Wheat contact Brain Gallik to get the agreement finalized.

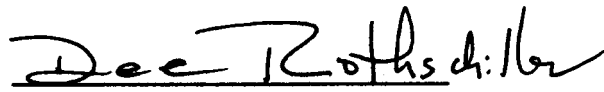
Simkins wants the water system moved along. Edwards said there will be a meeting with the developers. Director Cronin said he is meeting with his engineer tomorrow and they will be making a proposal to the District that they will over build the tank and the District can buy into it if they want. *President Ingraham would like both developers to meet and come to agreement on what the water system should be and then make a proposal to the District.* Edwards suggesting getting an opinion from legal counsel on whether the District would have to bond to enter into an agreement. Cronin's preferred schedule is to decide on tank size in the next 30-40 days, go to the state for approval and then possibly in January put the project out for bid. *The Board requested that at least one meeting be held with all parties.*

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, October 19, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 10:56 am. Motion passed.

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

Dee Rothschiller, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- August 17, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, August 17, 1999, in the BSOA Conference Room. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Packy Cronin and Jack Crowther were present. Directors Bill Neece, Stewart Peacock and Skip Radick were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, Grant Burroughs, Jim Muscat and Marlene Kennedy; MSE-HKM representative Carl Anderson; and Lone Peak Lookout writer Audrea Coury.

President Ingraham called for public comment at 7:40 am.

PUBLIC FORUM

Audrea Coury reported that the Lonepeak Lookout will publish a story on the outfall line replacement work in two weeks. In regards to news releases, Coury encouraged the Board to write a summary of District activities to publish in the paper. Coury also advised the Board to send the District newsletter to the groups in protest of the discharge permit, so that they are receiving factual information from the District.

With no further public comment, President Ingraham called the meeting to order at 7:44 am.

APPROVAL OF MINUTES

Director Cronin moved to approve the July 20, 1999, regular meeting minutes as written. Director Crowther seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Ingraham voting.

Director Rothschiller noted that, if she had attended the July 20 board meeting, she would not have voted for entering into the agreement to provide public water for Berlin's development which is located outside of the District boundaries.

FINANCIAL REPORT

July Financial Reports: Dutton is working with the auditors to complete the year end financials. The June, July and August financials will be presented for Board approval at the September meeting.

Dutton recapped the legal expenses related to the discharge lawsuit and the District is about \$4,000 ahead in costs with the Hoiness Labar insurance company as compared to our prior coverage with First West Insurance. Edwards stated that, at this point, he hasn't received any indication that Hoiness Labar will cover the discharge permit lawsuit.

Knaub & Company audited the District's records the first part of August and a final report will be prepared by October 18. The audit week went very smoothly, Marjorie Knaub has been very easy to work with.

Office Building Financing--Dutton reported on three financing possibilities for the office building project. He has ruled out the Intercap program as it only goes out 10 years. Big Sky Western Bank will loan a 30-year amortization at a 10-year fixed rate, currently at 8.25%, or prime plus 1%. They are also checking with the State to see if the District can qualify for a lower rate because it tax exempt. American Bank will go out 20 years at prime less 1%, currently 7%. Ross Pfohl will try to get a zero loan fee. President Ingraham suggested borrowing from the District as long as there is adequate cash flow, as this could save the District money. Edwards noted that MSE-HKM is updating the District on the expenses of the snowmaking project which he needs to project District cash flow. *Dutton is to check with Ross Pfohl of American Bank on a construction loan at 7%.*

Delinquent Notices: Dutton reported that about half of the people have paid their delinquent balances since mailing the year end notice. Per State code, the District has the authority to exercise the right to put delinquent balances on the tax rolls after August 15. Dutton will put any past due balances as of September 15 on the tax rolls. *President Ingraham asked Dutton to send a "last call" postcard to those individuals with delinquent balances.*

OLD BUSINESS REQUIRING BOARD ACTION

Board Elections: Petitions for nominations must be filed by 5:00 pm on August 19. For continuity of past board action, President Ingraham and Secretary Rothschiller said they will run again. In response to the District's written request asking for guidance on the appointment procedures, Edwards believes that the counties will make the appointments after the elections. However, the statutes are not clear as to how the appointments are made. The Board discussed whether county appointments are necessary. *As directed by the Board, Edwards will have Mike Wheat look into the legality of appointments and see if there is a need to approach changing the appointment procedures. The Board directed Edwards to write to Madison and Gallatin Counties requesting that the counties follow the Board's recommendation in regards to appointments.* The Board discussed the pros and cons of paying board members \$80 a month that, by statute, can be paid to the board members. The board was not receptive to taking pay for as directors. *Edwards will check with Directors Neece and Radick to see if they are interested in re-appointment and will also check with Director Peacock to see if he is interested in running for re-election.* In regards to having five terms up this year, Edwards suggested having legal counsel Mona Jamison address the terms and appointments issue through the legislature in the next session to avoid such a large turn over in future elections.

Office Building Project: The office building plan was included in the board packet. As a courtesy, Edwards presented the plan to the Big Sky Architectural Committee, their only concern was completion of the landscaping. Edwards put an advertisement for bid in the paper on August 13 and it will run again on August 20, with a deadline of August 25. When the bids come in, *Edwards will meet with the building committee prior to accepting any bids. Edwards will try to get a full four-month extension on the lease through Bing for the District's current office space in the Meadow Center.*

Conflict of Interest Disclosure Statements: Edwards reminded the board members to complete the disclosure form and return it to the District. It will be kept on file at the District.

SEWER PERMITS

The Board reviewed the following application:

Lake Condominiums, Custer Minor Subdivision, 5 units, 5.8 SFEs, Fee: \$41,850.

Recommendation: Conditional approval subject to receiving state permit and Edwards is to look into whether BSAA approval is needed. Director Rothschiller checked into BSAA approval and, according to Russ DeRemer, development in Custer Minor Subdivision does not require BSAA approval.

Director Crowther moved to conditionally approve, pending receipt of the State permit, the sewer permit application for Lake Condominiums as submitted and fees as noted by District staff. Director Rothschiller seconded the motion. Motion passed, 4 yeas votes to 0 no votes with President Ingraham voting.

President Ingraham suggested that the District set up an audit schedule to go through all properties to determine SFEs. Edwards saw no purpose in the audit if the District is eventually goes to metering. Edwards stated that SFEs are used in calculating permit fees and a final walk through of new construction will continue.

OPERATOR REPORTS

Sewer System Operations:

Monthly Report--Burroughs distributed flow summary reports, and reported a 2 million reduction in flows to date over last year that is most likely due to the repairs on the outfall line. The golf course irrigation went to fresh water on August 2. Edwards stated that Sam Woodger is doing a great job with the irrigation on the golf course. Burroughs will continue to filter water as long as he can, however, the algae in the pond is causing some problems with the filters. At the end of the season, we should be sitting with 1-2 feet of wastewater in the ponds. The Board suggested Burroughs continue to run the filtering as he has been doing and to follow the same procedure for next year since we have not had any problems or complaints.

Pond Landscaping--Edwards is to talk to a landscaper to make arrangements to plant some native grass seed in the pond landscaping in October, prior to snow.

Outfall Line Replacement Project--Edwards reported that the outfall line project is going well and that all the major pipe should be in the ground by September 1. The upper section road needs work and VanDyke Construction will have clean up to do.

Water System Operations:

Irrigation Restrictions--President Ingraham and Director Crowther reported that some property owners are violating the irrigation schedule and asked that staff check for

violations. *Edwards will have staff check for violators throughout the day instead of only the morning hours. President Ingraham noted that there is low water pressure at his house on Sioux Road, Jim Muscat will check into it.*

Monthly Report--Muscat reported that the leak detection company has been here and we have fixed several leaks. The water production report showed a drastic reduction in water use after these leak repairs were done. There are still a couple of leaks that need repair, but they are the homeowners responsibility and there is also a leak on the golf course that will be fixed after September. Muscat plans on doing leak detection and repair on the mountain next year and asked that the Board plan on it in next year's budget. The District is getting closer to accepting the new Cascade water system. Muscat noted that some lots in Cascade do not have laterals and asked if the Board wanted to put the service in, at the lot owner's expense, prior to the roads being paved. *Edwards is to send a letter to affected lot owners, informing them that they do not have a service and to give them an option of putting the service in now, prior to the paving, and that they would be charged directly via the contractor.* According to the Brian Wheeler, the lower roads are scheduled to be paved the third week in September. Gaston Engineering has been handling the project and *Edwards will check with Gaston to see if there is money allowed in the bid to correct the situation.*

Yellowstone Condominium Water Line Replacement--Muscat and Edwards did the final walk through August 16, and reported that Dave Hough did a good job on the project. A little seeding work may need to be done in a few areas next spring.

Restoring Landscape--In regards to Park Condos, Director Crowther asked about District policy on restoring landscape after a District dig. The dig at Park Condos was in a public right of way and District policy is that we rough grade and put down seed and not sod. The Board discussed the policy and decided that dig areas in a right of way get the soil prepared and seeding done. If homeowners want to resod at their expense, they can. If the dig goes into someones lawn, the District will restore it to the way it was.

Aspen Groves Water System--A walk through has been done at Aspen Groves and *Muscat will prepare a punch list of items that need to be done prior to accepting the system.* Edwards has asked for well logs and other documentation to verify that the system can meet the peak demand at build out. Telemetry is an issue as Aspen Groves does not have it. *The Board agreed with Edwards' proposal to get the Aspen Groves system on the Microcom telemetry system and that the developer pay for installation labor costs, which would be consistent with what is being done with Cascade Subdivision. The District will also need an easement under the water tank site.*

Water Metering & Rate Setting Project--Reviewing a written document provided in the Board packet, Carl Anderson of MSE-HKM discussed options for District water metering. *The Board directed Anderson to pursue a rate structure with base, normal, and demand rates according to meter size and gallons used and to contact other resort areas to find out how they deal with rates and peaks.* Anderson recommended, after a year or two of meter use, to do a service cost analysis. Anderson reported that the District could start charging

via meter use as soon as meters are installed. A standard size meter would be recommended for installation and if a customer chooses to go with a bigger meter, they could but they would have to pay for the extra cost of the bigger meter, too. However, the usage cost would be based on reading of the meter, like everyone else. The Board answered Anderson's written questions concerning metering as follows: 1) Use meter size to determine base rate. Edwards wants the engineers to base the needed meter size depending on SFEs and to prepare a chart. Fire lines would have a small monthly charge for the cost of providing it. 2) Include an amount of water allowed in the base rates and Anderson will come back to the Board with a couple of options. 3) Use a three-tier rate structure with base, normal and demand rates. In fairness to condo tracts that cannot be individually metered, there needs to be a prorata adjustment for metered flow. Anderson thinks that will be worked out in the size of the meter. 4) No to decreasing block structure. 5) Include fixed costs in the incremental rates. Edwards suggested coming up with a plan for water conservation incentives (water audits, credits for low flush toilets, etc.). Anderson will prepare a matrix with all the meter sizes and then the rates. Once we have historical usage data, we can adjust our rates. Anderson will get the category data from Edwards and information on condo/commercial complexes with differing situations from Muscat.

Edwards will have MSE-HKM prepare a contract for costs to complete all tasks in the metering project.

Edwards reported that the pilot metering project should begin around September 1

Irrigation Restrictions--As conservation needs to be observed, Muscat recommended that the Board consider hiring a person for the summer for 40 hours a week to drive around at varied times to inspect for watering violators. Per Edwards, for this summer, Mark Barajas will do more rounds.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Snowmaking Project Status Report: Edwards distributed elevation drawings depicting the headworks, SBR plant and snowmaking buildings and reported that he had another meeting with the architects. The SBR plant has been the building with the most concern due to aesthetics and roof snow loading. Boyne has reviewed and approved the drawings. Construction will begin next spring, but there may be some road work done this year. Edwards has asked MSE-HKM to update their cost estimate for the snowmaking project. If the revised estimate increases substantially, the District may have to do a bond.

DEQ agreed to amend the compliance order and gave a deadline of December 1, 2000 for snowmaking to be on line. The advanced treatment plant's extended deadline is December 1, 2002. Edwards has asked DEQ, "What if the District does everything right and the voters come back and say no on the bond?" DEQ has discretion on how they deal with that issue. *The Board recommended to Edwards to get legal input on the possible scenario of not getting a discharge permit for an advanced treatment plant because of the lawsuit and, in that case, why should the District spend a lot of money for only 20 million more gallons of storage.* Edwards' intention is to get the snowmaking done by the new deadline

and if bonding is needed, he prefers not to put the advanced treatment plant and snowmaking together.

Report on BSOA Access Easement: Director Rothschiller reported that 98% of the ballots sent in were in favor of the easement. BSOA will sign the agreement at their annual meeting. *The Board asked that Edwards attend the annual meeting and give a brief District update presentation at the annual meeting.*

LEGAL ISSUES

Discharge Permit Litigation: Edwards has talked to Wheat and it will take Wheat a couple of weeks to put together a request for interrogatories. Edwards started putting together some news release information and recommended publishing a series of news releases. The Board wants only the questions/issues which have been misreported addressed; focusing on the advanced treatment plant, discharge amount, five year reapplication requirement, monitoring the quality of the river, etc. The Board wants to stress that the discharge is an emergency plan and that this needs to be conveyed to the public. Edwards discussed the need to hire a PR person. *The Board approved Edwards' request to hire a person on a trial basis to help with a quarterly newsletter but that Edwards should answer the environmental groups issues and publish the press release by 9/1/99.*

Teton Condominiums: The board reviewed a letter concerning the Tract 4 of the Meadow Village. The Teton Condominium tract was on the list of properties subject to the surcharge as stated in the Boyne Settlement Agreement. Counsel for Sarah Kircher sent correspondence stating that it should not be subject to the surcharge. After discussing the issue, the Board decided that as far as the District is concerned the parcel is subject to the surcharge.

Westland/TM Connection Charges: Westland/TM wants the rate issue on Westland/TM properties stated in the sewer and water rate ordinance. The charge for connection/inspection was not specifically addressed in the court order and Mike Wheat has advised the District to compromise, with Westland/TM being subject to one-half (50%) of the connection/inspection fee. The Board agreed to the compromise recommendation.

Director Crowther moved to adopt legal counsel recommendation dated August 12 which proposed a compromise to require 50% of the connection inspection fee be paid. Director Cronin seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Ingraham voting.

NEW BUSINESS

General Correspondence:

Paul Pariser has asked the District if it would consider running a treatment plant, similar to the proposal from Lone Moose Meadows. Edwards has told Pariser that the Board will need something in writing as to what he is proposing prior to the Board considering his request.

Crail Creek/Paul Roepnack Request--Per Roepnack's earlier request, *Edwards is to inform Roepnack that the Board will not accept letters of credits as payment for a sewer permit.*

Discharge Permit/Lawsuit--Director Cronin believes that the environmental groups are pushing for a CIS (cumulative impact statement). The Board discussed the need for all the developers to contribute and the District should write a letter to the commissioners and the state recommending that future developers must contribute to a CIS. Edwards recommended taking it a step further, asking that a water quality group be formed for the Big Sky area. *On behalf of the Board, Edwards is to write letters to Madison and Gallatin County Commissioners in the next couple of days stating the necessity of others to contribute to a CIS.*

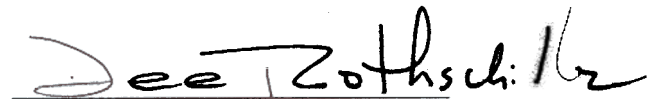
Blue Grouse and Southfork Water Tank--The Cronin's are interested in building a Blue Grouse and Southfork water tank to get his commitment to the County taken care of. Cronin briefly discussed the option of installing a line around Westfork and putting the Westfork, Blue Grouse and Southfork service areas together. The Board would like the Simkins to participate as they have stated they are ready, too. The Board would like it all done at once if possible. If the Westfork line would need to be upsized, that would be the District's responsibility. *Edwards and Cronin will work with Terry Threlkeld to get together a cost sharing estimate with the District, Cronin and Simkins participating.*

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, September 21, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 12:20 pm.

A handwritten signature in dark ink, appearing to read "Dee Rothschiller", with a stylized flourish at the end.

Dee Rothschiller, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- July 20, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, July 20, 1999, in the BSOA Conference Room. President Wendell Ingraham and Directors Bill Neece, Stewart Peacock (arrive 7:55 am left at 8:40), Skip Radick, Packy Cronin and Jack Crowther were present. Director Dee Rothschiller was not present.

Others present were WSD staff Ron Edwards, Bill Dutton, Grant Burroughs, Jim Muscat and Marlene Kennedy; Lone Peak Lookout writer Audrea Coury; and the following individuals from the public: Paul Roepnack, Paul Cronin, Dick Wambsgan, Melissa Cronin, Terry Threlkeld and Bob Berlin.

President Ingraham called for public comment at 7:30 am.

PUBLIC FORUM

In regards to the next set of Crail Creek units, Paul Roepnack would like to get just the foundations in this fall and asked the Board to consider a letter of credit for now and it would be replaced with cash later, possibly in March or April, when he is ready to build. The Board discussed the hardship caused by Big Sky's short building season and will address the letter of credit issue with possibly allowing a six-month letter of credit. Edwards will look into Gallatin County land use permit requirements for just pouring a foundation. The Board recommended that Roepnack contact the county to see if they would allow the foundation to be put in without a sewer permit.

With no further public comment, President Ingraham called the meeting to order at 7:35 am.

APPROVAL OF MINUTES

Director Cronin moved to approve the June 15, 1999, regular meeting minutes as written. Director Crowther seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

Director Cronin moved to approve the minutes of the June 15, 1999, Public Hearing: Fiscal Year 1999/2000 Budget as written. Director Crowther seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

Director Crowther moved to approve the minutes of the June 15, 1999, Public Hearing: Water System Use Ordinance 99-1002 as written. Director Cronin seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

Director Crowther moved to approve the minutes of the June 15, 1999, Public Hearing: Sewer and Water Rate Ordinance 97-1002 Amendments as written. Director Cronin seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

Director Neece moved to approve the minutes of the June 25, 1999, Special Meeting to Adopt Fiscal Year 1999/2000 Budget as written. Director Crowther seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

OLD BUSINESS REQUIRING ACTION

Amendments to Ordinance 97-1002: Public Sewer and Water System Rate Ordinance:

(Third & Final Reading) President Ingraham asked for comment. Edwards stated that the District has received two letters since the public hearing, both basically asking for an extension to the September 30, 1999, cut off for exemption of the plant investment charge as presented in the draft amendment to the ordinance.

Director Crowther moved to approve the third and final reading of the amendments to Ordinance 97-1002: Public Sewer and Water System Rate Ordinance as presented. Director Radick seconded the motion. President Ingraham called for discussion, the exemption issue was addressed. Motion carried via a voice vote of 5 yeas to 1 nea as follows: Ingraham--yea, Neece--nea, Radick--yea, Cronin--yea, Peacock--yea, and Crowther--yea.

Berlin Project Water Line Agreement:

Edwards reviewed Berlin's request to tie into the public water system with 15.53 SFEs in exchange for giving the District an easement for its water line on the property and noted that the owner of record, Jerry Scott, will ask for the same thing. After a report by Edwards, the Board discussed the following options: moving the line at a cost of \$15,000-\$20,000, prescriptive easement, a lack of court records for an easement, precedence of providing service outside of the District and that Terry Threlkeld of Allied Engineering has reported that there is a surplus of water on the Mountain. Edwards recommended entering into the agreement as written with the new section and language that would help protect the District if the water use needed to be revoked. The developer will have to sign off on the agreement that he understands the revocable clause. Terry Threlkeld addressed the Board to clear up some perceived past confusion, stating that it would be a win-win situation for both the District and Berlin and that other communities sell water outside of their boundaries. As stated by Director Radick, the Board was doing due diligence in trying to find out all the facts. Threlkeld would like to leave the door open about possible future hookups as there is a subsequent phase and he doesn't want the deal attached to any SFEs. As it stands right now, however, they are at capacity for the proposed development. Berlin wants to start the project in mid August, but they would like the opportunity in the future to revisit the SFEs requested if they want to expand development. Berlin noted that if he decides to go into their second phase, they may even decide to abandon the WSD line and drill their own well. Berlin will cover all the legal costs incurred by the District for preparing the agreement.

Director Cronin moved to approve Berlin's request and enter into an agreement as drafted. Director Neece seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting. Edwards will have the agreement prepared and signed by Edwards and send it to Berlin with a bill for legal costs.

Ordinance 99-1002: Water System Use Ordinance: (Third & Final Reading) Edwards reviewed the few changes as a result of comments received at the public hearing. The Board discussed the issue of the District required two-year warranty on new lines installed by the developer and whether it should be changed to one year as a full time inspector is now required and the lines must also be TVd. Threlkeld stated that the standard is one year, but there is no warranty period for faulty work and the contractor will always be on the hook for it. Both President Ingraham and Director Crowther commented that a developer can purchase completed operations insurance.

Director Radick moved to approve Ordinance 99-1002: Water System Use Ordinance as presented. President Ingraham called for discussion. Director Neece seconded the motion. Motion carried via voice vote of 5 yeas to 1 nay as follows: Neece-yea, Cronin--yea, Radick--yea, Peacock--yea, Crowther--yea and Ingraham--yea.

Ordinance 99-1004: Director and Employee Indemnification and Defense: (First Reading) Edwards explained the purpose of the indemnification ordinance, which provides for coverage of legal expenses for board and staff if insurance does not cover it. This ordinance is a modification to Ordinance 99-1001.

Director Neece moved to waive the three readings of Ordinance 99-1004: Director and Employee Indemnification and Defense. Director Crowther seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Ingraham voting.

Director Peacock moved to approve Ordinance 99-1004: Director and Employee Indemnification and Defense as written. Director Neece seconded the motion. Motion carried via voice vote of 6 yeas votes to 0 no votes as follows: Neece-yea, Cronin--yea, Radick--yea, Peacock--yea, Crowther--yea and Ingraham--yea.

Ordinance 97-1001 and Ordinance 99-1002 Amendments:

Amendments to Ordinance 97-1001: Wastewater Use Ordinance and Ordinance 99-1002: Water System Use Ordinance to allow the manager to approve up to 5.0 SFEs and then to report the permitted SFEs to the board at their next regular meeting.

Director Neece moved to waive three readings of amendments to Ordinance 97-1001 and Ordinance 99-1002. Director Crowther seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Ingraham voting.

Director Crowther moved accept the amendments to Ordinance 97-1001 and Ordinance 99-1002. Director Cronin seconded the motion. Motion passed via voice vote of 6 yeas votes to 0 no votes as follows: Neece--yea, Cronin, yea, Radick--yea, Peacock--yea, Crowther--yea and Ingraham--yea.

FINANCIAL REPORT

June (Preliminary Year End) Financial Reports:

Dutton reviewed the June financial reports noting that the financials are just preliminary as year-end expenses are still coming in. The June financials will be presented to the Board for approval at their August meeting. Boyne will be invoiced this month for the second payment.

Delinquent Notices: Dutton distributed a list of delinquent accounts, noting accounts unpaid as of August 15 with be turned over to the county tax roles for collection.

SEWER CONNECTION PERMITS

The following applications for sewer connection permits were reviewed by the Board and, per the amendments to Ordinance 97-1001 and Ordinance 99-1002 passed earlier, the Board followed Edwards' recommendations as follows:

- 1 Samardich/Hassman, Westfork Meadows, Jefferson Building, Unit 1. SFEs 3.9 (for 3 additional washing machines @ 1.3 SFEs each), Fees: \$00. Recommend approval with no fee as it would be considered an amendment of their original permit application from June.
2. Cronin, Southfork Phase II, Lot 4. SFEs: 1.6, Fees: \$6,350. Recommend conditional approval subject to architectural committee approval.
3. Schumacker, Southfork Phase I, Lot 17. SFEs: 2.0, Fees: \$7,750. Recommend approval, architectural approval received on 7/15/99.
4. Stanghill, Southfork Phase II, Lot 21. SFEs: 1.4, Fees: \$5,650. Recommend conditional approval subject to architectural committee approval.

OPERATOR REPORTS

Sewer System Operations:

Monthly Report--Burroughs reviewed the flows for May-July. The ponds should be empty around the beginning of September as they are dropping 1.5 feet a week with approximately 21.8 million gallons still left. Burroughs will inspect the liners once the ponds are empty.

Outfall Line Replacement Project--The outfall line backup of July 5 was discussed and procedures were followed. Burroughs said the overflow took place near Lone Moose Meadows above the bridge. The cause is believed to be that there was more water than the 3" diverting pipe could handle, VanDyke is now using a 6" line for diverting during construction.

Terry Threlkeld gave a progress report on the outfall line replacement. VanDyke is ahead of schedule and Allied Engineering is pleased with the progress being made with 250-400 feet of pipe being laid a day. Everything is testing well and it will be a zero infiltration line. There was a problem when VanDyke discovered a curved pipe, when it was thought to be a straight pipe from man hole to man hole. A request for additional money to cover the extra time in cleaning up this problem will probably be submitted. A Montana Power line

that was installed after the bid specs will need to be exposed and VanDyke will also need extra money to deal with this. VanDyke is about half way done and expects to be finished around September 1.

Water System Operations:

Backup Generator--The purchase of a used generator is progressing and the generator will be installed at the Sweetgrass Booster station.

Yellowstone Condominium Water System Replacement--The Yellowstone water line replacement project is complete. The District provided stock-piled top soil as it was not included in the bid. The contractor has sub-contracted the landscaping and hired a landscaper as recommended by Bob Juel.

Cascade Water System--As noted at previous Board meetings, the Cascade system has not been accepted by the District. However, the DEQ has taken the position that since it is physically connected to the mountain system, the monitoring and all responsibility is the District's. Edwards recommended that the District disconnect upper cascade until the District accepts the system. The transfer will probably occur in September with MicroCom here this week to work on the telemetry.

Director Cronin moved to disconnect the upper cascade water system per the manager's recommendation. Director Crowther seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

Metering Proposal & Water Rate Setting Work--The water metering pilot program with 25 remote read transmitters should be up and running in the meadow the second week in August. A metering proposal from MSE-HKM included in the board packet will be addressed at the next meeting.

Notices for watering restrictions are being printed.

IAWP REPORT

Final Project Completion: The state requires a final project certification. The engineers' conclusion is that the treatment plant and filtering units are working in accordance with the plan specifications and certification has been signed and sent to the state. After three years, this will be the last report on the IAWP.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Plan Approval: Mark Simonich, Director of DEQ, has approved the long term facilities plan including the snowmaking and the advanced treatment plant. DEQ has not sent the District a response to a request for extension. Edwards believes that it will be 2002 for completion and that DEQ will work with us but still keep us to a deadline. There are a number of issues that play into it, such as bonding and the discharge permit litigation. Director Neece commented that the Board's intent is to never have to discharge into the Gallatin River.

Snowmaking Project: Edwards reported on the meeting with the architects and Boyne. The height of the buildings are an issue as they are visible from ski runs. MSE-HKM applied for and received a variance with the aerators, which will allow a lower height of the SBR plant. The architects have enough information to work on the plant site. The structural considerations for snow load will be addressed.

BSOA Access Easement: Edwards understands that most of the ballots received thus far have been favorable, with July 23 as the deadline for returning ballots. Edwards will work on a formal agreement to indemnify the District for the park using treated waters for irrigation. There will be a stub out for connecting to the water system and if they ever use that, they will be charged for the water.

The last report from the chapel is that they will go with fresh water.

OLD BUSINESS

Office Building Project: Edwards suggested a committee meeting after the board meeting to review the plans received from David Bearrs. The plans and specs should be done this week.

Board Election Nominations: There are three positions up for election and two positions will be appointed, one each by Madison and Gallatin Counties. Elected positions are 4 year terms and appointed positions are 6 year terms. The application deadline is August 19 and the District office has nomination petitions available. The District will notice the papers even though there is no legal obligation to run notices.

Legal Issues:

Cronin Litigation--Edwards reported on the hearing held on July 6 at District Court for Motion for Summary Judgement on the two complaints. The judge has denied the motion and it will move to a trial. A scheduling conference is planned for August 4. Since the hearing, Edwards and Ingraham have talked with Paul Cronin and there is nothing to report on. Paul Cronin stated that he believes the August 4 meeting is to have a pow wow to agree on discovery dates, etc.

Discharge Permit Litigation--A copy of DEQ's response to the complaint as well as the District's response was provided in the board packet. To date, Titan Insurance has denied coverage on the basis that they are claiming there are not specified damages. We are taking the position that there are potential damages to the District and Gary Basso from Hoiness Labar will be talking to representatives from the St. Paul Company.

Edwards and President Ingraham have discussed with Mike Wheat a response to the misinformation that has been published in the newspapers and flyers. Since the information being disseminated is totally false, Edwards will be preparing a press release or article to be published in the Chronicle. According to Paul Cronin, newspapers can be held responsible for any economic damage caused by their publishing of misinformation. Director Radick stated if we cannot proceed with the LTCWP, the District will suffer immensely. Melissa Cronin commented on the lack of support from the Lone Peak Lookout, which has been a voice for Kevin Kelleher who is against the discharge permit,

and recommended that the District hire a press agent. Director Crowther noted that at least half of the publicity comes from letters to the editors and they get headlines. The Board asked Audrea Coury why the Lookout has allowed false information to be published, why they have not done information sharing with their parent company the Bozeman Daily Chronicle, and why they have not done any investigative reporting. Audrea Coury stated that she does not have the time to do investigative reporting but she will publish news releases as they come to the Lone Peak Lookout and they will be published under their name. Audrea Coury did contact Jenny Bower about her press release and Bower did write a letter to the editor in response, correcting the misinformation. Director Cronin asked that Coury write a special article concerning the discharge issue and repair work being done on the outfall line. Board members reiterated that they want to get accurate information out to the public. Director Neece complimented Coury on her unbiased reporting and thanked her for attending and reporting on the District meetings. President Ingraham stated that, with legal counsel input, it has been decided not to respond to all these letters but to prepare one response to all the misinformation and pursue the matter in the courts. Mike Wheat would like to go to discovery with a suit against the environmental groups.

Director Neece moved to have Edwards prepare a press release, hire a press agent and pursue litigation in response to the misinformation about the discharge permit. Director Cronin seconded the motion. President Ingraham called for discussion. Director Crowther said Maclaren Johnson has left employment with Boyne and she might be a resource. Cronin reported that he received a form letter from Boyne representative Taylor Middleton that was directed at businesses displaying the petition. Boyne is supportive of the District but they are trying to set the record straight that it is the District dealing with discharge, not Boyne. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

The press release will go to both papers. Edwards will talk with Coury after the meeting to get information in the paper in regards to repairing the outfall line.

NEWS BUSINESS

General Correspondence

There was nothing in particular to report about general correspondence other than the District is still receiving postcards from the environmental groups postcard campaign. Many of the cards are from people that have misinformation or little knowledge of the discharge permit. The postcards are available to anyone who would like to read them.

Resort Tax Agreement

A copy of the resort tax agreement, signed by Edwards, was enclosed in the board packet.

Ordinance 97-1001 Amendment--Permit Approvals:

This issue was already addressed earlier in the meeting.

Conflicts of Interest Policy: Edwards distributed the conflict of interest form, AKA Business Disclosure Statement form, from the Commission of Political Practices. Edwards will get original forms and will send a copy to each board member to complete and return for District files.

EXECUTIVE SESSION

Closed session for the purpose of discussing employment compensation and employee performance evaluation.

At 10:30 am Director Cronin moved to go from regular session into executive session to discuss personnel issues. Executive session was adjourned at 11:00 am.

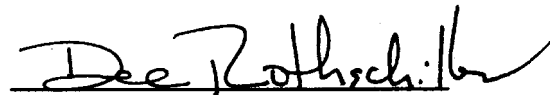
Following the manager's recommendation, the Board approved the following pay increases: 4% for Jim Muscat and 3% for Marlene Kennedy.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, August 17, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

The regular board meeting was adjourn at 11:00 am.

A handwritten signature in cursive script, appearing to read "Dee Rothschild", written over a horizontal line.

Dee Rothschilder, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Special Meeting -- June 25, 1999, 8:00 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a special meeting for 8:00 am on Friday, June 25, 1999, in the BSOA Conference Room. Vice President Bill Neece and Secretary Dee Rothschiller and Directors Skip Radick and Jack Crowther were present. President Wendell Ingraham and Directors Packy Cronin and Stewart Peacock were not present.

Others present were WSD staff Ron Edwards and Bill Dutton and Lone Peak Lookout writer Audrea Coury.

With no public comment, Vice President Bill Neece called the meeting to order at 8:00 am.

FY 1999-2000 BUDGET

Director Crowther moved to adopt the FY 1999-2000 Budget as presented at the public hearing held on June 15, 1999. Director Radick seconded the motion. Motion carried, 4 yea votes to 0 no votes with Vice President Neece voting.

SEWER CONNECTION PERMITS

The Board discussed amending Ordinance 97-1001 to allow the staff to approve residential sewer permits in the office and then to report the permitting to the Board at the next regular meeting. Commercial and residential permits, with conditions or variances, would still go to the Board for approval. The Board directed Edwards to prepare an amendment to Ordinance 97-1001 to be acted upon at the next board meeting.

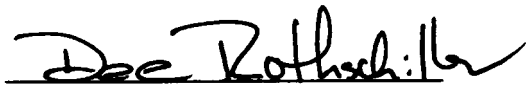
The Board reviewed the following sewer connection permit applications:

1. Abrahamson, Lot 337, Block 6, Cascade--Existing SFEs: 2.2, Fees: no fees as no change in SFEs. Recommend approval as project received architectural approval on 6/10/99. Dutton did a walk through on 6/24/99 and found that the District had been overcharging .20 SFEs. The District will refund \$78.60 for one year of overcharge. No Board action was needed on this application.
2. DePiero, Lot 293, Block 4, Cascade--SFEs: 1.8, Fees \$13,350. Recommend approval as project received architectural approval on 6/24/99.
3. Radick, Lot 14, Block C, Aspen Groves II--SFEs 1.6, Fees: \$6,350. Recommend approval as project received architectural approval on 6/24/99.
4. Hogan, Lot 5, Block B, Aspen Groves I--SFEs: 2.6, Fees: \$9,850. Recommend approval as project received architectural approval on 9/25/98.
5. Noll, Lot 1, Block E, Aspen Groves--SFEs: 1.4, Fees: \$5,650. Recommend conditional approval as project only received sketch plan approval on 6/24/99. Noll should receive final review and approval at the July 8 architectural meeting.

Director Crowther moved to approve the sewer permit applications for DePiero and Radick as submitted and fees as noted by District staff and to conditionally approve the sewer permit applications upon receipt of architectural approval for Hogan and Noll as submitted and fees as noted by District staff. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes with Vice President Neece voting.

ADJOURNMENT

The Board adjourned the meeting at 8:35 am.

A handwritten signature in black ink, appearing to read "Dee Rothschiller", with a stylized flourish at the end.

Dee Rothschiller, Secretary

06-25-99.min (Board Approved 7/20/99)

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- June 15, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, June 15, 1999, in the BSOA Conference Room. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Stewart Peacock (left at 8:30 am), Skip Radick, Packy Cronin (arrived at 7:50 am) and Jack Crowther were present. Director Bill Neece was not present.

Others present were WSD staff Ron Edwards, Bill Dutton, Jim Muscat, Grant Burroughs and Marlene Kennedy; MSE-HKM representative Ray Armstrong; Delta Engineering Representative Brian Horne; Lone Peak Lookout writer Audrea Coury; and the following individuals from the public: Suzy Smardich, Alex Hassman, and Kirk Dige.

With no public comment, President Ingraham called the meeting to order at 7:30 am.

APPROVAL OF MINUTES

Director Crowther moved to approve the May 18, 1999, regular meeting minutes as amended. Director Rothschiller seconded the motion. Motion carried, 5 yea votes to 0 no votes with President Ingraham voting.

FINANCIAL REPORT

May Financial Reports: As shown on the financials, the District is basically on target with income and expenses. Dutton will be getting board signatures to participate in the short term investment pool program which was approved by the Board on May 18.

Director Radick moved to approve the unaudited May financial reports as presented. Director Peacock seconded the motion. Motion passed, 5 yea votes to 0 no votes.

Audit Service Proposal: Dutton recommended contracting with Knaub & Co for auditing, but was comfortable with the bids from both Knaub & Co. and A-Z Co. The Board discussed the importance of auditing experience and the size of the firm. With only a \$800 difference, Rothschiller recommended retaining A-Z Co. due to the size of their firm and their experience.

Director Radick moved to contract with Knaub & Co. for three years of auditing services. Director Crowther seconded the motion. Motion passed, 5 yea votes to 1 no vote with President Ingraham voting.

Cash Budget Projections:

Dutton reviewed the updated proformas cash budget projection report.

AMEND AGENDA

Director Rothschiller moved to amend the agenda to address SFE allocations under New Business, Item VIII, B. Ordinance 99-1003. Director Peacock seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

ORDINANCE 99-1003: SFE ALLOCATION (First Reading)

Edwards updated the Board on the SFEs permitted as of June 10, 1999, with the bottom line that there are 9 SFEs remaining for permitting without allocating additional SFEs. The Board reviewed the draft Ordinance 99-1003 which allocates an additional 100 SFEs for permitting.

Director Rothschiller moved to waive the three readings of Ordinance 99-1003: SFE Allocation. Director Radick seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

Director Rothschiller moved to accept Edwards' recommendation to adopt Ordinance 99-1003 allocating an additional 100 SFEs pending engineers' approval. Director Radick seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

Edwards distributed Armstrong's letter endorsing that an additional 100 SFEs are available without reaching the IAWP system capacity. *For planning purposes, the Board asked that Ray Armstrong evaluate the current system and provide an SFE capacity on what the District can allocate until snowmaking is on line. Edwards will write a formal written request to Armstrong.*

SEWER CONNECTION PERMITS

The Board reviewed the following sewer connection permit applications:

- Arcadia Construction, Lot 66, Block 3, MV 25 Lot Addition--SFEs: 1.6, Fees: \$6,350. Recommend Final Approval.
- 2. Pioneer Development, Cedar Creek Condos, Lot 5E, Cascade--SFEs: 24, Fees \$169,500. Recommend Final Approval.
- 3. Reichstetter, Beaverhead Condos Units 1451-1454 (units) Beaverhead Sub--SFEs 8.2, Fees: \$58,400. Recommend Final Approval.
- 4. Samardich/Hassman, Jefferson Building, Unit 1, Westfork Meadows--SFEs: 12.2 (an increase of 11.44 SFEs for the unit) request change of use to laundromat with 9 washers and 1 public restroom, Fees: \$50. Recommend Discussion.

Edwards presented the following information: 1) The District received a letter from Williams Plumbing that verified the 4" line will handle the load from the washers. 2) The Westfork area has 448 SFEs in Table 3.0-1 which ties to the sewer dedication agreement and approximately 180-190 SFEs have been permitted. 3) Usage for the empty units in this speculation building was not known, so the SFEs for the Jefferson Building were originally calculated per square footage. 4) The sewer use ordinance allows an increase of up to 5 SFEs for commercial space and also states that additional SFEs can be approved on a case by case basis by the Board. The Board discussed and will revisit the procedure of allocating SFEs on a

first come, first serve basis, possibly allocating total SFEs to each lot in Westfork Meadows. It was noted that the developers always represented that they did not know what would go in the units.

Director Radick moved to approve the Samardich/Hassman permit request for 12.2 SFEs as submitted. Director Crowther seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting. President Ingraham disclosed that he no longer has a personal investment in the Jefferson Building/Snowy River Company.

Suzy Samardich asked what the policy and/or process will be if they request additional SFEs in the future for expansion of the laundry facilities from 9 washers to 12 washers. The Board stated that SFE allocation for the building will be addressed when a meeting is scheduled with Westfork property owners to review and state their SFE needs.

5. Story, Lot 2, Block A, Aspen Groves--SFEs: 2.4, Fees: \$9,150. Recommend Conditional Approval.
6. Abrahamson, Lot 337, Block 6, Cascade--Existing SFEs: 2.2 + .4 for Remodel = 2.6, Fees: \$50. Recommend no action until application submitted. Tabled until actual application is received.

Director Rothschiller moved to approve the sewer permit applications for Arcadia, Pioneer and Reichstetter/Beaverhead and to conditionally approve the sewer permit application for Story as submitted and fees as noted by District staff. Director Peacock seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting. (Director Peacock left at 8:30)

OPERATOR REPORTS

Sewer System Operations:

Monthly Report--Burroughs reviewed his flow reports, noting that within the next two weeks he expects to see a peak in I&I flow. Flows are running almost 4 million gallons less in May this year from last year and about 30 million gallons total behind last year. Director Crowther asked if the District is monitoring the river water quality. EDM made some monitoring recommendations and Edwards is working with the State and EDM to come up with a monitoring plan. Burroughs will pull samples to coincide with peak river flows.

Aeration Project--Pond 3 aeration should be up and running today, 5 diffusers are online and 20 more will be online soon.

Storage Pond Landscaping--Landscaping is almost done, hydroseeding still needs to be done. Edwards would like to use a credit change order for \$6,000 to begin landscaping the treatment plant.

Director Crowther moved to accept Edwards recommendation to use the \$6,000 for the treatment plant landscaping. Director Radick seconded the motion. Motion passed, 4 yeas to 0 no votes with President Ingraham voting. Director Rothschiller was not present for this vote.

Aspen Groves Phase II--Burroughs completed the inspection and all the work is done.

Director Cronin moved to release the \$5,000 for Aspen Groves Phase II based on Burroughs inspection. Director Rothschiller seconded the motion. Motion passed, 4 yeas to 0 no votes with President Ingraham voting and Director Radick abstaining.

Water System Operations:

Monthly Report--Muscat distributed the current flow report for the Board to review. Flows are higher on the Mountain than this time last year. Reports that water from the HV well #1 is milky turned out to be that the water is over aerated. The pump will be checked. *Edwards is to send a letter to Boyne requesting an update on the Cascade water system and the PRV valves. The water quality in the tank is a concern to Muscat and the Board wants a letter sent to Boyne that documents that the District is not responsible and the developer needs to notify property owners that Boyne is responsible for the system.*

Backup Generator--The generator arrived yesterday. An electrician needs to be hired to wire the generator to the pump house. *The Board directed Muscat to send a letter to the fire department as to when the generator will be on line, and a copy is to be in the July meeting board packet.*

Edwards distributed a memo from Jack Eaton that offered a used dual voltage stand-by 100 KW generator for \$10,997. Muscat recommended locating it at the Sweetgrass tank. *This purchasing information is to be included in the letter to the fire department.*

Director Cronin moved to purchase the generator for \$10,997 with Edwards figuring out the financing, possibly a 3-year loan. Director Crowther seconded the motion. Motion passed, 5 yeas to 0 no votes.

Yellowstone Condo Water System Replacement--Muscat reported that contractor Big X has done a tremendous job, but the project will not be done on June 15 due to a delay in receiving a vault.

Arrowhead--The Arrowhead water leak has been repaired.

Power Outage--After the power outage, Dick Lewis checked all the telemetry and apparently there was no damage. Lewis' bill will be sent to Montana Power for reimbursement.

Draft Water Line Easement--Edwards recapped the history of Bob Berlins' request to tie into the District's line that encroaches into his property and reviewed the draft easement and water use agreement. In exchange for water use, Berlin would give the District an

easement. Berlin would have to pay all costs to connect to the system and be limited to 15.53 SFEs, based on the developer's engineering plans. The issue of fire protection and holding the District harmless was discussed and endorsed by the Board. The agreement needs to be made with the property owner of record. *Edwards will have a title examiner check property easements and owner of record. The Board tabled any action pending further discussion with legal counsel and title search on property. Muscat will get a firm estimate on moving the line.* (additional discussion after public hearings)

Metering Proposal & Water Rate Setting Report-- Edwards distributed a water metering rate options document prepared by Carl Anderson that included a spread sheet noting metering costs. Armstrong recommended the engineer attend the prebid opening. No board action was needed at this time. *A letter of contract consideration will be prepared prior to adopting the FY 1999/2000 budget.* To do a pilot, Edwards recommended that the District use \$6,500 from cash carryover.

Director Crowther moved to authorize Edwards to spend up to \$6,500 from cash carryover to fund the pilot metering program. Director Cronin seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Snowmaking Project: Brian Horne, Delta Engineering, reported that the snowmaking design is virtually complete and gave Edwards a project manual. Armstrong reported that MSE-HKM has been working with Delta to make a few modifications and Horne will be sighting the towers today. The building will be located at the bottom end of the pond. Building elevation drawings will be available and Armstrong will meet with Prugh and Lennon on June 24. The site elevations should be available a week after that meeting.

Discharge Permit: The state will argue that an environmental assessment is not needed as the District is in an enforcement status. Armstrong will submit the LTCWP to the state in 5-6 weeks. The snowmaking project will possibly go out to bid in January, February or March and be online in the fall of 2000.

RECESS FOR PUBLIC HEARINGS

At 10:00 am Director Cronin moved to recess the regular session to go into the public hearings.

RECONVENE

At 12:35 pm the Board reconvened to the regular meeting.

OLD BUSINESS

Water Line Easement/Berlin Water Use Agreement: This draft agreement, which includes a termination provision, was written for the District to avoid paying for the movement of the water line that crosses Berlin's property without an easement. Regardless of the agreement, Mike Wheat stated that Berlin will file a suit asking the court to intervene from shutting off water if that situation arises. Director Cronin stated that if the District agrees to supply water, we need to do it entirely. Director Radick would like the District to explore all its

options prior to entering into an agreement. *The Board directed Edwards to hold the agreement until further options are explored. Edwards will have Mike Wheat look into property ownership, prescriptive easement and condemnation.* If left with no other options, then the Board will work on an agreement. At this point, the District does not own the Cascade tank system and cannot enter into an agreement with Berlin to connect to the system that the District does not own.

BSOA Access Easement: Edwards reviewed the draft agreement for the access easement agreement with BSOA. Director Rothschilder reported that the ballot will go out to the BSOA membership in the next few days. As soon as this easement agreement is signed with BSOA, Westland/Simkins will deed the District the .43 acres next to the BSOA park. Directors are to submit any comments for changes to the draft agreement to Edwards.

Office Building Project: Edwards has talked to Per Hjarlmeson to do a review for structural engineering as the architect David Bearrs requested the review. Edwards will talk to Hjarlmeson and ask that the building meet code, not exceed it. Edwards has written follow up letters to Bing, Scott and Shea. Edwards has not received a response from Bing and will be talking with others for possible lease options for temporary office space.

Board Election Nominations: Edwards has talked with Shelly Vance and seven board members for the District may not be required. The Board would like a seven member "elected" board and avoid county appointments if possible. This will need to be resolved within the next 30 days and Mike Wheat will look into it. If appointments are mandatory, the Board will make recommendations to the county. There is no statutory requirement for notice of nominations.

Pending Litigation:

Cronins & Log Condominiums Inc--The hearing date on the motion for summary judgement has been set for July 6 at 8:30 am in Bozeman. Edwards will attend the hearing and Board members are also welcome to attend.

Discharge Permit Complaint--The state will ask that an EIS not be done as the District is under a compliance order. If an EIS is done, the board wanted to know who pays for it. The District's draft response to the discharge permit complaint, which was provided in the board packet, is due by the end of next week but Mike Wheat hopes to get it filed this week.

NEW BUSINESS

General Correspondence:

Y2K--Y2K responses have been coming in and there doesn't appear to be any problems.

Discharge Permit--The District has been receiving post cards objecting to the discharge permit.

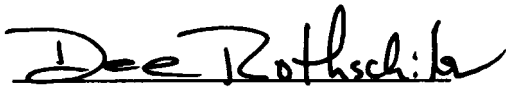
Fire Hydrant Use Agreement/4 Lot Minor Subdivision--As directed by the Board at the May 18 meeting, Edwards responded to Rusty Collier denying a request for fire hydrant use for a 4 lot minor subdivision in Section 20.

NEXT MEETING

A meeting will be held on Friday, June 25, 1999, at 8:00 am to adopt the FY 1999-2000 budget. The ordinances will be considered for adoption at the next regular Board meeting, which is tentatively scheduled for Tuesday, July 20, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Radick moved to adjourn the meeting at 1:00 pm.


Dee Rothschilder, Secretary

06-15-99.min (Board Approved 7/20/99)

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Public Hearing: Sewer and Water Rate Ordinance 97-1002 Amendments

June 15, 1999, 12:00 noon

BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 held a public hearing on Tuesday, June 15, 1999, beginning at 12:00 noon in the BSOA Conference Room to take public comment on the draft Sewer and Water Rate Ordinance 97-1002 Amendments. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Skip Radick, Packy Cronin and Jack Crowther were present. Director Bill Neece and Stewart Peacock were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, and Marlene Kennedy; MSE-HKM representative Ray Armstrong; Lone Peak Lookout writer Audrea Coury; and individuals from the public (see sign in sheet).

President Ingraham called the public hearing to order at 12:00 noon. Edwards reviewed the proposed amendments to the ordinance. The connection fees for sewer decrease and water connection fees are established with no net difference. The sewer rate would decrease from \$32.75 to \$25.75. The water rate would increase from 12.00 per SFE to 19.00 per SFE per month. The vacant lot charge will change from .5 SFE charge to flat rate of \$15.00 per month (\$7.50/sewer & \$7.50/water). A key provision is to eliminate the original exemptions of plant investment charges with the exception of legal agreements.

Mary Vitolo--I would like to comment that all your efforts and energy put into this is greatly appreciated. Ingraham--We are getting a little better. I would also like to acknowledged the work Harry Meabon has done for the district, both water and sewer.

Tom Vitolo--I would like to comment on eliminating the exemptions for the lots. There have been many of us for many years who paid on vacant lots and it was our understanding with your predecessors that this was in lieu of tap fees down the road. I don't think it is fair or equitable to collect that money from lot owners who owned vacant lots that have been paying something for 18-19 years. To suddenly tell them that if they don't have their project done by September 1 that their tap fees are going to be \$3,500 is unfair. There has got to be a more equitable way of doing it, somehow by giving them a partial credit or something. It just doesn't seem equitable. Ingraham--Yes, we have evaluated that and I'll let Mike and Ron give you some history. We have taken that into consideration, so it hasn't been just throw it out altogether without considering your point. Edwards--The operations and maintenance charges historically charged were never set aside for future capital improvements for new expansion and improvements. It was never set away to pay for your portion of expansion. We have looked at some of the letters and commitments from RID 305 and they are there and they talk about if you connect and pay these fees somehow you are exempt. But, does that make it right. I don't think so, because whatever investment as a lot owner you had in the original treatment facilities, and that was part of the reason for this commitment is that you are buying into a state of the art treatment system and you are taken care of under that, is gone. The problem is that we just raised that structure and spent \$600,000 to replace it and whatever investment was there for the treatment I think has depreciated to nothing. The sewer collection lines, yes we still see value there. We are trying to get away from all the special cases and special treatment.

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We feel that we are somewhat vulnerable having a class of lots that are exempt for PIC. It's my feeling that we need to look at doing away with that. Again, the board isn't necessarily in agreement on how we should do that. But, I think the time is here to start looking at eliminating that exemption. From a legal standpoint, we have had Mike Wheat and Mona Jamison look at it. Ingraham--The \$3,500 PIC is going for the future system to even upgrade this system to put in state of the art system which is part of our long term compliance order. Mike Wheat--Just a follow up, this has been an issue that every board has struggled with. They have struggled with the exemption on the one hand and on the other hand what they have tried to do is try to sever the board from all these special agreements that seem to exist everywhere in Big Sky. And, ultimately, once the new treatment facilities were in place the board came to us and asked what can we do with this exemption. Our opinion was that because the old system doesn't really exist, it has been depreciated out, it has been changed so substantially and there is even future projects that, now is the time when the board can give serious consideration to doing away with these exemptions. I understand there are not really that many lots, but again its a tough issue. And, if the board changed today, I don't think my opinion would change on the ability of the board to get rid of the exemptions but the board make up may change. From a legal point of view, because there is such a change and the same system no longer exists and the PIC is for future construction of these facilities, the District can do away with the exemptions. Edwards--Another point to make, it that when I first came here, we had a number of areas like in the original subdivisions we were charging vacant lots there because that was the history. New stuff we weren't charging vacant lot charges on but we were going to charge PIC. Well, we did a rate study and at the end of day we are charging all vacant lot charges under the same billing method and now we are looking at the same thing with PIC, making those uniform across the board. Ingraham--I think all of us, and I think there are a number of people on the board, might be in a position to have to incur some additional expense. I think there is also a number of us that feel that if we put that money to use and share it as equally as possible in the community, in the long run it will only improve the value of our property as well as the value of this community. So, it is an investment I think is well worth it even though it is an increase in costs. I think in the long run, it deserves an equal distribution of costs in taking care of both the sewer and water of this community and it is an important eliminate to the success of this community.

Cronin moved to adjourn the public hearing on the Sewer and Water Rate Ordinance 97-1002 at 12:20 pm. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes.


Dee Rothschilder, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Public Hearing: Water System Use Ordinance 99-1002

June 15, 1999, 11:00 am

BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 held a public hearing on Tuesday, June 15, 1999, beginning at 11:00 am in the BSOA Conference Room to take public comment on the draft Water System Use Ordinance 99-1002. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Skip Radick, Packy Cronin and Jack Crowther were present. Director Bill Neece and Stewart Peacock were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, and Marlene Kennedy; legal counsel Mike Wheat, MSE-HKM representative Ray Armstrong; Lone Peak Lookout writer Audrea Coury; and individuals from the public (see sign in sheet).

President Ingraham called the public hearing to order at 11:06 am.

Ingraham introduced legal counsel, Mike Wheat, noting that Wheat may be answering some of the questions. Edwards provided a background on the transfer of LMS to the District, explained the reasons for the Ordinance and then reviewed the key issues in the Ordinance.

Carol Toeppfer--With regards to Section 403, meter ownership, what about cases where the meter is already installed and owned by the homeowner. Edwards--The District will own the meter, and you wouldn't want to own it. Toeppfer--Are you going to buy it back? Edwards--We would not buy it back, but if it needs to be replaced in the future, we would replace it. This will need to be clarified in Section 403 and 1404.

Ralph Cole--Has mechanics of meter installation been worked out, do we set up appointments? Edwards--We haven't gotten that far yet. We basically will be bidding for bulk services on so many meters and work with a contractor in certain areas. Ralph Cole--I just wanted to know when we are supposed to be here. Edwards--If you have a property manager, we will be working with those people to get into places if the homeowners will not be here. I cannot tell you dates yet or that level of detail.

Becky Pape--Explained, according to her thinking, that resort tax funding was not provided for metering in the meadow because she believes that Boyne on the mountain uses more water and that is where metering should begin. She will be on the resort board two more years and she will urge her fellow board members not to fund metering unless Boyne is metered first. Understands that Summit had delayed payment schedule on impact fees and that is fine but certainly those impact fees are not the price of a meter and their meters will be more expensive than mine. Edwards--To clarify, Summit has a meter in their plumbing plan as well as Shoshone. The problem has been that no one has been reading the meters that were installed and there were about 100 residential meters installed under Lone Mountain Springs. Pape--Does not want to be part of a test study, but realizes that full time residents use more water than part time residents. At the same token, we have suffered more at the hands of the water company in the past. Balance the scales of justice and meter the people who caused the most problem first. Then, and only then will I let you meter us who have that free box of meters that were dished out and it makes it convenient for your test study, but it doesn't make it convenient for our lives. There is a tendency for repairs on water lines and there needs to be funding set aside for the replacement of the old lines and it is encouraging to see monies set aside. My belief is that the board is hoping

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we will cover all of the costs on the resort tax, which I tried to do as far as repairs go. Convincing other resort board members to further funding WSD project is a hard sell beyond the \$500,000. I really tried to push for this on the water side, but there are people on our board that say \$500,000 is enough. I have tried to be an advocate for it. Will the water system ever be profitable going forward. Edwards--We don't operate for profit. Pape--Will it ever be self supporting, where the District will ever had enough funds set aside to pay for replacement of things like the water tank recently requested or will there always be an outside special request from say the resort tax board. Edwards--Regarding resort tax, I would like to request for funding of the tank replacement again next year. We asked for about 1/3 of what we projected for the cost of a water tank for the Meadow would be. If it isn't funded, my next option will be to go to a bond issue to get a general obligation bond to build a project of that size. Pape--Only for the water tanks? Edwards--We could role it into sewer improvements and have one bond issue. Pape--The request would have mainly served the Cronin, Westland, Westfork developments. Edwards--That is not true, it benefits the meadow village area too as it would flow back into the meadow system. What we are trying to do is get away from every developer coming in and building their own fire storage because the county is going to say you need 240,000 gallons of fire flow for your development. And then, the district is expected to take over and run the little water tanks and fire storage. I don't want 14 water tanks in the meadow system. Two tanks would eventually suffice in the meadow if the tanks were upsized. From a maintenance standpoint two tanks are nice to have. By trying to get developers to put up money for a larger efforts, serves the meadow village better than letting the developers do there own thing. What we propose with Simkins, is that they have the ground, they got the elevation so that could provide enough pressure to all points in the system. Since the developers are going to spend money any way, get then to spend it on one big storage tank. Pape--The requirements of the state or county require a certain size and what was required should be paid by the developer. In essence what was proposed was for Simkins to pay 1/3 when they really should have been paying 2/3. Edwards--I would like to take another run at this and present more information that we now have. Pape--Last but not least, we pay for meter reading equipment and is that on the outside of the building or some remote. Edwards--Its a remote unit about the size of garage door opener that attaches to a box--its new technology, that picks up the meter signal. This system would eliminate the use of batteries, making maintenance less involved. But it is new, that is why I wanted the pilot study. Pape--That is okay, I'll pay for the pilot study and get the other board members to do what they can. Are those old meters obsolete with the new system? Edwards--No, they are compatible. Pape--Two things about the water system--with the water schedule, couldn't ordinance state you will employ water restrictions that will be posted and be set annually dependent on weather conditions. Pape--And lastly, I have a curb stop that is located outside the property line, and I have an agreement with Ron that I am responsible from the lot line in even though the curb stop is at the corner of Two Moons. Does that need to be noted in writing somewhere. Edwards--I gave you a letter when we were doing all this. Pape--With this ordinance, this is a unique situation and I was just asking. I just wanted you to know that there are some odd situations. Pape--What is the recapture rate of the water on the Yellowstone repairs? How is that going? And, what are you estimating we will recapture? Edwards--Last year we were at 366,000 gallons per day average, now we are at 261,000 gallons per day. Pape--If Big X knocked some siding of a unit at Yellowstone, do we report it to you or Bob Juel. Edwards--Let me know, as we have the contract with Big X. Edwards--It's a valid point on the irrigation hours, my preference

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would be to go ahead and say we have authority to change it. Ingraham--As posted each year. Ingraham--The District is trying to get to a two tank system in the meadow.

Director Radick moved to adjourn the public hearing on Water System Use Ordinance 99-1002 at 11:55. Director Cronin seconded the motion. Motion passed, 5 yea votes to 0 no votes.

A handwritten signature in cursive script, appearing to read "Dee Rothschild".

Dee Rothschild, Secretary

06-15-99.PH (Board Approved 7/20/99)

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Public Hearing: Fiscal Year 1999/2000 Budget

June 15, 1999, 10:00 am

BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 held a public hearing on Tuesday, June 15, 1999, beginning at 10:00 am in the BSOA Conference Room to take public comment on the proposed fiscal year 1999/2000 budget. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Skip Radick, Packy Cronin and Jack Crowther were present. Directors Bill Neece and Stewart Peacock were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, and Marlene Kennedy; Lone Peak Lookout writer Audrea Coury; and individuals from the public (see sign in sheet).

President Ingraham called the public hearing to order at 10:05 am. Introductions of board members and staff were made. Edwards stated that no board action will be taken at the public hearing. Dutton reviewed the proposed budget, noting that the increase in water rates will offset the decrease in the sewer rate so that administrative costs could be fairly spread between the water and sewer operating costs. The vacant lot charge is proposed to be reduced from .5 SFE to a flat rate of \$15 per month, a reduction of \$22.13 per quarter. An increase in SFEs for the year will be around 400. The Staff and Board defined the plant investment charges, state revolving fund payment and the Boyne annual payment for the public. The SRF loan payment is listed. On the pond landscaping, other parties have indicated that they will help out financially. With an increase in SFEs and a decrease in vacant lot charges, it nets to approximately a 5.7% increase in revenue without an increase in rates.

Comments and questions from the public included:

Carol Toeppfer--When will metering happen? Edwards--The Water Use Ordinance addresses that.

Mary Vitolo--Questioned the plant investment charge (PIC) and the elimination of exemptions. Edwards--The PIC will be addressed at the 12:00 noon hearing.

Mary Vitolo--What timeline is the District looking at in regards to pilot metering, and what are the timelines for water operations equipment purchases. Edwards--The board has authorized pilot metering and remote metering will begin this summer, funded by cash carryover. MSE-HKM will put together engineering specifications for buying equipment and labor installation in bulk. These costs will be incurred by the homeowner/customer, but with the bid process the customer should save some money. The District is currently replacing the water line at Yellowstone Condos and will also be working on water repairs on the mountain. Equipment needs are a trench box for safety purposes and a valve box exerciser to help prevent rusting. Vitolo--What will meter costs be to homeowners? Edwards--Don't hold me to these numbers, but approximate costs for single family home equipment will be about \$80 for a meter, \$70 for a remote read unit and installation will be determined through bid, possibly around \$100 per connection. Ingraham--Metering was not funded through resort tax, so the costs will have to be paid by the homeowners. However, the homeowner will have an option to pay over time. The pilot program will start this summer and the District should have a plan ready to review at the next board meeting.

Carol Toeppfer--All newer homes most likely already have meters and these homeowners should not have to pay for meters again when they have already bought one. Ingraham--The District is not sure that existing meters will work with the system we come up. We will get to metering in the most economical manner.

Tom Vitolo--Will metering installation require excavation? Edwards--No it should not, it will be in the crawl space or basement of the home and the remote read unit will plug into a 110 outlet. Excavation may be needed on commercial buildings or multi-family buildings that might require a meter pit installation. In some places, it would be hard to get metering down to a single unit. For this budget there is a flat rate proposed for water, but eventually the District will go through a meter rate structure. There will always be a base rate whether there is use or not.

Mary Vitolo--All the years vacant lot owners paid water & sewer rates with non use, shouldn't they be grandfathered or compensated for there non use. Edwards--Early on, Big Sky started the vacant lot charge through the tax roll to cover costs to run the system. The costs were always charge at .5 SFEs and as the rates have gone up, the total costs for a vacant lot were increased because they were tied to the .5 SFE charge. That is why a flat rate of \$15 is proposed. For many years, the vacant lot charge was really cheap. The charge was always rolled back into operation and maintenance it was never set aside for future capital. It was expensed into operation and maintenance.

Dee Rothschiller--Why is there a different number for water and sewer on the SFE count on Summit Hotel? Dutton--Water SFEs are calculated differently than sewer SFEs in some instances. Edwards--The District is using the same SFE schedule that LMS used. With the outside water assessment, the net will be a little bit higher because you'll pay more for water.

Harry Meabon--The charge for a hot tub will only make an increase in water SFEs charged. Edwards--If the hot tub drains into the public sewer system, there will also be sewer SFE charges. In addition, the SFEs are different due to some developments with only sewer or only water SFEs.

Mary Vitolo--Is the Hidden Village system different from the Meadow Village. Edwards--No.

Edwards--Written comments will be accepted until June 25.

Director Cronin moved to close the public hearing. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes.

With no further public comment, President Ingraham adjourned the public hearing.


Dee Rothschiller, Secretary

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

Acceptance of Monthly Financial Statements

Date 6/15/1999

The Board of Directors at its 6/15/1999 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of 5/31/199

Assets:	<u>\$ 14,615,680</u>
Liabilities	<u>\$ 6,500,871</u>
Equity	<u>\$ 8,114,809</u>

2 Income Statement as of 5/31/199

Total Revenues	<u>\$ 104,530</u>
Total Expenses	<u>\$ 93,211</u>
Net Revenues	<u>\$ 11,319</u>


Wendell Ingraham, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- May 18, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, May 18, 1999, in the BSOA Conference Room. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Bill Neece and Stewart Peacock (left at 8:45 am) were present. Directors Packy Cronin, Jack Crowther and Skip Radick were not present.

Others present were WSD staff Ron Edwards, Bill Dutton and Marlene Kennedy; Lone Peak Lookout writer Audrea Coury; and MSE-HKM representative Ray Armstrong arrived at 9:25.

President Ingraham called for public comment at 7:40 am.

PUBLIC FORUM

Coury asked about SFE sewer user fees as a method of billing. President Ingraham explained that the District is moving to metering and the District has applied for resort tax money for a pilot metering program. With no further public comment, President Ingraham called the meeting to order at 7:43 am.

APPROVAL OF MINUTES

Director Peacock moved to approve the April 20, 1999 regular meeting minutes as amended. Director Neece seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Ingraham voting.

FINANCIAL REPORT

April Financial Reports: The District is on target with revenues and 13% under on operating expenses. Dutton is to provide a description of account 1207, miscellaneous receivables, prior to the board signing the financials and is to also relabel the account to reflect it as the Boyne annual payment. Account 1022 is to be offset so that the assets and liabilities match. Dutton will review the financials and make the necessary corrections. The last draw on the state revolving fund (SRF) was completed last week. With all the recent construction, Dutton is to make sure that assets match insured values. According to Grant Burroughs, the Summit is not yet connected to the sewer system so Dutton will need to credit back the charges.

Director Neece moved to accept the unaudited April Financial Reports pending the review and outcome of account 1207 on the statement of conditions. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Ingraham voting. Dutton will prepare for signature a modified financial report with changes as discussed by the Board.

Short Term Investment Pool: Dutton recommended investing no more than 25% of the unrestricted and restricted cash on hand in the STIP.

Director Neece moved to approve a limit of no more than 25% of the unrestricted and restricted cash on hand to be invested in the STIP. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes. In regards to the investment, Dutton is to prepare a policy, for President Ingraham to sign.

Audit Service Proposals: Dutton noted that Knaub was the lowest bidder of the five bids received for the annual audit. Knaub bid \$5,200 for one year and \$4,700 per year for a three year contract. The Board discussed audit bids and the issue of leaving the selection of a firm to District staff Edwards and Dutton, stating that the following factors must be considered in the selection: turn around time, qualifications and who will do the best job. If A-Z is selected, Director Rothschiller recommended that it be stipulated that Jim Woy be the senior auditor on the project. Edwards recommended Knaub & Co, providing they are qualified, based on experience.

Director Peacock moved to accept Edwards' recommendation to go with Knaub & Co. for three years. Director Neece seconded the motion. Motion failed, 3 yea votes to 1 no vote which was cast by Director Rothschiller. The issue was tabled until the next board meeting as it was decided that a majority of the full board was needed.

FY 1999-2000 Draft Budget: With the new fiscal year budget, general administrative costs are proposed to be split between water and sewer operations. The split will decrease sewer fees by \$7 per month per SFE and increase water fees \$7 per month per SFE. A vacant lot charge was proposed at \$15 per month.

The Board set the public hearing for June 15, with the regular meeting being held first. The public hearings will start at 10:00 am with one hour to be allowed for each of the following subjects: FY 1999-2000 Budget, Water Ordinance, and Sewer Rate Ordinance Amendment.

Cash Proforma: Dutton noted that the cash proforma table included in the packet will be prepared for the monthly board meetings.

SEWER PERMITS

Sewer connection permit applications reviewed by the Board were:

1. RKE40514, Stoner Refund Request, Aspen Groves, Lot 24, Block A--SFEs: .35, Refund Request: \$1,225. Per Stoner's letter, the new homeowners do not intend on installing a hot tub that was on Stoner's original plans and requested plant investment charges refunded. Recommendation: Refund plant investment charges of \$1,225 (\$3,500 x .35 SFE)

The Board discussed and considered the refund request, but denied the request with the limited information currently available to the Board. If the house is not plumbed for a hot tub the Board may reconsider the request. At this time, the Board will not refund Stoner the plant investment charge as the project was built as a spec house and Stoner did not inform the board he did not intend on putting in a hot tub until months after the house sold. In the process of construction, it is the owners/builders responsibility to notify the District if construction will deviate from SFEs permitted.

Edwards will get a legal opinion on the refund issue using the permit date and the date of amendment to the ordinance. The Board directed Dutton to revise the District inspection sheet to provide for signatures by both the District and owner/permit applicant in verifying the SFEs.

2. 29004016, David Gasser, Cascade, Lot 250, Block 3--SFEs: 1.6, Fees: \$6,350 (PIC: \$5,600 & Connection/Inspection: \$750). Recommendation: Approval, has architectural review and approval.
3. RKE18984, Joan/David Traylor, Meadow Village, Lot 31, Block 3--SFEs: 1.6, Fees: \$750 (connection/inspection only). Recommendation: Approval, has architectural review and approval.

Director Neece moved to approve the noted sewer permit applications for Gasser and Traylor as submitted and fees as noted by District staff and to disapprove the Stoner refund request. Director Rothschiller seconded the motion. President Ingraham called for discussion. Motion failed, 2 yea votes to 2 no votes with President Ingraham voting.

Director Peacock moved to approve the sewer permit applications for Gasser and Traylor as submitted and fees as noted by District staff. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes.

Olsen, Cascade, Lot 260, Block 3: Dutton asked the Board if plant investment charges for Olsen's hot tub should be refunded. On May 17, Dutton completed the walk through and discovered that the hot tub drains to the ground, not into the sewer system. Dutton will reduce the monthly user fee .35 SFE for sewer and leave the hot tub water charge of .35 SFE. At this time, the Board will not refund plant investment charges paid for hot tubs previous to the ordinance amendment in January.

OPERATOR REPORTS

Sewer System Operations:

Monthly Report--Probably reflecting the I & I work from last fall, the flows are looking good--now averaging about 40% less than last year's flows. Using current flow estimates, Burroughs projects that the ponds will be filled at the end of June without irrigation. The irrigation system has been charged and is ready for the irrigation season. Edwards has met with the new golf course maintenance manager and believes that his goals are the same as the District's, which is to apply more water to the rough areas.

Irrigation Water Requests: The requests from the Chapel and BSOA to use treated waters for their irrigation needs was sent to DEQ for approval. DEQ is to send the District a letter granting approval for the irrigation with night time restrictions. Edwards is to explain the conditions to the BSOA and the Chapel, in writing, to which irrigation will be allowed. President Ingraham wants a signed formal agreement prepared for each project for District files.

Lone Moose Meadows--In regards to the District managing the wastewater treatment system at Lone Moose Meadows, the District has not yet signed a contract and the system has not yet been installed. Burroughs has talked with Gary McCrae to let them know that the District will want to see the system go in. Burroughs noted that Lone Moose will also need a licensed water operator for their water system. Edwards will update the Board at the next meeting. Edwards noted that all costs to prepare contracts, legal documents, etc. will be reimbursed by the developer.

Aeration Project--The pipes and fittings arrived today for the aeration project on pond 3, with an on line goal of June 1. Pond 1 aeration will be bid out with the snowmaking project.

Outfall Line Replacement Project--Edwards will have a meeting with Larry VanDyke to find out the start date on the outfall line replacement project.

Water System Operations:

Monthly Report--Edwards reviewed Jim Muscat's flow reports. Edwards will be meeting with Fluidyne in regards to the Cascade water system.

Backup Generator--Jack Eaton has estimated the delivery of the backup generator as this week.

Yellowstone Condominium Water System Replacement--The project is going slow, but there have not been any problems with the contractor, Big X. Resort tax funding for Schedule II of this project has been requested and allocation decisions will be made on May 19. If the resort tax board does not fund schedule II, Edwards will reallocate funds from this year's budget to complete the project.

Summit Water Use--The Board requested that staff verify the water source in regards to the Summit's water use.

Draft Water Line Easement/Berlin--The District is waiting for legal counsel to complete the draft document. Edwards has not yet seen their second draft.

Consumer Reports--There are requirements from the state to publish water quality results by November. Edwards will publish results in the local newspaper and also include the information in a fall newsletter.

Water Rights: The District is still working with DNRC on getting the water rights filed. A hearing will be scheduled by DNRC once they are satisfied with all the paperwork.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Discharge Permit Litigation: The complaint was given to the insurance company for coverage determination. Apparently, the parent company has not yet found the policy but the District did get a letter from Hoiness Labar representative that approved the District hiring their own legal counsel. Edwards would like to stay with Jamison and Cok, Wheat & Brown for representation.

Snowmaking Project: Edwards reported that the SBR system proposed is the first in Montana, but it is being using in other states. The state is more receptive to the system now, than in 1994 when it was proposed for the meadow system. Ray Armstrong provided an update on the snowmaking project. Armstrong is going through the SBR design criteria and will ask for deviations from the state to prevent a denial of the plan in the final submittal. MSE-HKM will use consultant David Stencil from Washington. The pond liner is proposed to be buried and riprapped not only for aesthetics but also for the protection from ice damage. The pond will be fenced, maybe fencing the whole site--aesthetics will be considered along with safety/security issues. The actual snowmaking site probably will not need to be fenced as signage may be sufficient. Armstrong should have an architectural preliminary building design available for review at the next board meeting. The Board assigned a committee of Directors Rothschiller and Cronin and District staff to meet with Boyne and Lone Moose Meadows representatives to get their approval on the preliminary architectural plant design. Armstrong will review the preliminary design with the staff and Board committee, possibly on June 1 at 9:30 am. Armstrong will schedule a drill rig for soil sampling as soon as the area is accessible.

Other than design for this summer, Armstrong is looking at the fall for beginning pond construction and site work. Delta Engineering will be here June 14 & 15 to look at the site and to also attend the board meeting.

Edwards asked that MSE-HKM thoroughly review Delta pay requests before signing off on them and forwarding them to the District for payment. Armstrong was cautioned that the District will not be receptive to engineering change orders.

OLD BUSINESS

Office Building Project/Shea's & PUD Request: Edwards reported that the office building committee recommended denying Shea's request to move the fence. The committee also recommended not purchasing the Meadow Center Unit K office space from Bing as offered. Edwards will inform Bing of the Boards decision and ask for a month to month extension on the office lease. As a follow up to funding questions on using MOU money to finance the office building, Mike Wheat's conclusion, per the agreement, was that the District could use the money at its discretion. The committee recommended using a portion of the MOU money, intercap at 4.5% for 10 years, and financing the remaining costs through a commercial loan. In regards to the PUD, the District needs to proceed with their plans and

cannot wait for approval of the PUD. Edwards is to inform Jerry Scott of the Board's decision to proceed with the office building and parking area and that the PUD would have to pay for the improvements at the time of construction in consideration for a lease.

Water Use Ordinance 99-1001: Review Before Third Reading: Edwards included the draft document in his manager's report. The issue of licensed plumbers tying into the water main was discussed, Edwards will check into State requirements and the ordinance will cite state statutes/law. Armstrong has reviewed the metering section and his comments have been incorporated into the ordinance. In regards to setting a base rate and volume charges with billing through meter use, Armstrong does not feel the MSE-HKM plan for billing has been refined/analyzed sufficiently for the board to review. Armstrong will present the rate plan at the June 15 meeting. Capital improvements also need to be built into the rate, Edwards will get that information to Armstrong.

Resort Tax Funding Request: May 5 Meeting Report: Edwards attended the resort tax meeting on May 5 on behalf of the District. He answered questions presented, and came away feeling that the resort tax board may not provide much additional funding.

Neil Consulting Response Letter: Edwards distributed a payment demand letter from Jake Neil and his draft response. The District has not received any work from Neil, however, Integrated GeoScience completed their work as a subcontractor to Neil. John Brown recommended that Neil be paid for the subcontractor work and copy the letter to Integrated GeoScience. The Board advised Edwards to send his letter to Neil.

Amendment to Sewer Rate Ordinance 97-1002:

Edwards distributed a draft amendment of the rate ordinance that would, among other things, eliminate the current exemptions of the plant investment charge. This amendment proposal will go to public hearing on June 15. The board will consider public comments on June 15, but a decision to adopt will be made at a future board meeting.

NEW BUSINESS

Schedule Public Hearings: FY 1999-2000 Budget, Water Ordinance, Sewer Rate Ordinance Amendment:

Board Election Nominations: Terms for five (5) board members expire in November, with the election on November 2. Nomination papers must be filed between June and August. Edwards has asked Gallatin County Clerk & Recorder Shelley Vance for an opinion on the appointments. Neece said that he originally applied to the county for the appointment, and he questions that appointment process. Edwards will discuss this with Shelly Vance and follow up with a letter to the County Commissioners asking for a clarification of the responsibility of their appointees. Neece recommended inviting a Madison and Gallatin County Commission representative to the July meeting to present the clarification.

Fire Hydrant Use Agreement: Correspondence from Allied Engineering requesting District fire hydrant use for the 4-lot Ridgeview Minor Subdivision in Section 20 near Beehive Basin was discussed by the Board. Due to the liability, the Board recommended to not enter into an agreement to provide fire hydrant use. The Board did not feel the District should accept the responsibility to provide water outside of the District boundaries. Edwards will contact legal counsel for an opinion.

NEXT MEETING

The next regular Board meeting is tentatively scheduled for Tuesday, June 15, 1999, at 7:30 am in the BSOA office.

During the review of the draft budget, the Board scheduled the public hearings for June 15, with the regular meeting being held first. The public hearings will start at 10:00 am with one hour to be allowed for each of the following subjects: FY 1999-2000 Budget, Water Use Ordinance, and Sewer Rate Ordinance Amendment.

ADJOURNMENT

Director Neece moved to adjourn the meeting at 11:35 pm.


Dee Rothschild, Secretary

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

Acceptance of Monthly Financial Statements

Date 5/18/1999

The Board of Directors at its 5/18/1999 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

Statement of Condition as of	4/30/199
Assets:	<u>\$ 14,592,515</u>
Liabilities	<u>\$ 6,500,287</u>
Equity	<u>\$ 8,092,228</u>

2 Income Statement as of	4/30/199
Total Revenues	<u>\$ 474,336</u>
Total Expenses	<u>\$ 95,875</u>
Net Revenues	<u>\$ 378,461</u>


Wendell Ingraham, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- April 20, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting at 7:30 am on Tuesday, April 20, 1999, in the BSOA Conference Room. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Stewart Peacock (arrived at 8:10 am), Packy Cronin and Jack Crowther were present. Director Skip Radick participated via phone on the Aspen Groves II issue. Director Bill Neece was not in attendance.

Others present were WSD staff Ron Edwards, Bill Dutton, Grant Burroughs, Jim Muscat and Marlene Kennedy; Lone Peak Lookout writer Audrae Coury; and the following individuals from the public Curley Shea, Dennis Stoner and Brad Lartigue.

With no public comment, President Ingraham called the meeting to order at 7:46 am.

AMEND AGENDA

To accommodate Curley Shea, Director Cronin moved to amend the agenda to first address Item VII. A., Request to Move District Fence. Director Rothschiller seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Ingraham voting.

Shea requested permission to move the District fence that is currently located west of the First Place Restaurant as it is directly in front of the dining room windows. Shea would pay all costs to move the fence and control parking per the Board's concerns. Shea was also in agreement with the Meadow Village Commercial Center PUD plan to make the area parking. The Board delayed responding to the request until they have made decisions about the proposed District office building. The office building committee will meet in a few days and make recommendations to the Board.

APPROVAL OF MINUTES

Director Crowther moved to approve the March 23, 1999, Regular Meeting minutes as corrected. Director Rothschiller seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Ingraham voting.

Director Rothschiller moved to approve the March 31, 1999, Special Meeting minutes as written. Director Crowther seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Ingraham voting.

Director Cronin moved to approve the April 13, 1999, Special Meeting minutes as written. Director Rothschiller seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Ingraham voting.

FINANCIAL REPORT

March Financial Reports

Dutton reported that, overall, the budget is on target. Snowmaking costs will be submitted for SRF reimbursement.

Director Rothschiller moved to accept the unaudited March financial reports as presented. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes.

Short Term Investment Pool

Dutton provided information in the packet for the Board to review regarding the Short Term Investment Pool. Dutton is comfortable with the plan and recommended the Board use it in addition to other bank accounts. President Ingraham requested that Dutton show the Board how he is investing District money and the logic behind it. Director Crowther requested that no more than 35% of District money be invested in the pool.

FY 1999-2000 Draft Budget

As a follow up to the last board meeting, budget committee members Crowther, Ingraham, Dutton and Edwards will meet on Thursday at 9:00 am to work on the draft budget prior to presenting it to the entire Board.

SEWER CONNECTION PERMITS

A copy and summary of the sewer connection permit applications to be reviewed by the Board were provided in the Board packet. Applications reviewed were:

1. RKE19265, Lot 9, Blk 4, Sweetgrass Hills, McGuire--3.0 SFEs, Fees: \$750. Recommend approval.
2. RLE19332, Lot 14, Blk 6, Westfork Meadows, Halvorson--1.8 SFEs, Fees: \$750. Recommend approval.

Director Crowther moved to approve the sewer permit applications for McGuire and Halvorson as submitted and fees as noted by District staff. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

3. 29004292, Waters--permit extension request: Expires May 4, 1999. Recommend extension to May 4, 2000.
4. 29002700, Hopple--permit extension request: Expires July 7, 1999. Recommend extension to July 7, 2000.

Director Crowther moved to approve the permit extension requests for Waters and Hopple per staff recommendation. Director Rothschiller seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

5. RLE39463, Lartigue--request to change billable SFEs. During final walk through, it was discovered that one additional bedroom (.4 SFE) was built that was not on the approved plans. District staff subsequently billed Lartigue an additional \$1,400 in plant investment charges, plus an increase in quarterly water and sewer charges.

Lartigue asked for reprieve on the additional SFE charge as the room in question on the main level is being used solely for office space. And, if he had know the closet inclusion

was the criteria of office vs bedroom, he would not have built the closet. Lartigue offered to remodel.

The Board denied Lartigue's request for adjustment of the SFEs as the bedroom definition in the Ordinance is precise and does not allow for deviation in regards to actual use. For the Board to reverse SFE charges, Lartigue would have frame up the closet and sheet rock and then have another walk through done by the District.

Lartigue also inquired about the water line freeze up situation that occurred this past winter. District staff suspect the line is too shallow and it will be investigated further this summer.

6. Aspen Groves Phase II--Conveyance of Sewer Lines. Edwards distributed a draft conveyance agreement that stipulates a warranty security agreement and an additional cash deposit of \$5,000, which is about 4 times the engineers estimates of the value of punch listed items. The work must be done by June 1 or the developer will forfeit the \$5,000 to the District.

Director Crowther moved to accept the conveyance document as amended. Director Rothschiller seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting. Director Radick abstained from voting.

President Ingraham recommended that similar agreements in the future be calculated using a percent of the estimated cost.

7. RKE40836, Lot 7, Blk D, Aspen Groves II, Stoner--1.6 SFEs, Fees: \$6,350.

Director Rothschiller moved to approve Stoner's sewer application in Aspen Groves Phase II conditional on Radick signing the conveyance document and making the cash deposit per the agreement. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

OPERATOR REPORTS

Sewer System Operations:

Monthly Report: Burroughs distributed flow comparison charts, projecting that the pond full date is June 23, 1999. Pond 3 is full and the filters are shut down until irrigation starts. Burroughs suggested irrigation start up for the first week in May for the horse pasture.

Tract 8: Director Rothschiller stated that BSAA would like to use Tract 8 area for parking during their Willie Nelson concert. Edwards noted that their are above ground irrigation lines that would have to be moved prior to using this area and he would check into the logistics.

Aspen Groves: Burroughs is to closely monitor the Aspen Groves Subdivision--Phase II project to make sure that all punch list items are done.

Line Cleaning: Due to gravel in the lines, a house in Southfork had the sewer back up in their crawl space. Petticoat Pipe Cleaning has been hired to clean the lines in Southfork Phase I and to also clean some lines in Westfork.

Aeration Project: Electrical work will begin at the end of this week and be on line in June.

Water System Operations:

Monthly Report: Muscat reported that there are no big surprises with flows. Microcom installed the telemetry central control in the filter building, moving it from the Shoshone. HV well #1 is now hooked up for automatic control. Microcom will need to return to work on the Cascade well. Overall, the telemetry system will be advantageous to the District for trouble shooting.

Cascade Water System: The District will keep the old Cascade tank on line for a full winter to make sure the PRV system works. Muscat would like a warranty from the date accepted forward to be put in the water ordinance and conveyance.

Backup Generator: Jack Eaton has reported that the generator will be delivered the first week in May.

Yellowstone Condominium Water System Replacement Project: The bid opening was April 2, with two companies bidding: Big X (David Hough) and Williams Plumbing. Big X was awarded the bid, coming in close to the engineers estimate at \$51,399 for Schedule I (half of the project) and \$93,515 for Schedules I and II (entire project). Edwards signed the notice of award for Schedule I. Big X will start the project on April 26 with the preconstruction meeting at 10:00 am on April 21. A resort tax request has been submitted for the remaining \$43,515. If it is not funded, Edwards would still like the District to complete the project this year. Edwards has asked Allied for a proposal for construction inspection.

Berlin Request--Draft Water Service Agreement: Edwards distributed a draft easement for Berlin's request to tie into the water system in exchange for an easement for the District water line to stay on their property. It was written without a revocable easement, Edwards will spell out Berlin's responsibility in regards to fire storage/hydrants.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Discharge Permit: The District received the lawsuit on March 31, we have 40 days to acknowledge receipt. Edwards has asked Mona Jamison for a verbal opinion on when a response is needed. Hoiness Labar has been asked for a formal response on whether the District is covered on D & O insurance and, if so, that the District have input on selecting legal counsel. The District Board wants Mona Jamison in the loop for representation and Edwards is to get approval from Hoiness Labar for including Jamison. Jamison has filed a motion to intervene on behalf of the District in the Environmental Review Board hearing.

President Ingraham would like a couple of board members to volunteer as a legal committee (possibly Cronin and Crowther) that oversees the legal issues the District is involved in.

Snowmaking Project: The lease agreement with Boyne has been signed. Todd Teegarden, DEQ, will now be able to do his EA. MSE-HKM Engineering is recommending an SBR system and Edwards supports the recommendation if the costs are comparable. To prevent the proposed SBR system from slowing down DEQ review and approval, Teegarden has been asked for input on the SBR system.

Treatment Plant Land Transfer: The agreement has been signed by all parties (Westland/TM, Boyne and WSD). The access easement issue with BSOA is still being worked on, with an appraisal currently being done by BSOA.

Press Release: Edwards is to do a press release, first approaching BSOA to get the easement. The press release is to include data on the money saving factor on the land transfer, the necessity of working together and compromising to benefit the community. If possible, Edwards is to contact the state to include a quote from the DEQ.

OLD BUSINESS

Office Building Project: The lease for the District office expires in September. Doug Bing quoted an offer of \$164,000 for the unit. To be fair to Bing, the Board needs to make a timely decision on whether to purchase the unit. The building committee will possibly meet on Friday, with board authorization to proceed as the committee recommends, but keeping in mind due diligence. The committee is to report to the board on actions they have taken. Edwards distributed building drawings done by David Bearrs.

Director Peacock moved to authorize the building committee to proceed as the committee recommends and to keep the full board informed. Director Rothschiller seconded the motion. Motion passed, 5 yea votes to 0 no votes.

Water Use Ordinance 99-1001: Second Reading: Edwards briefly reviewed the revisions made to the document from the comments received at the last board meeting. Legal counsel still needs to review the draft ordinance. Edwards will include a reference in Section 1401, "per installation schedule mandated by the District." Include Section 1411, that District prefers that all units are metered and, if so, the District can bill individually or provide combined billing to the association.

Director Cronin moved to accept the second reading of Ordinance 99-1001. Director Peacock seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

Resort Tax Funding Request: Report on Meeting: Mike Richards has announced that about 1.3 million in resort tax funds will be available for awarding, 1.9 has been requested. The Resort Tax District Board will meet on May 5 to review the requests with allocation awards scheduled for May 19.

NEW BUSINESS

Request from Curly Shea to Move District Fence: The Board considered Shea's request at the beginning of the meeting.

General Correspondence: The Board discussed the letter received from Pattison regarding personal use of district vehicles. Edwards recommended that District policy be amended to include that the operators are on call and that vehicles are needed. In the case of Edwards and Burroughs, since they drive from Bozeman, the vehicle use back and forth to work must be acknowledged as compensation at 15%. Barajas and Muscat live in Big Sky, and their vehicles can have 5% personal use and have authorized riders. This is also to be considered as part of the employees compensation benefit package. Board members and district employees are the only authorized drivers of District vehicles.

Work Schedule: Edwards stated his need to leave early a few times a week due to family commitments. The Board agreed to Edwards request.

Y2K: Edwards is working to document that all items are Y2K compliant.

NEXT MEETING

The next regular Board meeting is tentatively scheduled for Tuesday, May 18, 1999, at 7:30 am in the BSOA office.

The Budget committee will meet on Thursday, April 22, at 9:00 am.

ADJOURNMENT

Director Peacock moved to adjourn the meeting at 10:45 am. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes.



Dee Rothschild, Secretary

Acceptance of Monthly Financial Statements

The Board of Directors at its 4/20/99 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of 3/31/1999

Assets:	<u>\$ 14,546,100</u>
Liabilities	<u>\$ 6,582,514</u>
Equity	<u>\$ 7,963,586</u>

2 Income Statement as of 3/31/1999

Total Revenues	\$ 169,558
Total Expenses	\$ 113,715
Net Revenues	\$ 55,843

Wendell Ingraham
Wendell Ingraham, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Special Meeting -- March 31, 1999, 8:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a special meeting for 8:30 am on Wednesday, March 31, 1999, in the BSOA Conference Room. President Wendell Ingraham, Secretary Dee Rothschiller, Directors Skip Radick and Jack Crowther and General Manager Ron Edwards were present. Directors Bill Neece, Stewart Peacock and Packy Cronin were not present.

PUBLIC FORUM

With no public comment, President Ingraham called the meeting to order at 8:40 am.

DRAFT RESORT TAX APPLICATION: Edwards presented the draft resort tax applications to the Board for review, comments and revisions. The office building project was eliminated from the draft. Edwards is to finalize the applications for the April 7th Resort Tax Board Meeting.

NEXT MEETING

The next regular Board meeting is tentatively scheduled for Tuesday, April 20, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

With no other business, the meeting was adjourned at 9:30 am.


Dee Rothschiller, Secretary

I:\office\meetings\minutes\1999\03-31-99.min (Board Approved 4/20/99)

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Special Meeting -- April 13, 1999, 2:00 pm
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a special meeting for 2:00 pm on Tuesday, April 13, 1999, in the BSOA Conference Room. President Wendell Ingraham and Secretary Dee Rothschilder (arrived at 3:05 pm) and Directors Bill Neece, Stewart Peacock, Packy Cronin and Skip Radick (via phone from 4:50-5:05 pm for the Aspen Groves issue) were present. Director Jack Crowther was not present.

Others present were WSD staff Ron Edwards, Jim Muscat, Bill Dutton, and Marlene Kennedy.

PUBLIC FORUM

With no public comment, President Ingraham called the meeting to order at 2:15 am.

DRAFT WATER USE ORDINANCE 99-1001: Edwards reviewed the draft water ordinance and his recommended revisions. The Board directed Edwards to research the legal authority the District has under Montana law to turn off water, and also to have legal counsel review the specific section in the ordinance. Regarding the transfer of ownership of new water extensions, Edwards is to check with Ray Armstrong on the two-year warranty period, possibly changing it to a limited warranty on the second year.

Directors are to review the ordinance and give any additional comments to Edwards at the April 20 meeting.

AMEND AGENDA

Peacock moved to amend the agenda to address Aspen Groves Phase II. Director Neece seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

ASPEN GROVES PHASE II: TRANSFER OF SEWER

Edwards reviewed the punch list items to be completed on the Aspen Groves Phase II sewer system prior to formal conveyance. Beginning at 4:50 pm, Director Radick participated in this issue via phone. Due to frozen conditions in Aspen Groves, Radick's contractor Williams Plumbing & Heating has requested additional time to complete the work after the ground thaws. Therefore, Radick has requested that the Board consider accepting the system prior to all the punch list items being complete as it would be at least a month before the frost is out of the ground and do so to allow sewer permits to be processed in Phase II. In consideration, Radick stated his willingness to post additional bond for any work that cannot be done now as an additional condition for acceptance. The Board discussed the request and that an amendment to the District Sewer Use Ordinance may be required. Edwards suggested that Radick could complete gravel removal per punch list and then post an additional cash payment as a provision of the conveyance agreement, and include language that ensures that all punch list work must be done by a certain date or the cash payment would be forfeited to the District. Edwards will consult with legal counsel if this approach works from a legal stand point and, if so, add language to the conveyance agreement and present this information to the Board at their April 20 meeting.

FY 1999-2000 DRAFT BUDGET:

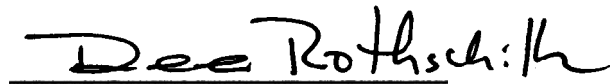
Bill Dutton presented the draft budget to the Board. Director Peacock left the meeting at 5:10 PM. Jack Crowther and Wendell Ingraham were again appointed to serve as the Budget Committee.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, April 20, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Neece moved to adjourn the meeting at 5:40 pm. Director Ingraham seconded the motion. Motion passed, 4 yea votes to 0 no votes.

A handwritten signature in black ink, reading "Dee Rothschild". The signature is written in a cursive, flowing style. The first name "Dee" is written in a simple, slightly stylized font. The last name "Rothschild" is written in a more complex, cursive script. The signature is positioned above a horizontal line.

Dee Rothschild, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- March 23, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, March 23, 1999, in the BSOA Conference Room. President Wendell Ingraham and Secretary Dee Rothschiller and Directors Bill Neece, Stewart Peacock (left at 8:30 am), Packy Cronin, Jack Crowther and Skip Radick (arrived at 10:00 am) were present.

Others present were WSD staff Ron Edwards, Bill Dutton, Grant Burroughs, Jim Muscat and Marlene Kennedy; Lone Peak Lookout writer Audrae Coury; Allied Engineering representative Terry Threlkeld; Fire District representatives Dick Wambsgan, Bob Stober and Kirk Dige; and the following individuals from the public Eric Ossario, Jerry Scott, and Robert Berlin.

President Ingraham called for public comment at 7:35 am.

PUBLIC FORUM

Bob Stober requested a WSD ownership/mailing list for fire prevention mailings. The Board approved Stober's request. With no further public comment, President Ingraham called the meeting to order at 7:35 am.

APPROVAL OF MINUTES

Director Rothschiller moved to approve the February 16, 1999, Regular Meeting minutes as corrected. Director Neece seconded the motion. Motion carried, 6 yeas votes to 0 no votes with President Ingraham voting. Director Radick was not present for this vote.

FINANCIAL REPORT

February Financial Reports: Bill Dutton reviewed the February financial reports. The District's FY 1998-1999 budget is basically on target for income and expenses. The bank collateral reports show the District is adequately covered. The budget process has been started for FY 1999-2000 and a draft will be presented to the Board at their April meeting.

Director Crowther moved to accept the unaudited February financial reports as submitted. Director Rothschiller seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Ingraham voting. Director Radick was not present for this vote.

Short Term Investment Pool: Dutton explained the short term investment pool offered through the Montana Board of Investments. *The Board directed Dutton to get their portfolio and to check with our accountants for their view on the program and then present it to the Board.*

Black Mountain Utility Billing: Discussion tabled for the budget meeting.

Insurance: Dutton informed the Board that effective March 17 Hoiness Labar will be providing D&O insurance coverage as they provided a better rate than First West. In next fiscal year's budget, the Board may add more than the current 15 million in earthquake coverage.

SEWER CONNECTION PERMITS

Edwards distributed a list indicating all the sewer permits approved since 1996. Going into this meeting, there is a balance of 42.5 SFEs remaining. The Board agreed to approve the applications submitted as of today, but was unanimous in saying that no other permits will be approved until the agreements for the snowmaking leases with Boyne and the agreement for the land transfer with Westland/TM are signed. *Edwards is to publish a notice in paper that permitting is suspended. Edwards is to send Boyne a letter stating what is happening and the deadlines. If the agreements are not signed within two weeks from today (April 6), Edwards is to send Boyne a bill retroactive with all accrued penalties, billing for the full amount of user fee and impact/connection fee, and that it is not refundable once it is billed.*

The sewer connection permit applications reviewed by the Board were:

- RKE18804--Crail Creek Condos Units 617-620, Tract 6, Block 2. SFEs: 5.6. Fees: \$41,200. Recommend approval conditional on receiving a state permit and architectural approval.
2. RKE18804--Crail Creek Condos Units 620-624, Tract 6, Block 2. SFEs: 5.6. Fees: \$41,200. Recommend approval conditional on receiving a state permit and architectural approval.
3. RKE40501--Barton, Aspen Groves I, Lot 11, Block A. SFEs: 1.4. Fees: \$5,650. Recommend approval as BSOA approval has been received.
4. RKE40836--Stoner, Aspen Groves II, Lot 7, Block D. SFEs: 1.6. Fees: 6,350. Recommend tabling until Aspen Groves Phase II sewer system has been transferred and conveyed to the District. Architectural approval is also needed. Edwards noted Radick's preference to have applications approved in Phase II and he would ensure that the punch list items be done by posting additional money, using the cost estimate from the engineer. Burroughs has looked at the cost estimate of \$1,170 and thought it was low. Burroughs estimated it would be \$2,000 if the District did the work. The Board unanimously agreed that this application will be tabled and that no SFEs will be permitted for property that does not have the system formally transferred and conveyed.
5. RKE39478--Hanzel, Southfork I, Lot 20. SFEs: 1.4. Fees: \$5,650. Recommend approval, architectural approval was received on March 22.
6. RKE39466--Chandler, Southfork I, Lot 8. SFEs: 1.2. Fees: \$4,950. Recommend conditional approval subject to architectural committee approval.
7. RLE41424, Cronin, Southfork II, Lot 19. SFEs: 1.6. Fees: \$6,350. Recommend approval, architectural approval was received on March 22.

Director Crowther moved to approve the sewer permit applications as recommended by District staff with noted fees and conditions. Director Peacock seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting. Director Radick was not present for this vote.

AMEND AGENDA

Director Neece moved to amend the agenda to address the Conflict of Interest Policy, Item VII, A, while Director Peacock was available.

CONFLICT OF INTEREST POLICY, SECOND READING

Director Neece moved to waive the second reading of the Conflict of Interest Policy. Director Cronin seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting. Director Radick was not present for this vote.

Director Rothschiller moved to accept the third reading of the Conflict of Interest Policy as written. Director Peacock seconded the motion. Motion passed, 6 yea votes to 0 no votes with a voice vote as follows: Neece--yea, Cronin--yea, Peacock--yea, Crowther--yea, Rothschiller--yea, Ingraham--yea. Director Radick was not present for this vote.

OPERATOR REPORTS

Sewer System Operations:

Monthly Flow Report--Burroughs distributed the flow report, updating the Board on the total flows from February and March. Filtering began on March 10, producing 3/4 million gallons of treated water a day that is going into pond 3. Without irrigating, and not figuring in freeboard capacity, Burroughs projected that both ponds will be filled around July 6. Burroughs thinks we have plenty of storage capacity as irrigation was started on May 7 last year.

Aeration Project--Edwards provided an update on the aeration project, seeing no problem with getting the aeration on line in a month or so after the ice melts.

Water System Operations:

Edwards stated that Muscat has been sending the fire district his weekly report and asked Stober if the reports have been given to his board. They had not. Edwards asked Stober to distribute future WSD weekly reports to his fire district board.

Monthly Usage Report--Mountain water usage is up, probably due to leaks at Arrowhead Condos and Boyne's line to the upper mountain restrooms. The Arrowhead line is the District's responsibility and will be fixed after the resort closes. The Board inquired about provisions for billing Boyne for their leak. Edwards stated that even though Boyne's mountain line is metered, Boyne will not be billed according to metered flow until a water rate ordinance is in place. *The Board directed Edwards to send Boyne a strong notice requesting that the line be shut off as a conservation issue.*

Storage Building Project--Muscat invited the Board to visit the finished storage building. Edwards commended the work of Muscat and Barajas in finishing the building and organizing the inventory. Edwards asked for Board permission to sell off, trade or dispose of inventory that is not useful to the district.

Director Neece moved to allow the manager the discretion to properly dispose of unnecessary District inventory. An itemized list, documenting disposal method, must be provided. Director Crowther seconded the motion. Motion passed, 5 yeas to 0 no votes with President Ingraham voting. Directors Peacock and Radick were not present for this vote.

Backup Generator--The generator for Spotted Elk is on order with delivery to Big Sky expected in early May. Edwards will talk with Jack Eaton later this week on Eaton's progress in finding used generators for the other pump houses. When questioned, the fire district representatives responded they felt comfortable with what the WSD is doing in regards to generators.

Yellowstone Condominium Water System Replacement--Muscat reported that Yellowstone Condominiums has been identified as the greatest single source of leakage in the meadow system. Terry Threlkeld, Allied Engineering, has been hired to do the engineering on this project and reported to the Board on his progress. Threlkeld reported that Stober's input is in the replacement plan. The project has been divided into two schedules, with cost estimates for the approximate 1,000 feet of 8" replacement pipe at \$45,000 per schedule. This estimate is without metering installed, but equipped to accept two water meters. An advertisement is ready for Edwards' review and publication. Bid opening could be in two weeks. Edwards recommended doing the entire project, applying for additional resort tax funds for any amount over the \$50,000 that has already been allocated from the resort tax for leak repair. Yellowstone has not offered to pay for any costs, but there are a few line items that Yellowstone could possibly be approached for picking up their minor costs.

Director Neece moved to authorize the manager to advertise the Yellowstone Condo replacement line project for bid. Director Crowther seconded the motion. Motion passed, 4 yeas to 0 no votes with President Ingraham voting. Secretary Rothschiller and Directors Peacock and Radick were not present for this vote.

Berlin Water Service Request--Edwards noted that this property is outside of the water/sewer district. However, this water line that serves Skycrest Condominiums was installed through this property with no recorded easements. Approximately 400 feet of line cuts across the 4.3 acres of property that Berlin is purchasing. Terry Threlkeld, Allied Engineering, explained that he is working for Robert Berlin, and that Berlin would like to work out a water service agreement to use the water system in consideration for an easement. Berlin is not asking to tie into the sewer system. The development is proposed for retail space and two individual condominium units. Threlkeld estimated the cost to move the line to highway right-of-way at \$50 per foot of pipe. President Ingraham said he doesn't see a problem in providing water as long as the District has capacity and that it did

not cause a problem legally. Edwards received a letter from legal counsel, John Brown with a conclusion that the District can sell water outside of the district boundaries as long as there is a surplus. Brown recommended that if the District pursues this that an agreement be entered into that could be revoked if supply becomes an issue. Berlin's response was that in turn he would also like the agreement to stipulate that the line be moved if the agreement is revoked. The Board discussed prescriptive easement and condemning the land. Threlkeld is to provide some numbers on the water supply. The tap would be a metered main extension and Edwards would have an agreement that spells out that Berlin would be responsible for the main extension. Edwards recommended that engineering numbers be supplied by Threlkeld, enter into an agreement that can be revoked if water surplus no longer exists, that the District is not responsible for the main extension, and record an easement at Madison County. Berlin is willing to pay impact fee, etc. Edwards is to come up with an draft agreement for the Board to review.

Director Crowther moved to direct Edwards to prepare a draft agreement to sell water to Berlin in exchange for an easement to the property. Director Rothschiller seconded the motion. Motion passed, 5 yea votes to 0 no votes.

Water Facilities Plan/Water Modeling Plan--Terry Threlkeld, Allied Engineering, presented an update on the water modeling plan that they finished. Threlkeld also prepared a cost estimate to complete the water facilities plan. Edwards would like the cost to be around \$25,000 for finishing the facilities plan. Edwards will review the proposal and delete items that are not needed.

Water Modeling-- Threlkeld reviewed the findings from the computer water model. Westfork was the worst place in the Meadow in regards to pressure. Fire flows throughout the Meadow do not meet the 2,000 gpm that is required by the fire district . Threlkeld noted that Paul Cronin is going to put in a tank in Blue Grouse and proposed to the WSD Board to consider combining the systems, and cost sharing on a 400-600,000 gallon tank for around \$200,000. A new tank at higher elevation would improve water pressure and fire flows. Cronin would contribute the land and contribute up to \$100,000 for this project. Dick Wambsgan requested that Threlkeld present this to the Westfork Architectural Committee at their next meeting. President Ingraham requested Edwards to get all parties together, Cronin, Westfork and Westland/TM, and take advantage of this opportunity. Edwards is to present a request for this project to the resort tax board. Threlkeld will present the situation to Westfork at no charge, Edwards will also attend the Westfork meeting. Edwards and Threlkeld will work on a presentation to the resort tax.

Water Rights & Assets Transfers--Transfer certificates have been filed with DNRC and the District's waiting for approval.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Discharge Permit--Request for Environmental Review Board Appeal:

Edwards has talked with Mona Jamison and she feels that they will move to dismiss the appeal. Jamison has recommended that the District file a "Motion to Intervene".

Director Cronin moved to file a motion for the District to intervene in the case brought by the environmental groups as per recommended by legal counsel. Director Neece seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting. Director Radick did not vote on this motion.

Snowmaking Project:

Lease Agreement--Brian Wheeler is meeting with Steve Barrett and Steve Kircher to get the agreements signed this week. Edwards is to send a letter saying the agreement must be completed within two weeks, April 6, per earlier discussion.

Snowmaking Project Design Contract with MSE-HKM--The District has signed a contract with MSE-HKM for the snowmaking project and Delta is a subcontractor to MSE-HKM.

Treatment Plant Land Transfer--Edwards received a letter from Westland TM's attorney that requested minor changes to the draft agreement provided in the board packet, but the agreement is close to being complete. Landscaping will be included per an exhibit.

OLD BUSINESS

Meadow Village PUD--Response to Lot Use Request from Jerry Scott:

Scott restated to the Board what area the PUD was requesting for parking lot use. All the work will be done in one phase, with the PUD paying for engineering and parking lot improvements (asphalt and maintenance) in a manner acceptable to the District, in return for use. Edwards informed the Board of what the office building committee has been looking at a new building and its footprint. The architect needs to work out a site plan prior to the Board committing to what the parking lot should look like. Scott asked that the Board approve the request subject to the architects review and approval. If the District is ahead of the PUD, Scott said that the District and MV Association will have to enter into an agreement to reimburse the District. The association has not designated any reserve parking or addressed parking enforcement. The Board asked that Scott have the MV association come up with a preliminary solution on parking enforcement issues.

DEQ Water Quality Study: Edwards updated the board on the DEQ study, it has not been fully funded. DEQ will try to get funding, carrying this project over for another year. Edwards recommended moving ahead with the GIS mapping portion of the study.

Director Crowther moved to authorize Edwards to sign a contract with Integrated Geoscience not to exceed \$13,500 with the understanding that this is the money allocated for the DEQ water quality study project. Director Radick seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

Office Building Project: The committee met with architect David Bearrs on March 22, his proposal was \$5,800 for the first phase to design a building. The committee recommended that the District hire Bearrs. Director Rothschilder recommended that the committee take expansion into consideration when designing the building and site plan.

Director Radick moved to enter into a contract to work with David Bearrs to produce a site plan and building design with parking configuration. Director Cronin seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

Paul F. & Janet C. Cronin & Log Condominiums Inc. vs. WSD:

Attorney Max Davis has filed a motion to dismiss the two cases. Edwards is unsure of a time frame for action.

Safety Manual: Edwards reported that the Safety Manual is done.

BSOA Easement Issue: Edwards received a letter from BSOA Executive Administrator Russ DeRemer that asked the District to draft an easement document for BSOA review and to also pay for an appraisal on the land. If the BSOA appraisal comes in at less than \$80,000, the BSOA will not have to go to the membership for review. The Board agreed to prepare a draft document, but denied the appraisal request.

NEW BUSINESS

Water Use Ordinance 99-1001, First Reading:

Edwards reported that Ray Armstrong reviewed the document and made a few changes in the area of metering.

Director Neece moved to accept the first reading of the Water Use Ordinance 99-1001. Director Crowther seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

Resort Tax Funding Request: Edwards will prepare resort tax funding requests for the following projects: Yellowstone Condominium line replacement, leak detection, office building, sewer projects, water meters, Meadow Village water tank project, and the DEQ water quality study as a separate application.

General Correspondence: No discussion

NEXT MEETING

Edwards is to schedule a Water Ordinance meeting in the second week in April, sometime after the 11th.

The next regular Board meeting is tentatively scheduled for Tuesday, April 20, 1999, at 7:30 am in the BSOA office.

ADJOURNMENT

Director Rothschiller moved to adjourn the meeting at 10:52 am.



Dee Rothschiller, Secretary

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

Acceptance of Monthly Financial Statements

Date 23-Mar-99

The Board of Directors at its 3/23/99 Board meeting reviewed and accepted the financial statments
as follows (amounts are rounded to the nearest dollar):

Statement of Condition as of	2/28/199
Assets:	<u>\$ 14,397,188</u>
Liabilities	<u>\$ 6,494,941</u>
Equity	<u>\$ 7,902,247</u>

2 Income Statement as of	2/28/199
Total Revenues	<u>\$ 388,111</u>
Total Expenses	<u>\$ 91,643</u>
Net Revenues	<u><u>\$ 296,468</u></u>


Wendell Ingraham, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- February 16, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, February 16, 1999, in the BSOA Conference Room. President Wendell Ingraham, Secretary Dee Rothschiller and Directors Bill Neece, Stewart Peacock (left at 8:30), Skip Radick (arrived at 8:45), Packy Cronin and Jack Crowther (left at 9:30) were present.

Others present were WSD staff Ron Edwards, Bill Dutton, Grant Burroughs, Jim Muscat and Marlene Kennedy; MSE-HKM representative Ray Armstrong; and Lone Peak Lookout writer Audrea Courey.

With no public comment, President Ingraham called the meeting to order at 7:40 am.

APPROVAL OF MINUTES

Director Crowther moved to approve the January 19, 1999, regular meeting minutes as written. Director Peacock seconded the motion. Motion carried, 6 yea votes to 0 no votes with President Ingraham voting. Director Radick was not present for this vote.

ORDINANCE & POLICY AMENDMENTS

District Policy Amendment: *Director Rothschiller moved to approve the policy & procedure manual amendments, as presented, allowing a minimum of a one-half hour and up to a one-hour meal period. Director Crowther seconded the motion. Motion unanimously passed, 6 yea votes to 0 no votes. Director Radick was not present for this vote.*

Conflict of Interest Policy: The first draft of the conflict of interest policy, prepared by legal counsel John Brown, was presented to the Board. The policy basically follows State statute. *Director Neece moved to accept the first reading of the Conflict of Interest Policy. Director Crowther seconded the motion. Motion passed, 7 yea votes to 0 no votes with President Ingraham voting.*

Once the policy is adopted, Edwards will ask Board members to complete the Business Disclosure Statement form and submit it to the District Office. The District will then submit all the forms to the State.

Amendment to Ordinance 97-1002, Third Reading: Edwards reviewed the proposed amendments and recommended adopting Ordinance 97-1002 as presented on third reading, with the original exemption language. Directors Neece and Crowther disclosed that they both own vacant lots in Meadow Village that are currently exempt from the plant investment charges (PIC). The Board discussed the PIC exemption issue. Director Neece proposed allowing an exemption of PICs up to 1.5 SFEs on an original subdivision lot and apply PICs on any SFEs over 1.5. Director Radick was comfortable with Edwards recommendation, but urge the Board to deal with the exemption issue. Director Peacock noted that until CI 75 decisions are made, the ordinance should be adopted per Edwards recommendation. Director Cronin stated that he would like the elimination of exemptions of PICs to occur immediately as with the other proposed ordinance amendments. In

addition, if the District is not able to make a decision on the exemption issue due to CI 75, any action should be tabled until next month and then the Board can deal with adopting all amendments. Director Crowther was in favor of Edwards' recommendation. Director Rothschiller agreed with Edward's recommendation. Edwards reviewed a timetable presented in the manager's report that scheduled a public hearing in May on an amendment to eliminate the exemption provision in Ordinance 97-1002 and a water connection charge would be added.

Director Peacock moved to adopt amended ordinance 97-1002 as presented with the original exemption language. Director Radick seconded the motion. Motion passed, 6 yea votes to 1 no vote, with a voice vote of the Directors as follows: Neece--yea, Radick--yea, Peacock--yea, Cronin--no, Crowther--yea, Rothschiller--yea, and Ingraham--yea.

AMEND AGENDA

Director Neece moved to amend the agenda to have Jerry Scott to present the Meadow Village PUD, Item VIII.

MEADOW VILLAGE PUD

Jerry Scott presented the Meadow Village PUD plan to the Board, noting benefits to planning the Meadow Village Commercial Center. The PUD plan proposes leasing District land for parking for 10-15 years. All parking lot improvements and landscaping would be paid by the PUD. Scott would like the District to agree to the concept and then to consider allowing the use of District property for parking area. Director Radick asked Scott if the PUD would pay for paving, etc. of District property if a portion of it was reserved for a District office building. Scott stated that those in the PUD are willing to work with the District. Director Rothschiller raised concerns over enforcement of parking violations. Edwards asked Scott if the SFEs allotted for Minor Sub 91 would cover the PUD needs/plans. Scott will work with the District on this issue, however, Boyne has indicated they will make it work if necessary. Scott would like the District's conditional approval on the PUD plans, subject to the District locating its building. Edwards stated that the office building committee will meet in another week and the committee should be able to make a recommendation to the Board at their March meeting. Scott will have a new rendering drawn which will show the existing treatment plant and the site of a potential District office building. Burroughs expressed concern over semi trucks delivering chemicals having access to the treatment plant building.

FINANCIAL REPORT

January Financial Reports: Dutton reviewed the financial report noting that we are basically on target. President Ingraham suggested that Dutton look into financial training courses. Following up on board concerns from the January meeting, Dutton informed the Board that QuickBooks is Y2K compliant.

Director Radick moved to accept the unaudited January financial reports. Director Rothschiller seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting. Director Peacock was not present for the financial report.

Authorization to Open New Bank Accounts: Dutton requested that the Board sign authorization forms to open new accounts at American Bank as Big Sky Western has not offered to collateralize amounts over \$900,000. President Ingraham asked that Dutton get a financial statement on the assets of the banks we have accounts at and then present this information to the Board. The Board will then make their decision on where to set up District accounts according to the information.

Director Rothschiller moved to open the two new bank accounts at American Bank. Director Neece seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Ingraham voting.

Review Project Funding Analysis: As a source of comparative data, Edwards presented two spreadsheets showing the projected capital projects and annual debt service payments. Focusing on the accelerated SRF amortization schedule, Edwards recommended not building an office building at this time. Edwards will need to get an interpretation from the resort tax district on prepaying the SRF loans. Radick and Ingraham noted that we probably should not prepay with the \$250,000 as there is potential to earn more in interest and prepaying may jeopardize resort tax funding. A separate bond will be needed for the advanced treatment plant.

Earthquake Insurance: Dutton reported that 15 million in earthquake coverage has been purchased.

AMEND AGENDA

Director Neece moved to amend the agenda to address Item IX, B. Office Building Project.

OFFICE BUILDING PROJECT

Director Neece reported on the following facts discussed by the committee: the office lease expires in September, the current monthly rent of \$1,600 a month could be applied to a building, and the building should only be planned for the needs of the District. The committee requested that the Board decide if it wants the committee to proceed with an office building. The Board recommended proceeding and the committee will make a recommendation to the Board at their March meeting, including the use of District property for parking lot for the PUD as requested by Jerry Scott. The committee will meet on Wednesday, February 24, 8:30 am.

OPERATOR REPORTS

Sewer System Operations:

Monthly Report--Burroughs distributed the flow report, noting that we are running at about the 1995 levels and the pond volume is running in line with the flume reports.

Storage Building Project--Edwards reported that the storage building is just about done and equipment will be moved in next week.

Aeration Project--Ray Armstrong, MSE-HKM, discussed the project and provided cost estimates of \$105,000 to complete the whole project for pond #1. Because of the cost,

Armstrong recommended including it in the snowmaking project. A cost cutting area would be to install only one blower and if it happens to go down, it may cause shut down for a week or so with potential of some odor occurring. Armstrong stated that the blower is essentially to reduce odor in the summer months and informed the Board that in the spring there will always be some odor. The electrical will be done as discussed and approved at a previous board meeting.

Water System Operations: Monthly Report--Muscat distributed a water production report that showed production rates slightly up on the mountain and down in the meadow. The mountain increase is mainly due to the Arrowhead leak and that will be fixed in the spring. President Ingraham inquired about a public inquiry he has received about low water pressure in the Westfork area. Muscat and Edwards explained the low water tank elevation may be causing low pressure in this area. Edwards stated that the water facilities plan and modeling will include this area to evaluate potential improvements to correct the pressure problem.

Backup Generator--Jack Eaton has ordered one generator for the Spotted Elk well pumphouse. Eaton is still looking for used or leased equipment for the other two Meadow Village booster stations. Edwards is to send Bob Stober a letter and bring him up to date on the generators.

Water Facilities Plan: Water Modeling--Allied Engineering has completed the model and will present it to the District on February 23, 10:00 am. Directors Neece, Cronin and Crowther (the committee which selected the engineer) will attend the presentation.

Water Facilities Plan: Facilities Plan Completion--Edwards has not heard anything from Neil Consultants and they have not followed through with the contract termination provisions. Edwards has contacted Mike Wheat for legal input. The District essentially has absolutely nothing to show for Neil's time. Edwards does not intend on paying Neil until everything is resolved. Edwards will ask for documentation and stop by Neil's office this week when he is in Great Falls at the AWWA conference.

Yellowstone Condominium Water System Replacement--Allied Engineering is nearing completion of the engineering plans and specifications and plans to go to bid in late February or early March.

Water Rights & Assets Transfers--As of last week, four applications for water rights for the meadow have been filed with DNRC. Mountain water rights still need cleaning up, but this will wait until the Meadow rights has been resolved. Mike Wheat is working on the Transfer Certificates to transfer ownership interest from LMS and/or Boyne to the District.

Water Metering Program--At the request of President Ingraham, Edwards has been looking into District-wide metering. Edwards reviewed his outline for metering the water system. Edwards discussed requiring meters within 3 years, using remote Itron radio read units and contract with the power company to have them read. Ray Armstrong, MSE-HKM, recommended that the meter installation be provided by one or two plumbers as

there could be potential problems with installation mistakes if left up to the homeowner. Armstrong explained a couple of options for billing with meter reading.

The board recommended purchasing meters and contracting for installation. Edwards is to pursue funding possibly by going to the resort tax district with another request and/or to come up a system for charges on the water bill for a meter and installation. Edwards is to include water metering on the hearing schedule outlined in his manager's report. Edwards is to put in the ordinance the scenario of one main going into two legal parcels where the owners are responsible for individual metering. Edwards and Armstrong will come up with billing scenarios to present to the Board at their March meeting.

Cascade Water System-- It was discovered last week that the Cascade booster station was frozen and appeared to have quite a bit of damage. Edwards is to send a letter to Boyne clarifying the District's position in regards to the punch list (telemetry, etc) sent in an earlier letter, noting that Boyne has not fulfilled their obligations and that the Cascade water system has not been conveyed to the District. Edwards is to copy the letter to anyone that may have an interest.

INTERIM ACTION WORK PLAN (IAWP) REPORT

Project Close-Outs: Grant Burroughs is closing out a few items with Ray Armstrong.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Discharge Permit: Edwards reported that Armstrong sent a letter stating that the discharge permit issued by DEQ works with the long term facilities plan. Edwards is to follow-up with Mona Jamison for her review of the permit.

Snowmaking Project--Lease Agreement: There is an issue in regards to the renewal language/lease term that Mike Wheat is to work out with Steve Barrett. Edwards will make phone contact with board members to get their approval and Wheat will push to get Boyne to sign the lease agreement. Todd Teegarden, DEQ, cannot complete the EA until the lease agreement is signed.

Snowmaking Project--Design Contract: Ray Armstrong stated that MSE-HKM left the draft contract as written even though they did not agree with the language as there are a lot of things out of their control. It was noted that Delta's fixed price include engineering costs. Armstrong noted some potential problems with sole sourcing, but believes those issues are resolved. Edwards asked the Board to look over the draft contract and get back to him with any changes by Friday.

Director Neece moved to allow Edwards to proceed with finalizing the contract after consulting with legal counsel. Director Rothschiller seconded the motion. Motion passed 5 yea votes to 0 no votes with President Ingraham voting.

Edwards and Armstrong will travel to Island Park, Idaho, to view their snowmaking plant.

Treatment Plant Land Transfer Report: The draft Westland agreement was provided in the manager's report. The revised draft was faxed to Westland's late last week. Westland's would like the District to cost share in the PUD, an estimate of \$32,000 based on the acreage for the treatment plant. The agreement has been modified to reflect this provision. The BSOA access issue has come down to Westland/TM agreeing to dedicate .43 acres to the District to be used at its discretion. The BSOA will meet on Friday and we should have an answer then.

OTHER BUSINESS

DEQ Water Quality Study: DEQ is moving ahead with the revised project. The District is still involved, Moonlight is in for \$10,000 and Edwards is not aware of others involvement.


General Correspondence: The Board discussed the letter from Hopple's who took out a sewer permit last summer, have not yet connected, and are now asking for a reduced user charge. Edwards recommended not refunding any charges, but to let Hopple's know the rate ordinance was amended and the charges will be changed to a vacant lot charge, effective 2/16/99, until they are hooked up.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, March 16, 1999, at 7:00 am in the BSOA office.

ADJOURNMENT

Director Neece moved to adjourn the meeting at 11:20 am.


Dee Rothschild, Secretary

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

Acceptance of Monthly Financial Statements

Date 16-Feb-99

The Board of Directors at its 2/16/99 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of 1/31/1999

Assets: \$ 14,056,184

Liabilities	\$ 4,453,746
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Equity	\$ 9,602,438
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2 Income Statement as of 1/31/199

Total Revenues \$ 158,879

Total Expenses	\$ 77,922
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Net Revenues	\$	80,957
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Wendell Ingraham
Wendell Ingraham, President

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting -- January 19, 1999, 7:30 am
BSOA Conference Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 7:30 am on Tuesday, January 19, 1999, in the BSOA Conference Room. President Wendell Ingraham and Directors Bill Neece, Stewart Peacock, and Jack Crowther were present. Via telephone, Secretary Dee Rothschiller was present for discussion and voting on amendments to Ordinances 97-1001 and 97-1002. Directors Packy Cronin and Skip Radick were not present.

Others present were WSD staff Ron Edwards, Bill Dutton, Grant Burroughs, Jim Muscat and Marlene Kennedy; and Lone Peak Lookout writer Audrae Courey.

With no public comment, President Ingraham called the meeting to order at 7:36 am.

APPROVAL OF MINUTES

Director Neece moved to approve the December 18, 1998, regular meeting minutes as written. Director Crowther seconded the motion. Motion carried, 4 yea votes to 0 no votes with President Ingraham voting.

FINANCIAL REPORT

December Financial Reports: Dutton reviewed the December Financial Reports. Edwards will release the developer bond liabilities for Snowcrest and Southfork this month if there are no issues. President Ingraham asked Dutton to bill Boyne for the settlement agreement annual payment of \$250,000 prior to the April 1 due date. The second of three installments for Summit's plant investment charges (\$315,000) is due October 7, 1999. Any money left over in the line item budget for sewer repairs will go towards the sewer outfall line project. The Workers' Compensation Insurance, line item #5015, was over budgeted because of the transfer from Montana State Fund to Liberty Northwest. Six months into the budget year, we are basically on target with overall expenses and revenue. Mark Barajas has been hired as full time employee and given credit for his time while a temporary employee. The maintenance storage building will cost approximately \$135,000 to complete.

Director Neece moved to accept the December Financial Reports as presented. Director Crowther second the motion. Motion passed, 4 yea votes to 0 no votes with President Ingraham voting.

AMEND AGENDA

Director Crowther moved to amend the agenda to address Item IX: Ordinance 97-1001 and 97-1002 Amendments and Item VIII: Director Indemnification. Director Peacock seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Ingraham voting.

ORDINANCE AMENDMENTS

Ordinance 97-1001: With Secretary Rothschiller participating via telephone, Edwards reviewed the new proposed amendments to Ordinance 97-1001. The jacuzzi section on Exhibit B was modified to eliminate sewer charges for a jacuzzi not connected to the system.

Director Neece moved to accept amended Ordinance 97-1001 in the final reading with proposed changes as presented. Director Peacock seconded the motion. Motion passed, 5 yea votes to 0 no votes with a voice vote as follows: Director Neece--yea, Director Peacock--yea, Director Crowther--yea, Secretary Rothschiller--yea, and President Ingraham--yea.

Ordinance 97-1002: Edwards reviewed the proposed changes in Ordinance 97-1002 noting the September 1999 effective date to eliminate the plant investment charge (PIC) exemption on lots in Meadow Village, Sweetgrass Hills and Cascade. The legal exemptions will still exist. Edwards would like to amend the ordinance to incorporate a water service connection charge if CI 75 is invalidated. The Board discussed the PIC exemption section and the penalty provisions in Article III and set the penalty at \$500 per SFE. Edwards also noted that according to the Bylaws, a two thirds majority (at least 5 board members) of the board must vote in favor of the ordinance amendment.

Director Crowther moved to amend Ordinance 97-1002 to include in Article III a penalty of \$500 per SFE or portion thereof, with a minimum penalty of \$500. Director Neece seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

The Directors discussed the vacant lot charge and will revisit the issue when setting the budget for fiscal year 1999/2000.

Director Crowther moved to adopt the amended Ordinance 97-1002 as presented and with noted corrections. Director Peacock seconded the motion. Motion failed on a voice vote of 4 yea votes to 1 no vote. The Directors voted as follows: Neece--no, Peacock--yea, Crowther--yea, Rothschiller--yea, and Ingraham--yea. For the record, Director Neece noted that he voted no on the proposed ordinance amendment because vacant lot owners currently exempt from paying plant investment charges would not be compensated in the elimination of the exemption.

President Ingraham requested that a special meeting be scheduled to discuss and resolve the PIC issue.

DIRECTOR INDEMNIFICATION

Director Neece moved to waive the three readings of Ordinance 99-1001, Director Indemnification. Director Peacock seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Ingraham voting.

Director Peacock moved to accept Ordinance 99-1001, Director Indemnification. Director Crowther seconded the motion. Motion passed, 5 yea votes to 0 no votes with a voice vote as follows: Director Neece--yea, Director Peacock--yea, Director Crowther--yea, Secretary Rothschiller--yea and President Ingraham--yea.

BOARD MEETING ATTENDANCE

Due to prior commitments, Director Peacock and Secretary Rothschiller were not able to continue participating in the meeting after 8:50 am. President Ingraham asked that meetings be scheduled when all board members can attend the meetings. In addition, President Ingraham asked that board members be notified that the President expects all board members to be available for the meetings, either in person or via phone.

OPERATOR REPORTS

Sewer System Operations:

Flow Report: Grant Burroughs reviewed the flow comparison report, noting that the District is 20 million gallons under last years' flow.

Storage Building: The power to the recirc building has failed and Edwards is looking at tying the recirc building into the storage building with conduit. Failure may have been caused by corrosion over time or even may be due to recent construction. Muscat provided estimates for building a loft, insulation, sheet rock, and electrical work for the storage building. Edwards noted an approximate \$50,000 expense if electrical is provided for blowers in pond #1. After considering the benefits and the expenses of aerating the ponds, the Board agreed to move ahead with the aeration on pond #1. Edwards said the expenses will be submitted to SRF for reimbursement. President Ingraham asked that Edwards gather more information and present it to the Board at their meeting in February.

By approving the financials with the amounts for the storage/maintenance building at \$135,000 and the blowers at \$55,000, no additional board action was required for this staff request. The Board approved up to \$32,000 in additional money to be used for completing projects (electrical, blowers, loft, etc.) as discussed.

Water System Operations:

Monthly Report: Muscat prepared charts showing that water production is way down, and this is likely due to fixing leaks.

Backup Generator: Edwards reported that Jack Eaton is working on getting generators.

Telemetry: Microcom plans on being in Big Sky in February to work on the system.

Water Facilities Plan: Edward wrote a letter to Neil Consultants requesting that they send whatever product they have done. Directors Neece and Cronin agreed to hire Allied Engineering to work on the water modeling. Edwards will work on a contract to finish the facilities plan once he receives the information from Neil Consultants.

Water Rights Transfer: The meadow and mountain submittals will be filed individually, hopefully by the end of January. Edwards said there shouldn't be any surprises.

IAWP REPORT

There is \$14,343 remaining on the SRF and it will be used on the blowers.

LONG TERM COMPLIANCE WORK PLAN (LTCWP) REPORT

Discharge Permit Application Status: DEQ approved the discharge permit on Friday, January 15. It was limited to 15 million gallons per year during a four month period. Edwards will check with MSE-HKM to make sure that the permit volume will work with

the LTCWP. Edwards will draft a letter to DEQ noting that the District would like the flexibility to increase the discharge volume if needed and this can be reviewed at the 5-year renewal time. Edwards will request a deadline amendment to DEQs compliance order to the year 2001.

Snowmaking Project:

Lease Agreement--Edwards reported that a faxed copy of Wheat's lease agreement was attached to his Manager's report. The only issue may be the compensation to Boyne, since the amendment to the rate ordinance was not adopted. Per Board direction, Edwards will modify the agreement to reflect refund of user fees will occur from the date the agreement is signed. As soon as the snowmaking agreement is signed with Boyne, the Board would like to get started with the snowmaking project.

Snowmaking RFP--Edwards received one submittal from MSE-HKM and a draft contract has been sent to them. The cost estimate for engineering is \$559,000. Edwards has requested that MSE-HKM provide a breakdown of these costs as they are higher than what we originally went to the public with and Delta's engineering costs seem high. Edwards will invite MSE-HKM to the next meeting as a kick-off to this snowmaking. Edwards has got a legal opinion from Mona Jamison that says the district can use the remaining SRF funds for snowmaking. Edwards is to include Boyne in the pre-conference talks on the snowmaking.

Westland/TM Land Transfer: Edwards talked to Clint Lytle, MSE-HKM, last week and the only hang up seems to be a required PUD. Westland representatives would like the District to cost share at 30% for the District and 70% for the developer. The Board will specify a 30% cost share not to exceed a maximum of dollars. Lytle is working on the cost estimates. Road improvements are proposed at 50/50 cost share. Edwards presented the gated road access to the BSOA board last week. It is his understanding that they were favorable and have appointed a committee to meet with Westlands as BSOA would like to get trail access and acreage. The Board said this is a BSOA and District deal, it does not involve Westlands for the District's gated access. The Board requested Russ DeRemer, BSOA Executive Director, to participate in the conversation and reiterated that the access is solely for the benefit of the District. Edwards is to write a letter on behalf of the Board that clarifies the position of the District. DeRemer requested that a copy of an agreement with the District and BSOA also be provided.

NEW DEVELOPMENTS

Jerry Scott has requested to be on the February agenda to present the proposed Meadow Village PUD.

WATER QUALITY STUDY

In response to comments DEQ has received on the District's discharge permit, DEQ would like to complete a water quality study but change the original scope. Edwards is working with the engineer to get the cost of the project down to about half of the original estimate. Edwards has told DEQ the District will still contribute \$50,000, but thinks that it will be about \$30,000. Lee Poole, Moonlight Basin, will be talking to Boyne and other developers

to get them involved.

POLICY AMENDMENT

Edwards suggested amending the policy to allow a minimum of .5 hour lunch and up to 1 hour. The Board members agreed that Edwards could amend the policy manual as he suggested.

BURLIN PROPERTY BY SUMMIT VIEW LAND

On behalf of Burlin, Allied Engineering wrote a letter to the District asking that Burlin be allowed to hook into the water system since the District water line encroaches onto his property. Burlin will provide an easement for District lines if allowed to connect. Edwards will look into the legal aspects and linear foot costs of moving the line. The Board will require a meter main with an agreement if Burlin is allowed to connect.

Y2K

Edwards said he has checked with Black Mountain and they have reported that the utility billing software is okay. Edwards will check with Montana Power and others that provide service and get a letter that confirms there will not be an interruption in service due to Y2K.

LEGISLATIVE ISSUE

There is one bill proposed in the legislature that would eliminate the ability to charge the property owner for delinquent user fees when they were incurred by a renter. Edwards is in contact with Mona Jamison about this and other legislation and will keep the Board apprised.

NEXT MEETING

The next regular Board meeting is tentatively scheduled for Tuesday, February 16, 1999, at 7:00 am in the BSOA office.

ADJOURNMENT

Director Neece moved to adjourn the meeting at 11:15 am. Director Crowther seconded the motion.



Dee Rothschiller, Secretary

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

Acceptance of Monthly Financial Statements

Date 19-Jan-99

The Board of Directors at its 1/19/99 Board meeting reviewed and accepted the financial statements as follows (amounts are rounded to the nearest dollar):

1 Statement of Condition as of	12/31/98
Assets:	<u>\$ 14,006,712</u>
Liabilities	<u>\$ 6,485,231</u>
Equity	<u>\$ 7,521,481</u>

2 Income Statement as of	12/31/98
Total Revenues	<u>\$ 412,554</u>
Total Expenses	<u>\$ 210,389</u>
Net Revenues	<u>\$ 202,165</u>


Wendell Ingraham, President