

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – February 11, 2010
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting to begin at 8:00 am on Thursday, February 11, 2010, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Directors Dick Allgood, Jeff Daniels, and Betsey Weltner. Vice-President Gary McRae, Secretary Dick Fast, and Director Bill Olson were not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were Arrowhead Condominiums Owner's Association representatives Jack Blossman and Bob Biggerstaff.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:14 am.

MEETING MINUTES

Director Daniels moved to approve the minutes of December 15, 2009, as written. Director Allgood seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith noted that several large expenses came in for the sewer department—he expects a loose of \$50,000-\$75,000 due to vehicle crashes, increased electrical costs, and sewer line repairs. Smith doesn't think the numbers are as bad as they look and doesn't recommend raising the sewer rates. Smith believes that we should stay at the rate we have for a couple more years. Edwards noted that the revenues are also down, which is due to the slow down. Smith reported that we are on target, or favorable, with the budget which is due to the water side revenues. Smith underestimated the SRF loans and that is why that is unfavorable. Smith said the cause for the increase in the electrical costs (about \$8,000) hasn't been pinpointed. Edwards said that Burroughs feels that it may due to the blowers. Burroughs reported that he doesn't feel that they are operating the plant any different then previous years. The only thing that they could contribute the electrical cost increase to be from was that there was a problem with the blowers and the filters have since been changed and they will keep an eye on that. Burroughs said that this may not be it, but they haven't changed any of their operations. *President Cronin advised routine upkeep and maintenance of the filters. Director Daniels asked that the staff have a report on the situation next meeting.*

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

Smith will have a preliminary budget for the next meeting with a final budget to present at the June meeting. *If any board members want to participate in the budget preparation, please contact Edwards.* Smith had the audit report available for any board member interested in reviewing a copy.

SEWER OPERATIONS

Burroughs distributed the flow reports and stated that the flows are down for 2009. Burroughs felt that decrease in flows could be due to the economy, or due to fixing lines. Directors Daniels and Allgood both felt that the reduced flows correspond with the down turn in the skier count.

Biosolids Report: Burroughs distributed the completed 2009 Biosolids Annual Report that gives the figures for sludge/composting measurements. The report will be submitted to the EPA. The digesters are now running very efficiently and we have reduced sludge which means that we don't have the need to make as much compost. The current permit is effective to 2012 and then it will have to be renewed. Director Weltner asked if the District has any liability with distributing its compost. Edwards said that, as with anything, there is liability. Burroughs stated that he feels that we have a lot bigger liability issues, such as someone climbing a fence and drowning in a pond, but there is liability with the compost, too.

WATER OPERATIONS

Muscat reported that Yellowstone Club water use is creeping down a little bit and this could indicate that they have fixed some leaks. The Meadow Village production is up a little over last year, but Muscat did not have a definite explanation for this. A couple of residences had lines burst and he felt that this could be some of the increase. However, leak detection will be done in the spring due to lines being damaged by the boring work done by 3 Rivers. President Cronin stated that with the 3 Rivers' boring, the District needs to have a strategy for repairing their damage and recovering the costs. Edwards reported that he has been communicating with 3 Rivers regarding the damaged lines and that we have been sending 3 Rivers our repair bills for compensation, but at some point that retainage could be exhausted. Edwards stated that aggressive leak detection will be done this summer. Muscat noted that we are in an extremely defensive situation with underground lines as we don't know if we have problems until water surfaces. According to Muscat, the District will have to invest more in leak detection this summer, but it will be impossible to find all the problems as leak detection is not an exact science. *President Cronin wants it out in the open now and for the District to find any problems that might be related to the boring work done by 3 Rivers.*

Meadow Village Well #3 & Mountain Village Well #3 Rehabilitation Work: Edwards noted that Mark Cunnane provided a report on Meadow Village well 3 and Mountain Village well 3 rehabilitation work and the full report is online. Cunnane recommended re-drilling MV well 3. Muscat stated that Mountain Village well 3 is a poor producing well and it would probably make more sense to start over than to fix this well that is near the lake. Edwards feels that, because of water rights, it is not practical to re-drill Mountain Village well 3 and he recommended focusing on the meadow wells.

Mountain Lake Well: Edwards reported that Leonard Liston/Mountain Lake Development will be working on their required well this summer, but the agreement allows until 2011 for completion. Edwards said that we are talking with the engineer about re-drilling this well to 8". If production warrants, the pump can be upsized.

BUSINESS ACTION & PRIORITY ITEMS

Arrowhead Condominiums Owner's Association: Edwards explained that he received a letter from Jack Blossman on behalf of the association that essentially asks for approval to build a new manager's apartment. Edwards has discussed the project with the builder, Bob Biggerstaff, and had them explain the project to the board. Jack Blossman stated that the fulltime manager's apartment that is in the commercial building is not up to code, its location is not conducive to residential living with the bars in the building, and they have a hard time retaining a manager

because of the living conditions. The Arrowhead Association is proposing to build a new apartment that will be small (1 bedroom, 1 bath, and a kitchen) over new garages that are also proposed. Edwards explained that according to the Table 3.01 the Arrowhead complex is built out and, to allow this, the District needs to make sure that the old apartment unit will not be a residential unit and then transfer the connection allocation to the new location. Director Allgood felt that the District could require disconnection of the water service to the existing apartment in the commercial building and transfer it to the new location. President Cronin stated the District is sensitive to the constraints of capacity where there is no allocation, but if we can show that they are just moving the allocation, then essentially the same amount of water will be used. President Cronin does not want the District to set a precedent with creating additional allocations. Director Daniels asked that there be some proof that the water service will be discontinued at the current manager's apartment. Director Allgood stated that the key aspect is that the current water and sewer service has to be taken out of service. *Edwards will write a letter summarizing what the District's conditions will be and then Arrowhead can get approval from BSOA if required.* President Cronin stated that, for the record, this request is out of the box and there is an issue on the mountain on what can be built due to no zoning on the mountain and that Table 3.01 is the only constraint on what can be built on the mountain. President Cronin wants to make a distinction that, on the mountain, the Table 3.01 has to be used when building projects are being considered. Any potential deal has to include the disconnection of the existing service and moving it to the new location. The board agreed that Edwards should write the letter with the conditions of swapping the location of the service and that it can only be used for a manager's apartment. *Edwards's proposal for fees was to allow credit for the existing square footage and to charge for any additional square footage, plus charge for connection fees and any metering equipment needed.* Blossman stated that they would like to start the project this building season and have it done by next ski season. Edwards said that a permit is issued for a year, but an extension can be granted if necessary. Regarding the sewer and water connection points, Edwards will work with Biggerstaff.

Director Allgood moved to accommodate the Arrowhead request to move the location of connection/SFEs from the current manager's apartment to a new location above the new garages with conditions as discussed. Director Daniels seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

MEADOW VILLAGE WATER SYSTEM PROJECTS

Meadow Village Water Well Completion Project: Edwards reported that DEQ approved the plans and specifications to connect the new meadow village wells 4 and 5 but the approval does not allow the District to put them into service until the disinfection issue is resolved to the State's satisfaction. The timeline to bid the project is to advertise on February 10, 17, and 24, have a pre-bid meeting on February 17, and the bid opening on February 26. The engineer's estimates for the project total \$257,807, which includes all of the piping but not the well pumps or engineering inspection. There is \$385,238 remaining on the \$5 million dollar bond that was done for the water improvement projects so this bond debt will be used for this project. President Cronin said the engineer's costs need to be reviewed to avoid the situation of the Silverbow over run. Edwards will discuss that with the engineers and he will also discuss the 30-day timeline with contractors at the pre-bid meeting. Logistically, Edwards feels that this project should run smoothly with the intent to start in March. Edwards reported that we are on a list for second round stimulus money, but doesn't know if we will get any of these funds.

Silverbow Water System Repairs & Hidden Village/Bough Water System Repairs: Edwards reported that \$5,000 is being retained on both contracts for clean up items. President Cronin stated that in regards to sod repair, that snow plowing would have removed sod whether it was new or not.

Meadow Village Water Projects Costs: Edwards provided the cost reviews in his manager's report.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Spanish Peaks Phase 4 PUD Amendment: Edwards received a letter from Jon Olson reporting that they are reducing the density of the project—that is essentially due to geotechnical concerns. The District has weighed in on the proposal without any objections. Olson has also told Edwards that they are working on a Phase 6.

YELLOWSTONE CLUB SNOWMAKING PILOT PROJECT

Edwards reported that a meeting with the governor's office will be scheduled in March in Helena to present the pilot snowmaking plan that is coming from the wastewater solutions group. Edwards doesn't feel that having a legislator participating would be useful. *President Cronin stated that the group needs to present that this project spills over to solving the problems in the canyon. Director Daniels suggested contacting Mike Scholz and involving him on this project. Director Weltner suggested that the group agree to three or four key issues to present to the State.*

DIRECTOR ELECTIONS & BOARD REORGANIZATION

Edwards reported that Director Daniels provided him with his oath of office form and that Director Weltner will submit hers. In regards to reorganization of the board, Edwards recommending delaying this until a full board is in attendance.

SEWER & WATER PERMITS

Edwards reported that one permit was issued in Spanish Peaks.

GALLATIN COUNTY WATER QUALITY DISTRICT

Edwards explained that this goes back 10 years. In 1999, he had written a letter to Gallatin County requesting they consider expanding the water quality district to Big Sky. Gallatin County did not expand the boundary at that time, but are now proposing to expand the boundary just to the Gallatin County side of Big Sky. According to Edwards, there wouldn't be a big benefit inside the District, but there would be a \$6 charge to each parcel. *Edwards will invite the Water Quality District to the next meeting so that they can explain their program.* Edwards said the benefit would be a long-term program that could replace the Blue Water Task Force if they lost their funding. *Director Allgood asked if the Water Quality District covers the city of Bozeman and directed Edwards to find out.*

BIG SKY STANDARD SPECIFICATIONS

The manager's report explained that staff will be working with Rick Kerin from Kerin & Associates to revise the District's standard specifications with the goal of a June completion date.

GENERAL CORRESPONDENCE

There was no general correspondence to address.

NEXT MEETING

The next Board meeting is tentatively scheduled for Thursday, April 15, 2010, at 8:00 am.
Edwards will contact Board and staff regarding a dinner to be held in early April.

ADJOURNMENT

Director Daniels moved to adjourn the meeting at 9:48 am. Director Weltner seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

2-11-10. min (Board Approved 4/15/10)

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – April 15, 2010

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Thursday, April 15, 2010, in the WSD Community Room. Vice-President Gary McRae called the meeting to order with the following Board members present: Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (left at 10:00 am), Bill Olson, and Betsey Weltner (via teleconference until 10:00 am). President Packy Cronin arrived at 9:45 am. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Boyne representative Brian Wheeler, Gallatin County Water Quality District representative Alan English, and Northwestern Energy representatives Matt Mickelwright and Ernie Hultit.

PUBLIC FORUM

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

MEETING MINUTES

Director Fast moved to approve the minutes of February 11, 2010, as written. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President McRae voting.

FINANCIALS

Smith noted that the February financials were not included in the report as they are cumulative. With the 1st quarter billing, Smith said the numbers are better than he had anticipated. With the sewer side there were items capitalized instead of expensed, plus the \$10,000 reimbursement from 3 Rivers now makes the sewer in the positive. Unless something unexpected happens, Smith expects both sewer and water operations to be in the black without any additional support with reserves. Smith had underestimated on the SRF loans and that is why the non-operating is unfavorable. Overall, Smith feels that the budget looks good.

There is \$71,000 past due on receivable, but \$42,000 is from just two customers, Farmhouse Partners and The Lodge. Smith reported that he sent Farmhouse a letter requesting payment by today regarding their past due note on the PIC charges. Smith has not received any response, or return calls, on that from the developer, Dab Dabney. Edwards said past due charges are usually sent to the counties for collection, but we have never sent the PIC charges to the counties for collection. *Smith did not know what recourse the District has for collection, but will find out. Smith will review the Farmhouse Partners note and Edwards will consult legal counsel.*

Edwards reported that there were nine Farmhouse/Big Sky Apt. accounts without any use last quarter (correction--review of billing records show 4 accounts in 4th qtr & 2 accts in 1st qtr without use) and explained that they have had a hard time renting the units with the federal low income requirements that are based on Madison County income levels. Director Olson asked why they can't apply for federal assistance. Director Allgood asked if The Lodge has changed hands and it has not. Smith reported that last fiscal year three-fourths of The Lodge's water and sewer fees were put on the tax rolls for collection. Edwards reported that The Lodge building was originally built as a hotel and then they reclassified it as a condominium, resulting in each unit being individually charged base water and sewer charges, BSOA dues, and taxes. Wheeler stated that the owner, Quackenbush, is trying to rewind the condominium classification, but with five units already sold they have some problems in accomplishing the reclassification.

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

Smith requested a board motion to change the approved signers on bank accounts.

Director Olson moved to update the names of board members allowed to sign on bank accounts by deleting William Shropshire and adding Betsey Weltner. Director Fast seconded the motion. Motion passed, 6 yea votes to 0 no votes with Vice President McRae voting.

The Board asked about the rumors of Spanish Peaks getting their refinancing approved and restarting the lodge project. Edwards reported that he has not heard anything about Spanish Peaks starting up the lodge. *Edwards will call John Olson and find out what their plans are for construction as the District had voided their original permits and refunded their permit fees.*

FY 2010-2011 Draft Budget: Smith reported that the preliminary budget for the new fiscal year has been squeezed where it could. The numbers are positive, but not by much--sewer operations will generate about \$6,000 and water will generate about \$7,000. Smith reviewed the budget stating that the total operating expenses are down about 5 percent, and non-operating revenues are down 13.56 percent. Boyne made their last annual payment and that reduction also affects the budget. No increases are proposed for either the sewer or water rates and there is no need to have a public hearing. Edwards would like the budget adopted at the June meeting. Smith said the draft budget presented will not change much prior to being presented in June—it will just be tweaked. Smith stated that the health insurance costs have increased and that he has a meeting with the insurance company next week, but feels that the costs are in line with other insurance company rates. The Board was requested to get any comments, or concern, regarding the budget to Smith before the June meeting.

SEWER OPERATIONS

Edwards reported that flows from the mountain are down. According to Edwards we had a lot of problems with our irrigation system last year on the north loop and he feels that everything is on track for operation this summer.

WATER OPERATIONS

Edwards reported that the meadow well production is up from last year. Lone Moose and Yellowstone Club are about the production and the Mountain is down. Wheeler stated that their lodging was down, but skier count was up.

Meadow Village Well #3 & Mountain Village Well #3 Rehabilitation: Edwards did not comment on the topic.

BUSINESS ACTION & PRIORITY ITEMS

Gallatin County Water Quality District Expansion: Edwards explained that the water quality District has recently been expanded into the Big Sky area. Alan English provided a background of the District, where it was created in 1995 and in 1999 Edwards sent them a letter requesting Big Sky be included and, unless it is challenged, it is now done in 2010. English said their fee is \$6 per year per parcel and, with the fee being low, he feels that is why they didn't see many objections to creating a district in Big Sky—they will get on the tax rolls in November 2011. *English asked for a letter of support from the WSD to get the water quality district fee on the tax rolls this year.* English reported that they will collect about \$18,000 per year from only the Gallatin County side of the Big Sky area.

The water quality district does not have regulatory power—they would only check out any complaints and report findings to DEQ for follow up. They operate with a small staff and small budget, but can apply for grant/loan programs and recently completed a pharmaceutical study of the water that included sampling at the WSD treatment plant. English reported that, probably because of the WSD treatment basins, the pharmaceutical study showed WSD with very low pharmaceutical levels detected in comparison to other treatment plants. English noted that the Blue Water Task Force focuses on surface water where they look at groundwater, too. Edwards feels that getting consistent data from the groundwater and static water levels will be beneficial and Bureau of Mines is currently monitoring some of the meadow wells. English feels that will work with the characterization program.

English would like Madison County to join the water quality district and will explore that. Director Weltner asked if she could be assistance in working with Madison County officials in creating a Madison County Water Quality District. Once the District gets established in Big Sky, English said that a meeting with Madison County planning staff would probably be beneficial and a place to start—they will set one up. Edwards feels that if Madison County didn't have to levy a tax they would probably support it. Director Olson also offered to assist with working with the Madison County commissioners and staff and thinks that Madison County would probably consider a water quality district just for the Big Sky area. *When Director Olson returns in June, he said that he will be glad to work with English in coordinating water quality monitoring in Madison County.*

According to English, they also provide assistance to homeowners to test their wells, but they do not pay for the test. They will work with the WSD if we have any specific concerns with our water systems. For public water supplies, they will identify sources of potential contamination and, if they got the funding, they would do that for the Big Sky area. English would like to establish the groundwater monitoring in Big Sky and offered to do whatever they can do to help the Big Sky area. English said if snowmaking is done, they would offer to monitor that, too. English stated that he also anticipates that the district will also be working with the county on disposal of household hazardous wastes in the Big Sky area.

Director Fast commented that we still do not know the water tables and wanted to know if anybody has done anything in that area. English is hoping that through the current study being conducted by the Bureau of Mines that they will figure out the aquifers in this area and thought that they are about half way through their 3-year study. Director Fast asked where we go when the data is available. English said it will have to be a community effort on how to move forward after the data is available from the Bureau of Mines. Edwards distributed a few charts that were created by Mike Richter, Bureau of Mines that showed the well hydrographs from the test sites at the golf shop, mountain lake condos, and meadow village.

English will be working with Edwards and the Blue Water Task Force on water issues in the area. *English asked to be on the mailing list for the WSD board agenda to keep the line of communication open.* English provided their website, www.gallatin.mt.gov/glwqd, where they have a lot of information. (President Cronin arrived at 9:45 am)

Northwestern Energy Substation: Matt Mickelwright and Ernie Hultit provided an update on the substation work for the summer of 2010. Mickelwright distributed a construction schedule, and stated that they will be meeting with Edwards and the engineers in the next few days. Sime is anxious to do the dirt work and that will start when weather allows. They are anticipating completion in September 2010. With the growth in the area, Mickelwright said the new transmission line in the canyon is also needed to serve the loads. The well has been drilled with 30 gpm and that will support the landscaping. *Mickelwright will get the well information to the District.* Once they are done with the new substation, and it is operational, they will dismantle the old substation in Sweetgrass with the two ground level boxes being retained. President Cronin said that, with the new substation, the District is really only concerned with the screening and landscaping—the visual impact in the community. Mickelwright stated that the prefabricated wall, if put in now, would probably hinder the construction and that may be an issue to visit. Director Fast said that the Board's issues are how to answer questions from the community, roads that are put in by search and rescue and NW Energy, and the benefits to the community. *Edwards reported that he will get information to the BSOA for their newsletter and to the Look Out for an article in addition to have project updates on our website.* Edwards said that people don't understand that the substation is needed whether the updated transmission line is installed, or not. President Cronin said that he would like NW Energy to continue to communicate with Edwards. *Director Fast directed Edwards to get something in the paper on this project. Director Daniels feels that we need to maybe even do a sign that explains the project.* Director Olson asked about noise reduction on the transfer station on the mountain. Mickelwright reported that the decibel level taken at that site was consistent with levels in other areas and they don't have plans for noise abatement, but it could be revisited. Wheeler added that the booster station drone is bouncing through that area, too, and this could be some of the reported noise. Mickelwright said that people have gone up to investigate this and, if there is any activity in the area—even on the road, you can hear that with the area being kind of like an amphitheater. (Director Daniels left at 10:00 am) President Cronin asked that Mickelwright continue to work diligently ahead and to keep the District informed.

MEADOW VILLAGE WATER SYSTEM PROJECTS

Meadow Village Water Well Completion: Edwards provided a summary of the bid tabs with 11 bidders. The lowest bid for the pipeline project to connect Meadow Village Wells 4 and 5 into the Meadow Village Water system came from Walker Excavation at \$204,950. The notice of award has not yet been issued as Edwards wants to get the pipeline easement in place. Edwards is trying to make this available for the AARA, or stimulus money, even though it is questionable whether the funds will even be available. Easements have to be obtained though Boyne property, much of it is through open space owned by Boyne. The District is working on a standard easement to use for this project and to clean up easements for existing pipelines. A draft easement has been sent to Susan Swimley for review and also sent to Boyne legal counsel. Edwards has met with Brian Wheeler and Taylor Middleton on the easements and they have asked for four considerations for the easements. The two biggest issues are:

- 1) Boyne asked about the possibility of reusing the old tank on the mountain for irrigation in the mountain core area. Edwards said it would also be beneficial to the District as it would take the demand off our peak months. Wheeler stated that they would like to have strict guidelines for future use of Boyne properties—i.e. the work on the Silverbow project that closed the road to the golf course when they were having a tournament. Wheeler said that they have about a page and a half of things that they would like to clean up. They want to work with the District and just want to make sure we are on the same page and make it as easy as possible.

- 2) Boyne wants to use Cascade wells 5 & 6 for snowmaking purposes. Edwards reported that the District has not used the wells due to high sulphur and they are currently shut in. They would like to use water rights from November to January to offset snowmaking as they are looking for more water. Edwards said an agreement, or MOU, would have to be worked out. Edwards would also like to figure out an easement for the proposed site for a new tank and a pipeline easement for it.

Edwards would like to get the meadow pipeline project started as soon as possible, and SRF requires site title and feels a temporary construction easement would suffice initially. Boyne has an easement survey already, but the golf course expansion needs to be addressed. Edwards likes the idea of Boyne using the water tank and we need to pull old plans to see how reusing it would work. The District does not use wells 5 and 6 right now, and by Boyne using them it would show use. However, a portion of the production will need to be transferred to the new well at Mountain Lake Condominiums. Edwards reported that pump tests were high, but he doesn't feel that they would sustain that production. Wheeler said they will commit to approving an easement for the WSD pipeline and asked that the District work on their list of considerations. The District will focus on the construction easement and Edwards will work with Susan Swimley on the easement form. Director Allgood asked about the golf course irrigation provided by the District and wants the District to revisit our terms on that and to use this opportunity to clean up anything that needs clarifying. Edwards reported that with all the treated water we produce it is free to Boyne and he will need to pull that agreement to see if that is open for reconsideration. Edwards also reported that currently there is no charge to BSOA, or the Chapel, for the treated water they both use for irrigation. The Board feels that water is valuable and charging for using treated wastewater should be considered. Edwards feels that any costs to pump water from wells #5 and #6 should be paid by Boyne and there is also a value for the water rights so that they can use water from the middle fork. The Board wants to make sure that the District is being compensated fairly for any considerations. *President Cronin directed Edwards to review the timelines in the agreement with Boyne prior to working with Boyne on the easements and their considerations. The Board wants Edwards to work on clearing up the items of concern with Boyne.* Edwards said that the District charges YC for the wastewater, recouping the power costs for pumping. Director Allgood explained that the District is not obligated to give YC water, but we can pump water if and when we need to. *Edwards said that we will meet with YC this spring to find out what their water demand is for the summer.* YC currently has 80 million gallons of storage and they are obligated to provide 130 million gallons of storage. President Cronin asked if we are not obligated to send it to YC then can we sell it to another entity such as Spanish Peaks. Edwards explained that the YC is second in line for the water and the agreement stipulates that we can pump it to them. Edwards said that he initially had told Spanish Peaks they needed to plan for wastewater storage, but they did not build that into their plan. *The Board directed Edwards to review the YC agreement so that it can be revisited at another time. The Board directed Edwards to review Boyne's wish list and to create a District's wish list.*

Silverbow Water System Repairs: Nothing new was reported on this project.

Hidden Village/Bough Water System Repairs: Nothing new was reported on this project.

Meadow Village Water Projects Costs: Edwards provided a summary of costs in his manager's report.

YELLOWSTONE CLUB SNOWMAKING PILOT PROJECT

Edwards reported on the March meeting the Wastewater Solutions Forum Group had with Hal Harper, Governor Schweitzer's chief policy advisor, regarding the pilot snowmaking project. Edwards feels that Harper understood the group's points and Harper was going to follow up with DEQ.

DIRECTOR ELECTIONS & BOARD REORGANIZATION

The Board did not discuss elections or reorganization.

BOYNE EASEMENT WORK

Edwards reported on the considerations Boyne is requesting for the necessary easements to construct the Meadow Village Wells 4 and 5 pipelines through the golf course driving range and open space that Boyne owns.

RESORT TAX APPLICATIONS-2010

Resort tax applications are due April 28, 2010 with the Question & Answer Forum scheduled for May 26, 2010, at 1:00 pm at the Big Sky Chapel. The appropriations meeting will be held on June 9, 2010, at 1:00 pm at the Big Sky Chapel.

Edwards worked up a draft request based on our debt bond, asking resort tax to replace the \$250,000 that Boyne is no longer paying and \$100,000 for water bond debt, for a total request of \$350,000 for bond debt. The current \$500,000 resort tax payment will end in 2012 which goes in hand with repayment of the debt. Edwards will also ask for \$50,000 for the pond lining project, but doesn't anticipate that being funded. *Director Allgood would like to know what portion of the resort tax money is collected in the WSD district.* Edwards also mentioned the Farmhouse project and thought that maybe the WSD should ask the resort tax for funds for helping people pay their water & sewer bills, like the power company assistance program. President Cronin said that the group that Loren Bough has organized should probably be the type of entity that offers help and this would be beyond what the water and sewer should do. Edwards noted that the District also offers terms to customers that have come to the district asking for a payment plan. Director Allgood said that the District could also individually consider a reduction in fees if the request came from an entity like Boughs.

The Board discussed options for collecting the past due balances owed by Farmhouse Partners. Edwards said that putting the PIC balance on the tax roles will have to be reviewed by legal counsel. *Edwards will meet with Susan Swimley and report to the board.* President Cronin stated that the board should just go by the ordinance and not make exceptions.

BIG SKY STANDARD SPECIFICATIONS UPDATES

Edwards reported that the District is working on their standards specs, which are requirements over and above what is required by the state. Rick Kerin is working on the document and it will be on line—it will include meter pits that the original document did not have.

SEWER & WATER PERMITS

Edwards reported that there just isn't much going on and only one water permit was issued. *Edwards will follow up on the Spanish Peaks Lodge start up rumor. Edwards will forward a copy of his letter voiding the Spanish Peaks permit to Gallatin County Planning Department.*

GENERAL CORRESPONDENCE

Edwards sent a follow up letter to Jack Blossman on Arrowhead's request for a new manager's apartment from the last meeting, but has not heard back from Blossman.

NEXT MEETING

The next Board meeting is tentatively scheduled for June 17, 2010, at 8:00 am.

Director Fast will be gone June 4-26.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 11:24 am. Director Allgood seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

4-15-10. min (Board Approved 6/29/10)

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – June 29, 2010

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Tuesday, June 29, 2010, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Secretary Dick Fast and Directors Dick Allgood, Jeff Daniels (left the meeting at 10:00 am) and Bill Olson. Vice President Gary McRae and Director Betsey Weltner were not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Boyne representatives Brian Wheeler and Jamie Roberts, Big Sky Community Corporation representatives Steve Johnson and Katie Morrison. Former director William Shropshire participated via conference call beginning at 8:20.

PUBLIC FORUM

President Cronin called for public comment at 8:16 am. Brian Wheeler stated that, for the record, he was here for the breakfast and an item later on the agenda. With no further public comment, President Cronin called the meeting to order at 8:17 am.

MEETING MINUTES

Director Fast moved to approve the minutes of April 15, 2010, as written. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

April-May Financials: Based on estimated revenues, Smith reported that we are operating in the black. The water usage looks lower than Smith anticipated for 2nd quarter, but he will have the final numbers tomorrow when we do the billing for the quarter. Smith noted one item—we dropped below our pledged securities at Big Sky Western Bank and Smith contacted them on June 9 and the situation was remedied on June 10.

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

FY 2010-2011 Draft Budget: Smith reported that we are still in the black with the major changes from the previous draft on the general insurance and health insurance, where both went up. Health rates increased 19% and property & casualty rates increased 25%. Smith said that we tried to trim the budget where we could and feels that the budget is conservative. Based on last year's estimates, Smith expects the revenues to reduce by 1% overall next year. Director Olson asked if we are being pessimistic enough in projecting the budget with revenues. Edwards noted that at any time in the fiscal year, the Board can go through a rate hearing and adjust the rates. Smith reported on the balances in the reserve accounts and Edwards feels that the numbers are decent. President Cronin asked the Board if they felt we were conservative enough. William Shropshire felt that the increase in the benefit forecast may not be projected accurately from the draft he reviewed a couple of months ago. Edwards stated that, in the past, we have used reserves to offset the sewer operating budget. That has been phased out and we are not relying on reserves to balance the budget. Director Olson reiterated that we always have the option of adjusting the rates if warranted. Shropshire reported that from the track record he has seen from smaller companies, we have seen the bottom and he feels that we are now recovering even though it will be a slow process.

Director Allgood moved to approve the 2010-2011 budget as presented. Director Olson seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting.

Bond Payment Mill Rates: Smith stated that he used the resort tax contribution of \$32,864 totally for water debt and used \$400,000 from the PIC fund reserve for paying the bond debt service with the total payment being \$1,487,044.82. The amount to be placed on the tax roll is \$1,054,180.82. The water and sewer mill rates will have to be set once the District has the 2010 taxable values. The water bond is estimated at 26.28 mills and the sewer bond is estimated at 26.59 mills. Smith tried to get the mills close in rate and feels that the estimated mills are conservative and appropriate at this time. Edwards reported that the resort tax interlocal agreement of \$500,000 would be used for the sewer bond debt service and that will be paid off in full in 2012. Once that happens, the resort tax will have the opportunity to continue to fund bond debt, but Edwards doubts that there will ever be another interlocal funding agreement. If they continue to fund the bond debt, it would probably be on an annual basis and then the district could use the funds to pay the bond off early. Edwards's manager's report provided a taxable value summary. Edwards believes that the District needs to keep the mill rates fairly level to avoid confusion with our constituents.

Director Olson moved to approve the proposed water and sewer mill rates for bond debt from the 2010 estimates as presented. Director Daniels seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director Daniels moved to amend the agenda to address the trail expansion and Spanish Peaks warranty security. Director Fast seconded the motion. Motion passed unanimously.

BSCC PARK & TRAIL EXPANSION

Edwards summarized previous board discussions regarding the trail expansion through district property and what the district had considered funding. Edwards noted that the Board had previously discussed the trail expansion as part of the sale of the substation parcel to Northwestern Energy, but it was not in the final buy-sell agreement. Steve Johnson said this part of the trail has been proposed to be an interpretive trail that will add about \$5,000 for signage. Edwards stated that he would ask NW Energy for funding to pay for the interpretive signage. Johnson said that they also have plans for a very rustic trail to the east of the substation with a small picnic area near the river. Johnson does not believe there will be much cost associated with that part of the trail extension. Edwards stated that the BSCC has asked if the District would be interested in assisting with the installation of the sewer and water utilities for a couple of future building sites in the park. BSCC was given a bid by Langlas Construction for \$16,855 for the water line work and \$39,830 for the sewer line work. Edwards asked the board what role, if any, the District should take on for this project. BSCC has received an estimate of \$20,012.50 from Land-Tech Montana for the trail expansion and Director Olson felt that the estimate was reasonable. President Cronin asked if the proposed trail is next to a road (that will hardly be used) that is being constructed by NW Energy and then asked why you would build a trail when you already have a road that can be walked on. Edwards reported that only the substation itself would be gated, not the road. Director Olson said that a trail spur would still be needed from the road to access the river and a trail on the east end of the substation.

Director Daniels asked Johnson to have a cost comparison of what it would cost to use the existing road to the substation and then have spur trails and the additional trail to the east of the substation. Edwards reported that the substation will be done by September and asked Johnson to get the trail contractor back to get updated numbers now that NW Energy has the road in and the substation footprint. Johnson asked Edwards to check with NW Energy about using their road as a trail. Edwards said there is no formal commitment from the District to fund the BSCC trail project, but the board needs to decide if they will make a commitment. President Cronin asked about the 30" trail. Johnson explained that this trail follows a natural draw, but they have not yet received approval from the forest service to put in that portion of the trail. Edwards said that we need to keep the folfers and the walkers separated and the 30" trail goes right through the folf course. Director Olson stated that having a higher trail above the substation should be considered. President Cronin explained his vision of a meadow trail that extends the reflector trail at its elevation all the way to the Conoco and back to the meadow park. This trail would fall under the BSCC responsibility. Director Olson feels that getting approval from the forest service for a trail extension as described by Cronin might be a problem. President Cronin said it seems that the forest service is building a buffer around the wilderness area and concurred that it might be tough to get approvals. *President Cronin said the folf course and trail probably should not be overlapped and asked that Johnson and Edwards make sure that both work.* Johnson reported that the folfers are willing to work with the rest of the community to make the folf course work. Director Fast was in agreement that the trail and folf course need not to be in conflict. Edwards said the park plan involves two sewer and water connections and the board has had previous discussions about contributing to the park project and asked if the board wants to still be involved. Edwards feels that the District could get the BSCC costs down on the service lines since we have contractors that have worked with us in the past. Managing the installation of the service lines could be the district's contribution to the park project. According to Morrison they are rebidding the park project and hope to have new figures this week. Edwards reported that estimates from Burk Excavation are \$10,380 for the west end service lines and \$18,460 for the east end service lines. President Cronin asked if we are charging for the SFEs. Edwards said that donating the SFEs could also be a contribution. Brian Wheeler said that for the record they donated SFEs from their pool for the chapel, park, and fire district. Brian Wheeler felt that the District using reverted SFEs would be a good use in the community. President Cronin said the District's options would be to forgive the payment for SFEs, pay for the sewer and water connections, and/or manage the contract for the installation of the lines. President Cronin stated that we have the capacity to produce 3.5 SFEs for the park, however, forgiving the PIC fees would be a bad precedent and, as a sewer district, the SFEs should be charged for. President Cronin's rationale is that the resort tax board funds these type of community projects and their funding to the district was limited this year and for us to tax our constituents and then give it to another entity is not appropriate. President Cronin also felt that offering to only contract to oversee the sewer and water line installation would be appropriate. Director Allgood recalled that the board did not earmark funds from the sale of the property to NW Energy and that it could be revisited later. Director Fast said there are two options—take on the contract management of the w/s installation and to revisit a contribution from the sale price of the land, but not setting a precedent to not assess the SFE PIC charge. Smith said that the funds from the sale of the property were used as follows--\$175,000 to shore up the sewer

non-restricted operating account and \$200,000 for sewer restricted reserve. To use any funds from the sale of the property would then come out of these funds/accounts. Director Olson commented that, philosophically, we have an obligation to our constituents and he doesn't think it is appropriate for us to take that tax money and give it to someone else. President Cronin said to authorize a trail through District land is appropriate, but it isn't our responsibility to fund a park project. Director Allgood believes that was the vote of the board in regards to the funds from sale of the property and that is why there was no earmark. Director Olson said that with the potential need to increase the s/w rates and then to fund the park—there is a problem with that. Director Fast summarized the board consensus being that as long as we can contribute without a cash transfer, the board seems agreeable to help with the park and trail. Edwards stated that the sewer and water tie in is complicated and there are potential savings by the district getting the costs down with project management. Director Fast asked if the board would be willing to pay for the trail work. President Cronin summarized that the goal is for the board to move forward with a trail on district property. President Cronin said that the SFEs will be made available; Edwards will facilitate getting the water and sewer services installed, and help make a trail on the district's property. *Additional information will be provided at the next board meeting.*

SPANISH PEAK WARRANTY SECURITY

Edwards explained that Spanish Peaks has requested approval from the District to replace their warranty security from their sewer work with their six letters of credit totaling \$198,247 with their Plant Investment Fund account that has a balance of \$285,906. Edwards said that, administratively, it would be easier to have the cash. Our agreement is for them to build storage and the reserved PIC could be security if they default, even though that probably wouldn't cover it. According to Edwards, we do not have access to the land if they default. Director Allgood asked if we get to keep the money. Edwards said if we were to use any portion of the cash for warranty work, they would have to replace it. Director Olson feels that it seems that the district is giving up \$285,000 if we give up the letters of credit. Brian Wheeler said that SP has to carry the \$198,000 as a liability on their accounts and that is probably why they want it off their books. Currently, our first access point for reimbursement for warranty work is through the letter of credit. (Director Daniels left the meeting at 10:00 am.) When their full obligation for building storage is met, we would release the PIC reserve account. Shropshire said they have tied up \$200,000 of credit, it isn't the annual fee. Edwards said we could reduce their warranty percent. Smith said he doesn't know if the district knows if we have any problems up there as the flume is not working. Edwards noted that we do not own their water system, only the sewer infrastructure. *Edwards said we probably need to have YC and SP decide who is obligated to build the additional storage.* Edwards noted that part of our depreciation costs incorporate the SP sewer assets. Edwards said that SP needs to have a depreciation account for their water account for the future when they ask the District to take over their water system. Edwards said they are being billed the same water and sewer rates as the rest of the district. The water fees currently only pay the district fees for its operating (billing) agreement. Director Allgood stated that without the flume working there could be a break in a sewer line and we wouldn't know it. The PIC reserve account could be refunded if they built the pond. President Cronin said that when the pond is built they get the PIC, and the warranty credit is a total separate warranty. We need to keep the letters of credit in place. Edwards asked if we need to set a date, or reduce the warranty amounts possibly 5% instead of 10%. Director Olson said that if we had a five-year warranty and, that time has lapsed, then we need to release the warranty. Director Allgood asked if we are confident that everything is correct before the warranty expires. Edwards said the lines could be TVd. The board agreed that they are two separate issues—*there will be no reduction in warranty percent, we also need to make sure that the integrity of the lines are intact. The board*

directed Edwards to have staff to inspect the lines and have the flume working prior to the August board meeting. Edwards recommended combining the letters of credit.

SEWER OPERATIONS

Burroughs was not available to give a sewer operation report.

WATER OPERATIONS

Muscat was not available to give a water operation report.

MEADOW VILLAGE WATER SYSTEM PROJECTS

Meadow Village Water Well Completion Project: Edwards reported that the line work should be done this Thursday. Walk through inspections will be done next week.

Silverbow Water System Repairs: Edwards reported that we are basically done, but he will check with the property manager to make sure that the walk way lighting has been fixed.

Hidden Village/Bough Water system Repairs: Edwards reported that the work is done and Bough is happy with the way it looks. We may have to do some reseeding.

Meadow Village Water Projects Costs: A written summary of water system project costs was provided in the manager's report.

RESORT TAX 2010 ALLOCATIONS

Edwards reported that the District had requested \$420,000 in resort tax funding and received \$87,648.18 as follows: \$32,648.18 for bond debt, \$20,000 roll over for a pilot snowmaking project, and \$35,000 for the storage pond line cover project. The District will also get their annual fixed award of \$500,000 for bond debt until the first bond (\$5,513,000) is paid off. Edwards stated that we have received positive comments on the pond liner from the community. We have approximately \$273,000 left in the debt service that we will use to continue the rock liner on the pond. The little pond closet to the meadow center is not as obvious as the big pond so the district probably won't line it as we will run out of money. Edwards asked President Cronin to sign the resort tax contract.

FOLF COURSE LAYOUT

Edwards's manager's report provided the new layout of the course.

YELLOWSTONE CLUB SNOWMAKING PILOT PROJECT

Edwards reported that there was a meeting with DEQ last week, but he was out of town. According to an email from John Holtzman, he felt the meeting was favorable

BOYNE EASEMENT & DRAFT AGREEMENT

Edwards distributed a draft memorandum of understanding on the use of the mountain water tank. Edwards feels that Swimley missed the concept, and the draft agreement needs rewritten. Brian Wheeler stated that this MOU blends what should be two separate agreements. According to Wheeler, the two pending issues are the use of the two mountain wells and the use of the tank.

After those issues are worked out, then we need to work on an easement for the new mountain tank site. Wheeler said that there is some boiler plate information included in agreements. Wheeler had hoped there would be an agreement for water use by this time. *Edwards will work with Wheeler and Taylor Middleton to prepare two agreements at staff level and then work with attorneys. Edwards will email draft agreements to the board as they are prepared.*

DISCHARGE RENEWAL APPLICATION

Edwards reported that the renewal application for discharge has not been acted on by DEQ, but he has been told they are planning on adding the golf course irrigation. Edwards said that there is no permit required for land applications. They have taken our snowmaking project and seemed to have rolled it into our discharge renewal application. Edwards doesn't have a problem with letting the discharge permit lapse as it was never done logistically in the first place. Edwards said the elevated nitrogen levels being seen in March have nothing to do with the spray irrigation on the golf course.

SEWER & WATER PERMITS

Edwards reported that one remodeling permit and one new connection permit were issued, leaving 163.17 SFE available for permitting. The biggest issue is the house on Spotted Elk in that they applied for a remodel when they tore it down and are starting over. According to Steve Johnson, the Planning Committee is rewriting the regulations to avoid this type of situation.

NEW DEVELOPMENTS

Beaverhead Condos Water Main Extension: Edwards explained that the new water line alignment is being done to move the current water line route to make room for three future building sites in Beaverhead. The reroute work has been approved by the state. Edwards anticipated that the work could be done later in the summer, but he doesn't know for sure. The District has asked that a tee and stub be installed that we will pay for.

GENERAL CORRESPONDENCE

Edwards reported that the precipitation in the spring has brought the snow levels up to way above normal and the report was provided in the packet.

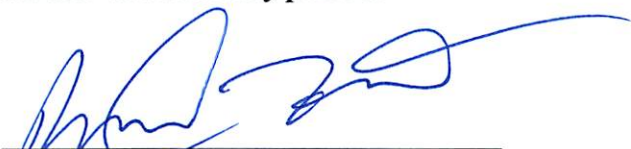
NEXT MEETING

President Cronin asked if the board wanted to have an annual dinner at his residence this summer and have it catered. President Cronin will send emails to query people on availability. Shropshire will be in Montana after July 5.

The next Board meeting is tentatively scheduled for Tuesday, August 17, 2010, at 8:00 am.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:59am. Director Olson seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – August 17, 2010
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Tuesday, August 17, 2010, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels, and Betsey Weltner. Vice-President Gary McRae participated via conference call from 8:23 am to 8:47 am. Director Bill Olson was not present. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Big Sky Community Corporation representative Katie Morrison and Boyne representatives Brian Wheeler and Jamie Roberts.

PUBLIC FORUM

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

MEETING MINUTES

Director Fast moved to approve the minutes of June 29, 2009, as written. Director Daniels seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director Fast moved to amend the agenda to address trail expansion. Director Daniels seconded the motion. Motion unanimously passed.

TRAIL EXPANSION

Edwards reviewed the history of the trail expansion request and the proposed route of the trail expansion. Edwards reported that he and Steve Johnson have walked the trail alignment and came up with the best route for expansion. Johnson commented to Edwards that he didn't feel it would be a huge problem to work with the forest service to extend the route through the corner of the forest service boundary. Edwards feels that if the forest service won't approve the route, the trail could be easily rerouted. Edwards provided a cost estimate of \$10,875 for a 6 ft aggregate trail expansion and \$9,600 for a 30" natural surface trail for a total of \$20,475. Edwards reported that the contractor for the trail said it would take about two weeks to complete both the trails. Edwards asked the board to decide if they wanted to provide any funding for the trail proposed on District property. Edwards stated that as part of the sale of the land to Northwestern there was nothing built into the agreement about funding the trail and NW is under no obligation to help fund the trail. President Cronin reported that he feels that the District held NW to the highest price we could get for the land as the appraisal was almost \$200,000 less than what we sold the land for.

President Cronin stated that we are a sewer and water district and asked the board do we take any money from our assets and put in trails as it isn't in our mission statement to build trails. Director Weltner felt that we need to look at the trail as a broader issue as we are part of the community and if this is a need that has been embraced by the community then it probably makes good business sense to fund it. Edwards said that the District built the existing trail as part of our agreement to get an access through the BSOA Community Park. Director Fast commented that if we were to consider funding trails outside the District property it wouldn't make sense, but since it is on district property it is in our best interest to maintain our property. Director McRae asked if Northwestern Energy has any comment on whether they want any recreation/trails around their property. Edwards said the trail is outside their property and the golf course has been moved pretty much to the north of the treatment plant. Additionally,

President Cronin stated that it shouldn't come as any surprise to NW that we are talking about expanding the trail as it had been originally talked about prior to selling NW the property. President Cronin reported that he has also walked the trail expansion route and even though this trail is not an ideal trail location, it is the only location we have in this area next to the park. Katie Morrison reported that their BSCC board knows that this trail will not have the popularity that the Ousel Falls trail has, but believes that it will be heavily used in spite of its location near the substation and treatment plant. *Edwards issue regarding trails on the District property is that we built the first one and he is not interested in maintaining this trail or any trails in the future and he would like to have that in writing if the district does put in the trail.* Edwards stated that, based on his meeting with the trail contractor, he doesn't think there will be any issues for change orders that will increase the estimated cost of \$20,475. President Cronin asked if there is any board member that feels that we should not fund trails. Dr Daniels stated that he always thought the trail was part of the sale of the property to NW Energy. Director Allgood responded that he would support the one time funding if there was a fixed cost. According to Edwards, *a contract could be written to cap the allocation. President Cronin said the details on access on the area past the plant needs to be worked out. President Cronin would also like the area 10 ft beyond the NW substation cleaned up and landscaped to make it aesthetically fit into the area.* President Cronin will go over his thoughts with Edwards. Director Fast asked if the District would maintain access to the land to the east if the District ever sold it. President Cronin stated that, if a trail was done, we do not want to give it a permanent easement so that we are locked in if we want to sell that remaining property to the east—we do not want to be cornered if the District needs to use the property in the future. Director Allgood commented that *to prevent a prescriptive access, we probably need to close access for a certain period of time each year.* Kate Morrison reported that the spur road trail was just realigned and that wasn't a problem.

Director Fast moved to approve funding the trail expansion to not exceed \$20,500, to negotiate with the Forest service for the trail to be routed through their land, to have an agreement with BSCC to maintain the trail, and to have legal counsel review the trail issue to prevent a permanent easement. Director Weltner seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

As recommended by Director Weltner, Katie Morrison will prepare a press release that can be added to the WSD website. Edwards will have information regarding the District's support of the trail available at the BSOA annual meeting. (Director McRae left meeting at 8:47 am.) *President Cronin wants to get together with NW before they get to their landscaping to make sure that their landscaping improves the aesthetics on all sides of their substation.* Edwards feels that, with the trail being proposed as interpretive, it would be good PR for NW Energy to fund the signage so that they could put their name on it.

FINANCIALS

Smith reviewed the financials stating that the year end turned out pretty close to what we expected. Smith said that the \$23,000 shortfall on the sewer side isn't anything for the board to worry about at this point. Smith reported that the District is pre-purchasing propane for next year and Smith will negotiate with our supplier to make sure that we get a price comparable to the \$1.54 price Director Fast reported that the consortium pays. Smith said that the water use was down about 30 percent, and he has reflected that in the new budget. On the July report, the revenues are estimated where we are \$11,000 in the red as we have a lot of fixes going on now. Smith reported that the audit will be done in September.

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

Bond Payment Mill Rates: Smith reported that the mill rates changed slightly once we got the taxable values from the counties. For the sewer mill, Gallatin County had been calculating in Section 1 and it needed to be exempted and the Gallatin County property values were adjusted because of this. The resort tax funds of \$500,000 do not affect these mills—that funding was for another bond. Smith presented the final mill rates for the sewer and water bond debt service as follows: water at 25.37 mills (2.6% increase) and sewer at 52.25 mills (7.5% increase).

Director Fast moved to approve the mill rates at 25.37 for water bond debt service and 52.25 mills for sewer bond debt service as presented. Director Weltner seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting.

Delinquent Accounts: Smith stated that 185 accounts were delinquent out of our 3,199 total accounts. The customers with delinquent balances were sent notices to pay the account by August 16, 2010, or the balance would be turned over to the counties for collection on their tax bill. Any accounts not paid current by September 1 will be turned over to the respective county. Smith reported that Farmhouse Partners balance was turned over to the county last year and that delinquent balance was paid on the tax rolls. Edwards reported that the District has always opted for collection of delinquent balances through the tax rolls and to not turn off the water. Smith said The Lodge is the only account that may be a collection problem as the taxes have not been paid for two years and their foreclosure was pushed back to November. *President Cronin wants staff to make sure that the District does not get stiffed on this account and directed Smith to make sure that the District is on firm ground for collection.*

SEWER OPERATIONS

Edwards reviewed Burroughs's flow reports. The flows are up in June and July from the previous year and he feels that is the result from the area being busier this summer. With Wheeler having an opposite opinion about the area being busy, Edwards then thought that the high flow in June was probably from I & I with all the moisture received during that time. Edwards reported that we will get back to work on the pond liner, but that the far west side will not be done as the cost will be prohibitive. Edwards has been talking with HKM about liner alternatives for this portion of the pond. As required by DEQ, Edwards will run a bidding advertisement for the remaining pond liner work and the spec will be written to include a long arm boom, which our current contractor has. If the treated wastewater isn't needed on the golf course and we need to lower the ponds, Edwards said that the District can pump to the Yellowstone Club storage pond. Edwards noted that there have been some issues with the mechanicals and reliability of the irrigation system on the golf course and we have since changed the flow meters and so far they seem to be working.

WATER OPERATIONS

Edwards reviewed Muscat's production report stating that we are looking good this summer--staying below 20 million gallons. The YC use is down from last year, but the Lone Moose use is up and that is curious. *Director Fast directed Edwards to look at the Lone Moose water use as the increased use seems suspicious.* Muscat is working on hydrant replacement in the meadow and has fixed some leaks.

MEADOW VILLAGE WATER SYSTEM PROJECTS

Edwards reported that we have wrapped up all our meadow village pipeline work and we will probably do some over seeding in the fall.

YELLOWSTONE CLUB SNOWMAKING PILOT PROJECT

Edwards reported that another meeting is scheduled with DEQ staff on August 25. The biggest issue is that DEQ cannot permit the snowmaking as a stand-alone project as they have no provisions for it. Consequently, it has to be tacked on to our stream discharge permit that the District has never used. Edwards said that the permit renewal will have to include continual stream monitoring and we don't have a budget for this plus other associated fees. Another concern is that the golf course will also be tacked on as a secondary discharge permit even though there is no permit required for a land application. Edwards stated that he is uncomfortable with the spray irrigation side of this being added to the permit. If the stream discharge and snowmaking went away we wouldn't need a permit. Edwards feels that the unknown is the golf course irrigation monitoring and he has questions he will be asking DEQ at their meeting on the 25th. The YC can apply for a snowmaking permit, but there is no reason for them to take on this project. President Cronin asked why we are chasing the snowmaking so hard. Edwards explained that it evolved from the canyon study, but it is also a way for us to discharge in the winter. Director Weltner said that the district needs to look at ways to conserve water, plus the environmental aspects of using wastewater. *Brian Wheeler will connect Edwards with their contact person at Sugar Loaf Mountain where they make snow from the treated wastewater.* President Cronin commented that it isn't the District's business to pay for wastewater solutions for properties outside the district. Edwards reported that we have a great team from the community to work on the snowmaking and he has been disappointed by DEQ for not being progressive. Additionally, Edwards feels that DEQ's right hand doesn't know what DEQ's left hand has been doing and referenced correspondence in the board packet. Edwards reported that the roll over from the resort tax probably won't be rolled over again next year—we are waiting for the DEQ to act before we can proceed with the snowmaking pilot. *Edwards will give the board a follow up report on the DEQ meeting.* President Cronin wants Edwards to be cautious so that we don't lose our discharge to the golf course, or lose its stream discharge permit even though we haven't used it and don't even have a pipeline to the river. Director Allgood asked about spraying water on the golf course in the winter—can we legally make snow through spraying it on the golf course. Edwards said that the nitrogen uptake issues would be a problem.

BOYNE EASEMENT & DRAFT AGREEMENT

Edwards reported that he just received the draft documents from Swimley and distributed them to the board. Wheeler did not recommend distributing the documents as he felt that they are out of sync. Wheeler said that the District needs to tie up Boyne's use of wells #5 & #6 for Boyne's snowmaking this winter as Boyne facilitated the District's needs for construction this summer and they want to get the District a needed easement for a future tank site on their mountain property. *President Cronin recommended that Wheeler and Edwards work together to finish the documents as the attorney doesn't seem to get the point. Edwards and Wheeler will meet next week and prepare a final document for the next meeting.*

STANDARD SPECIFICATIONS AMENDMENTS

Edwards reported that the amendments are now on the District's website—all individually indexed. The amendments clean up the District's specifications incorporating the Montana Public Works Standards with what the District wants and the amended specifications should help someone doing a project in Big Sky. The District has not deviated from what we have been requiring; the amendments just clean up the specs and get us ready for the next wave of development.

Director Fast moved to adopt the amendments to the Standard Specifications as revised in July 2010 with an effective date of August 16, 2010. Director Daniels the seconded motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

SEWER & WATER PERMITS

Edwards reported that we received one application for a connection permit in Pinewood Hills.

GENERAL CORRESPONDENCE

TMDL Study Meeting: Edwards reported that there will be a meeting at Bucks on August 25 at 7:00 pm.

Spanish Peaks Letters of Credit: Edwards reported that the areas of land movement have been identified and the sewer lines in the areas will be pressure tested in the near future, prior to the expiration of the letters of credit. The letters of credit with expiration in July were renewed until October. President Cronin said that the sewer lines need a very close look. If there is a problem with the pressure tests on the lines, then the area will be TVd. President Cronin directed Edwards to do what we need to do before it is too late. According to Edwards, the District will pay for all the testing and if there is a problem then the owner will be notified for the first right to fix the problem.

Spanish Peaks Lodge Legal: Edwards said that Key Bank asked for documentation on Spanish Peaks Lodge's permit and the voiding of the permit and refunding of their permit fees. We have copied and sent our documents and have not heard anything back from Key Bank.


Pond Embankment: Edwards reported that Mount Edwards is done—the fill has been sold and the pond embankment area has been cleaned up. President Cronin said he doesn't want that area to be turned into a staging area again. Edwards reported that Wayne Heath will be storing his snow removal equipment there this winter.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, October 19, 2010, at 8:30 am.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:00 am. Director Daniels seconded the motion. Motion unanimously passed.


Dick Fast, Secretary

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – October 19, 2010

WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:30 am on Tuesday, October 19, 2010, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Secretary Dick Fast, and Directors Dick Allgood, Jeff Daniels (left the meeting at 10:30 am), and Bill Olson. Vice-President Gary McRae and Director Betsey Weltner were not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were Boyne representative Jamie Roberts and American Bank representative Ross Pfohl.

PUBLIC FORUM

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

MEETING MINUTES

Director Daniels moved to approve the minutes of August 17, 2010, as written. Director Fast seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith requested board signatures for reaffirming bank accounts and also asked that board members fill out the Big Sky Western Bank form he distributed and to return it to him with a copy of their driver's license.

Smith reported on the financials for the quarter ending September 30, stating that water use was down 2 percent and sewer use was up 2 percent from the prior quarter. Staff members are working on a lot of repairs right now and the expenses are up. A lot of money was spent on repairing the irrigation system for the golf course—spending more than we expected. Burroughs reported that the pumps were redone last winter, new badger meters were installed, and new computer work was done—we spent \$10,000 for this quarter and \$3,000 was budgeted. Edwards reported that the perpetual irrigation agreement with Boyne requires the District to cover the repair costs of the main irrigation line and the booster station equipment—they were installed in 1996 and are starting to wear out. *The water being used is not being billed out and that could be reviewed at another meeting—Edwards will prepare information on this for the next meeting.* President Cronin stressed that we should not be looking for charging unless we have another avenue for using the treated wastewater. President Cronin stated that we need to look at the budget next year and maybe increase it so that repair, or replacement, of aging equipment is covered. Edwards reported that he has told the golf course employees that they need to keep the District in the loop of repair needs prior to calling a vendor in to repair, or replace, equipment. Smith stated that, with the tax appeals and changes in tax values, the tax dollar revenues have been delayed. According to Smith, the accounts receivable are in line with the historical figures after turning over the significant delinquent dollars to the counties for collection last month (Gallatin \$25,600, Madison \$96,800—mostly from the Mountain Inn's 90 accounts). Taxes are on the top for getting paid when property is settled up on in foreclosure.

Director Fast moved to approve the August and September financials as presented. Director Daniels seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting.

Smith reported that the audit was completed in September, and that the audit report will be available in November. The auditor will be at the December board meeting to review the audit report. According to the auditor, the Department of Administration is interpreting a rule that requires a retiree to be offered the District's group health plan that they would then self-pay the premium. Edwards asked that Smith follow up with our health insurance provider and get it in writing.

Director Fast moved to approve the resolutions to reaffirm the existing accounts at Big Sky Western Bank. Director Daniels seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting.

SEWER OPERATIONS

Burroughs reiterated that a lot of repair and maintenance is being done. The flows are up a little bit and Burroughs feels that it is probably just more usage and he is not too concerned about it as spring I & I months were down and he doesn't feel there are any big problems. Director Olson reported that there are a few manholes that may need inspection in his area as the manholes have been painted with an "X". Burroughs will follow up on the manholes. Burroughs normally replaces approximately 10 lids a year and asked the Board to consider redoing our manhole lids with a unique Big Sky design—making it a community contest. Once a form for the lid is made, there is no additional cost to make lids that run approximately \$120 each. Once the specs have been decided, Burroughs suggested that a couple of board members and a couple of people from the community could volunteer to review and select the art work from submittals with a suggested \$1,000 award. President Cronin said the contest should be open to only those in the District. Director Fast asked that staff come up with the plan, guidelines, deadline, and submit it to the board for approval at the next meeting. President Cronin suggested that Burroughs look up what other cities/entities have used for their contest guidelines. President Cronin stated that a specific criteria needs to be outlined for artwork submittal. Once everything has been figured out, Edwards will include it on our webpage.

Wastewater Discharge Permit—Edwards reviewed the history of the discharge permit where the public outcry was so great that the state gave us a permit with great disparity in comparison to discharge permits in other communities. The renewal permit application in 2006 was never processed by the state and the state now wants a new application with the snowmaking rolled into it along with the golf course irrigation as a secondary discharge. However, there is currently no requirement for a discharge permit for spray irrigation. Edwards said the DEQ advice was we would be better off to not include the irrigation in the permit as it would put us into a bunch of upgrades and testing. The state has now also said that we don't need a permit for snowmaking. Edwards stated that letting the original discharge permit lapse was the best thing to do. The board agreed that the District needs to let the discharge permit die as put in writing by Edwards to the DEQ and this does not warrant any publicity—let a dead dog lie. Edwards said that DEQ representatives, Terry Campbell and Todd Teegarden, will be in Big Sky tomorrow to look at the snowmaking pilot project. President Cronin commented that the snowmaking could possibly solve the District's problem of not enough capacity for full build out where we are about 20 percent short in storage capacity. (Director Daniels left the meeting at 10:30 am). Edwards stated that we need to look at options for winter discharge instead of building monster ponds and snowmaking is a realistic option. Director Olson noted that we have a lot of potential service area additions to the district, like the bank, and capacity is an issue. Director Allgood said taking on additional property for sewer service would be opening the barn door.

WATER OPERATIONS

Muscat reported that we gained quite a bit of ground this summer through leak repairs--we are down about 35% in the meadow and he thinks that fixing some big leaks and replacing fire hydrants is probably the factor. The Yellowstone Club use is down considerably and Muscat said he has been working closing with them with leak detection. The Lone Moose system was up, but they had a leak which has since been fixed. Overall, Edwards thinks that the flows seem to be tracking about typical. According to Muscat, staff are systematically replacing fire hydrants and leaks are being found and fixed. The 50K and 250K tanks in Sweetgrass Hills are looking old, and they will need some interior and exterior maintenance if they are not going to be replaced. Edwards said that some neighboring property owners have also called about the lack of exterior maintenance on these tanks.

Lead and copper testings were done and the numbers came back good where we are below the standards. As required, letters have been sent to property owners where the samples were taken.

Edwards reported that the drive by hand-held meter reader is replacing the phone read system and the vendor has given the District a good price on the new equipment. With the phasing out of phone read systems, we are no longer installing phone read system, and are now only installing radio read and drive by readers. We have about 1,300 phone readers still working and will have them as long as they work.

BUSINESS ACTION & PRIORITY ITEMS

American Bank Annexation Request: Edwards reviewed Ross Pfohl's letter of request for annexation of Tract 2B-1 that is owned by American Bank and is located immediately next to the bank. Edwards reviewed the history of the property when Tom LeRoy owned it and how they came to connect to the public water system due to well contamination from the ponds prior to ponds being lined. They have a 1½" service line to the one building and have had water service through the District since the late 90s. There is no sewer service to any of that property. The bank was annexed into the water district, but the Tract 2B-1 is not in the District. Pfohl explained that their drain field is on Tract 1 and they have an easement for a replacement drain field on Tract 2B-1. Another problem they have is that the highway access for the property is almost across from the meadow center access and would create a traffic safety issue. Pfohl reported that they have to have a contingency plan for a bank replacement and that is what they are doing. They may, at some point, sell the existing bank building. Having the sewer and water service to the property would then allow them to make the best use of the property. Edwards stated that, if there were two buildings, the line would have to be a 4" line. The property is zoned as community commercial. Sewer access would have to be at the meadow center and may require a pump, which Pfohl said they would pay for. If they were to drill a well, Edwards is concerned that there is a chance it could be contaminated. President Cronin stated that supplying water makes sense to avoid the contamination issue. Director Olson commented that doing this sewer and water annexation would set a precedence--potentially opening the doors for connecting to neighboring property. President Cronin feels that we have an obligation to supply water and that the Board needs to decide if the water line needs to be improved and who pays for it, and then do we supply sewer service. Edwards reported that we have a service hurdle at three properties--the old McBride property, the Olson's by Hidden Village, and this property--where a capacity obligation had not been assigned to these. Director Allgood suggested that putting a

limit on what they can do needs to be considered. Edwards reported that the county is in the process of updating their zoning and maybe that their zoning plan would take care of the limit issue as we could use this to dictate what can and cannot be built. Edwards will be sharing the District's Table 3.1 with the county so that they know what our service limits are. Pfohl stated that he basically drew up a rough plan for development for a sufficient amount of SFEs and that nothing is in stone—they are just trying to figure out the best use for this property. The septic systems were approved a long time ago and Pfohl does not want to have to put a new septic system that close to the river. Pfohl stated that they would rather clean up the property with the water and sewer being provided by the District. Pfohl said that they are not in a rush for a decision. President Cronin said that if the county is working on the new zoning, we need to pay attention to what they are doing to that property and then there would be a greater level of confidence of what we do as it would be based on the zoning and then the zoning would keep the barn door closed. President Cronin reported that the 40 acres next to this property has potential for big development. Pfohl asked if the existing bank could be put on the sewer now and then wait on the zoning to revisit serving the other property. Then, if this property was left out of the District, it would have a drain field and space for a replacement drain field. Edwards said that would take care of not annexing property into the District. *The Board will take the request under advisement and discuss it at a later board meeting. Edwards stated that the annexation request will have to be formalized. President Cronin said the board will review the information and give the bank an answer at a later meeting.*

MEADOW VILLAGE WATER SYSTEM PROJECTS

Meadow Village Water Well Completion Project: Edwards reported that our engineers have responded to the State's concerns.

Silverbow & Hidden Village Water System Replacement Projects: The projects are complete and Edwards has released the retainage.

Meadow Village Water Projects Costs: Edwards provided the summary of costs in his manager's report.

YELLOWSTONE CLUB SNOWMAKING PILOT PROJECT

Edwards reported that they will be meeting with DEQ and YC tomorrow to take a look at the site. An engineering proposal has been submitted to the state for review.

BOYNE EASEMENT & DRAFT AGREEMENTS

Cascade Wells 5 & 6 Use Agreement & Mountain Village Water Storage Tank Use Agreement: Edwards reviewed the revised draft agreements provided in the board packet that were worked on by Susan Swimley, Brian Wheeler, and Taylor Middleton. Wheeler had commented that Boyne would only use the Cascade wells from November to January. According to Edwards, this fits with the District reduced water needs at that time. Having the wells used would also help demonstrate water use for our water rights. Edwards reported that Wheeler and Middleton wanted the easement agreement to include that they are acknowledging that Boyne will provide an easement. Director Olson stated that he is uncomfortable with that language in that things change, and that we are giving all this and for what. Director Olson thinks it seems as if the agreement is a one way street and both parties should be getting something in the agreement.

President Cronin said the agreement is pretty vague as to what the WSD is getting and asked why we couldn't specify a location. Edwards reported that a couple of years ago we had a site identified and had tests done, but Wheeler said that C & L would have to authorize it. According to Roberts, C & L will be adding boiler plate language to any agreement. Edwards reported that Boyne is under a time constraint as they need snowmaking in a month. President Cronin stated that we should slow down on the water tank agreement so that we get a specific agreement with a specific site. Director Olson said that it shouldn't be a perpetual agreement for use of wells 5 and 6 as we may need the water in the future and that maybe it should be an agreement that has to be reconsidered every 10 years, or whatever time period is reasonable. Edwards reported that the agreement was drafted as perpetual because the District was asking for a perpetual easement for its water line on the golf course. Instead of ramming the agreements through now, just to meet Boyne's snowmaking needs, the Board said they would allow Boyne to use the wells for this season and then the District and Boyne will continue to work on the agreements. Edwards said that having another ½ million gallons of storage on the mountain with the old tank in service would be a good thing for the District. The primary benefactor of a new water tank on the mountain would be Boyne, and the District would be the secondary benefactor. *Edwards will prepare an agreement to allow Boyne to use the water from wells 5 and 6 for the 2010-2011 snowmaking season and then Boyne and the District will continue to work on an easement for the water tank.* Roberts reported that Boyne does want to identify a water tank site, and they have needs for water this winter, so he thinks that both parties are on the same page working towards an agreement that is beneficial to both parties. *Edwards stated that the use of water from wells 5 and 6 for snowmaking for a one-year term will be the agreement.*

Director Olson moved to approve an agreement with Boyne for one year of water use on wells 5 and 6 for their snowmaking use. Director Fast seconded the motion. Jim Muscat expressed concern about Boyne's maximum water use so that it doesn't affect our water rights. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

STORAGE POND LINER COVER PROJECT

Edwards reported that the contractor is working on the rock covering to the storage pond.

SEWER & WATER PERMITS

Edwards reported that four new permits were issued, but that we are having a few problems with getting the remodeling projects permitted as owners are not submitting an application. A certified letter will be sent to one property owner who has not responded to the two letters that have already been sent.

GENERAL CORRESPONDENCE

TMDL Study Meeting: No board discussion.

DENNY BLACK

Edwards reported that all the insurance information and MPERA benefits have been taken care of in regards to the death of staff member Denny Black. Edwards has advised Lisa Black to get a financial advisor for the transfer of Denny's retirement funds. The health insurance was paid for through October and then Lisa will get her insurance through her employer. *The Board agreed to Edward's suggestion to have a custom made memorial park bench with a name plaque along the trail next to the treatment plant.* Edwards said that as far as employee replacement, staff have decided to wait until the end of the year for hiring a replacement. Director Allgood asked if we hadn't opted out of social security would there be a death benefit. Smith believes that Denny's children will still be eligible for death benefit through social security.

TRAIL EXTENSION


Edwards reported that the trail extension beyond the treatment plant has been pushed back until the end of October, but the contractor has indicated that it will take only take about two weeks and intends to complete the trail in November. President Cronin reported that he has heard that there may be a problem with the substation wall and asked Edwards to keep an eye on that. In regards to landscaping, President Cronin still intends to coordinate that with Northwest and their contractor, Doug Kramer.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, December 21, 2010, at 8:30 am.

ADJOURNMENT

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


Dick Fast, Secretary

10-19-10. min (Board Approved 12-21/10)

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – December 21, 2010
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:30 am on Tuesday, December 21, 2010, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Vice-President Gary McRae, and Directors Dick Allgood (left at 9:45 am), Jeff Daniels (left at 9:50 am), and Bill Olson. Betsey Weltner participated via telephone. Director Secretary Dick Fast was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were Boyne representative Brian Wheeler, Holmes & Turner auditor Rosie Barndt, BSCC representatives Steve Johnson and Katie Morrison, and Northwestern Energy representative Jim Heckman. Former board member Bill Shropshire participated via telephone.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:37 am.

MEETING MINUTES

Director Olson moved to approve the minutes of October 19, 2010, as written. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Smith reported on just the November financials with no unusual items to note in the past two-month period. The water and sewer operators had been doing a lot of repair and maintenance and we are about \$11,000 negative, but that should be made up over the next few months. The cash flows are different than in the past and that is because of the debt payment and infrastructure improvements and the pond liner work. Smith will deposit about \$500,000 from resort tax funds and Madison County funds. Asked if our budget is sufficient for the repair and maintenance for next year, Smith said that there is still bond money available--about \$280,000 for sewer and \$200,000 for water improvements. Edwards said that he is working with the operators on maintenance and repair needs and doesn't foresee any new big projects. Edwards noted that the PIC funds could be used to prepay bond debt, but we have been using those funds to balance out the tax payment. The resort tax will end January 1, 2013, and that will fully repay the original bond debt on the filter plant. Edwards said that YC has built 80 million gallons of storage, but are still on the hook to build the total required storage that we don't currently need.

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

Draft Audit Report: Rosie Barndt, auditor from Holmes & Turner, reviewed the District's annual audit report. Barndt noted there were no issues when looking at the \$4.6 million dollar loan. On Note 9, Concentration of Credit Risk, where about \$104,000 is attached to the Lodge's property taxes, the auditors are going with management's assumption that it will be collected on the taxes--but it is noted in the audit report. Director Cronin asked the auditor if they had any advice. Barndt did not and is under the assumption that it will be collected with the taxes.

President Cronin asked is there anything that the District should be doing. Shropshire asked if there is has been a creditors committee established and Smith said that there is, but that we are not on it. Shropshire said that *if an entity has a degree of voice that we need to be on the creditors committee to understand at least what is going on and then you are in communication with bankruptcy court.* Director Allgood read the information in the packet and it states that a creditors committee has not yet been formed. Shropshire said a court usually asks for volunteers to serve on the creditors committee. *Smith will follow up on the bankruptcy.* Director Olson asked about the deficiency of internal control noted on page 26. Barndt reported that because it is a government audit they are required to look at the internal controls, but not test the internal controls. If there wasn't a check and balance in place, they would need to bring it to attention. They did not find any deficiencies. If they had, the wording would have been different in the audit. Holmes and Turner has two more years under our audit contract. Barndt said to contact her if there are any questions.

Director Olson moved to approve the FY 2009-2010 Draft Audit Report as presented. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

AMEND AGENDA

Director McRae moved to amend the agenda to address the business action items. Director Daniels seconded the motion. Motion passed, 6 yea votes

RESOLUTION 10-01: CLARIFYING PREVIOUSLY EXCLUDED LANDS IN SECTION A FROM THE WATER SYSTEM JURISDICTIONAL AREA

Edwards explained the problems that we have had with DOR taxing properties that had been excluded from the bond debt. We have met with DOR on this issue every year and now they have asked for this resolution for their files. DOR has reviewed the draft resolution and have said that is all they need to solidify the exclusion of the properties.

Director Allgood moved to approved Resolution 10-01. Director McRae seconded the motion. President Cronin called for discussion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

CASCADE WELLS 5 & 6 USE AGREEMENT

Edwards reviewed the most recent revisions to the Water Use Agreement for Cascade Wells 5 & 6, noting that the mountain water tank site is not tied to this agreement. This perpetual agreement will allow Boyne to use as much water as the wells will produce for 3 months. President Cronin asked if the reasons for pulling out the future tank site was to clean this up and just get this use document done. At this point, Wheeler felt that the future tank is not a real immediate benefit for Boyne. If the tank site does need to be in the document it can be added, but Wheeler wants to get the water use agreement— this is in exchange for the pipeline and wells on Boyne meadow village property. Director Allgood felt that in the future Boyne, or whoever, will give the District what is needed in exchange for water to serve the mountain area.

Director Olson feels that as a responsibility to our District we may need the water and he has a problem with the wording including perpetual. Edwards reported that we have pretty large water rights to the wells, but he doesn't feel the wells can pump the maximum rights allowed and that we can use these water rights to reallocate rights to another water site. Additionally, if this agreement is done, then we are leaving three months of volume for Boyne's use and that period is our lowest demand time. Director Olson feels that water rights are going to be more and more difficult to get. And, if we commit to three months of snow making and we need the water to drink, then we will have a problem. Director Olson doesn't feel that we know as a group what will happen down the road and to give up our water rights in perpetuity might be a problem—nobody knows what is going to happen down the road and from everything he knows and reads on the subject, water rights are going to be tougher to get in Montana. Director Olson feels that we need some way of getting out of the water use agreement if the District needs the water. Wheeler reported that they need more water rights and they recognize the benefit of the water right use. They (Boyne/C&L) feel that the District being able to put in their wells and pipelines in Boyne's meadow village land is fair consideration for the snowmaking capabilities. Director Olson said he understands their position and that we have a good relationship with Boyne and Wheeler right now, but who knows what will happen in the future and he has a problem with the agreement being perpetual. Edwards estimated that the snowmaking use will use about 15% of the current water right. Director Allgood commented that we wouldn't have the water rights if Boyne hadn't built the wells in the first place. Wheeler understands Director Olson's point and noted that they are not drawing a hard line on this issue. Director Olson repeated that this board has a fiduciary responsibility to provide water and sewer to the District members now and in the future. Director Olson stated that he has no problem giving water for snowmaking, but does not want to hobble the District in the future as Montana water rights are becoming scarcer. Director Daniels asked if the agreement could be written to address Director Olson's concerns. Wheeler stated, that from the corporate side, they view this as fair trade and he feels the water commitment to customers should stand alone. President Cronin asked Edwards how much water we are talking about when it comes to our total water production capabilities. President Cronin stated that when the District would potentially need more water is June-August, but it would need to be pumped and stored for that season. It was noted that C&L is running the business, not Boyne. Wheeler said that it is definitely a different structure than it was 18 months ago, and he does have to go through C&L for everything now. Director Olson asked for interpretation of item 4 on the agreement. Wheeler said their goal is not to add to production and control water rights, however, they are constantly looking to increase water rights. Edwards reviewed the water system capacity report written by Mark Cunnane and the mountain village wells. Edwards feels that over time wells 5 & 6 will probably only produce 200 gpm each as a sustainable pumping volume so it should be possible to reuse those remaining water rights at another site. Edwards noted that the District would retain all water rights and that the District can petition DNRC to move the water rights of what is left. Director Olson said if the wells are rehabilitated by Boyne, which they would have the right to do, and produce 600 gpm then it could create a problem on the volume of the water right. Director Daniels supported Director Olson's position and said that

it always has been the philosophy of the Board to protect the District's consumers. Director Olson stated that if we can use the rights and move them to another well then he wouldn't have as much of a problem with the agreement. Edwards noted that the meadow well heads have been drilled on Boyne's land and they also cooperated with the District in the installation of the pipelines. Director Olson said that is not the issue, if he knew Wheeler was going to be the Boyne representative in perpetuity then he wouldn't be so hesitant with the agreement.

Director Allgood moved to adopt the water use agreement and the separate water pipeline and access easement agreement as written. Director McRae seconded the notion. Motion passed, 6 yea votes to 0 no votes.

Future Tank Site: Wheeler stated that they are willing to work with the District on the future tank and suggested that the District and Boyne *work on the details for the water tank site and pipeline easement this summer.* Director Olson stated that, *in the future, the District get the easement done first, not drill and then ask for an easement.*

Mountain Lake Well: Edwards reported that Mountain Lake is still on the clock to drill a well by 2011 and *Edwards will be sending Mountain Lake Partners a letter reminding them of the deadline.*

Director Allgood left the meeting at 9:45 am. Prior to leaving the meeting at 9:50 am, Director Daniels asked the Board to consider changing the meeting time to start at 8:00 am on the regular Tuesday meeting date.

WATER PIPELINE & ACCESS EASEMENT AGREEMENT

Under an earlier motion, the Board adopted the draft water pipeline and access easement agreement dated 12/9/10 for the pipeline that crosses Boyne's golf course property.

DOCUMENT RETENTION POLICY

Edwards presented his drafted document retention policy that essentially retains records either permanently, or for seven years. Edwards reported that seven (7) years retention is standard for financials for government agencies and both Smith and auditor Rosie Barndt are comfortable with the proposed policy. Edwards noted that the policy can be amended in the future if anything needs to be changed. Edwards said that once this policy is adopted then the District can begin purging old files stored in the basement.

Director McRae moved to approve the Document Retention Policy as written. Director Olson seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

SEWER OPERATIONS

Burroughs stated that there isn't really anything unusual to report on sewer flows. The mountain flows are up a little, but the skier count is also up.

Manhole Lid Design Contest: Burroughs asked the board about proceeding on the design contest for sewer manhole lids and asked for board members to volunteer to judge the entries, set the prize amount, determine who is eligible, and to decide the length of the contest. Burroughs will facilitate the committee of Directors Weltner and McRae, Big Sky Community Corp Executive Director Katie Morrison, and community members Bill Shropshire and Buzzy Vic. Burroughs suggested a \$1,000 cash prize and Smith countered with a suggested \$500 prize. The Board will leave the prize amount up to the committee. The Board does, however, want the boundary for eligibility to be the resort tax district area. Director Weltner commented that clearly defined parameters are needed so that entries can easily be judged. Director Weltner asked why the District just doesn't hire a professional for a professional design that could then be used on other WSD promotional material. Director Weltner was also concerned about inferior entries being submitted and then what. Board members liked the sample designs Burroughs presented that were from other communities that conducted a similar design contest. Burroughs stated that it should be the prerogative of the committee to reject any, or all, entries if they do not satisfy the committee's requirements. President Cronin stated that if Burroughs had presented the redesign of the manhole lid by just contacting a professional firm, he probably would not have supported it. However, with it being presented as a community-wide design contest, he thinks it is a positive idea to involve the community. Edwards asked if the deadline could be tied to a community event, and possibly extend it to the end of ski season. *Burroughs will contact committee members to get the contest parameters and judging criteria defined.*

WATER OPERATIONS

Muscat reported that all in all we have gained a lot of ground with fixing water leaks—we have the lowest production numbers in 12 years. The District replaced a lot of the fire hydrants last summer and we will paint the Sweetgrass water tank. Muscat reported that the 250K Sweetgrass Hills tank will be repainted next summer at a cost of about \$15,000. Edwards reported that neighbors have been requesting that the tank appearance be improved. According to Muscat, the 50K tank is a moot point as no one can really see it and, facility plan wise, that one is meant to go away.

MEADOW VILLAGE WATER SYSTEM PROJECTS

Edwards reported that we still need to sort out the disinfection requirements with DEQ and that he will be meeting with DEQ in Helena. He would like to commit to take care of just the two new wells, and not have to include the older wells. With the District's testing history, Edwards would like a waiver on the disinfection requirements on the entire system. Edwards reported that the storm water permit has been terminated. With the meadow projects being completed, this will be the last time the project cost summary will be in the manager's report.

YELLOWSTONE CLUB SNOWMAKING PILOT PROJECT

Edwards met with DEQ on site for the snowmaking pilot project and the aerial view provided in the board packet shows that it mimics ski terrain. If the concept works, then Boyne, YC and Spanish Peaks could use it. The District will do the site work and berming next year. Edwards reported that the District will do a snowmaking test this year. The District hasn't received DEQ's final blessing, but once we get all the requested data Edwards feels that they will give us a go ahead. With the scope of the pilot project, we don't need an EIS.

STORAGE POND LINER COVER PROJECT

Edwards reported that we are almost done along the highway with only a 50-60 foot section to complete. We also have a small segment by the shop and the aeration pond. There are no plans to add the rock liner to pond 3. The pond 1 west facing slope will not be covered with rock due to the steep slope. Director Olson asked if we could have the track-hoe with a boom moved off the pond bank. President Cronin also noted that there is a big cat along the x-county ski trail by Donovans and asked if the District could contact 3 Rivers, or another entity, to have it moved even though it wasn't being used for any district Work.

TRAIL EXPANSION PROJECT

Edwards reported that there is a little bit of trail work that needs to be done by the substation that will be done in the spring. President Cronin suggested that the dead trees in that area be cut down and asked that the District have a first come first serve policy for anyone who wants the wood, but to have clean up required along with slash piles that the District would take responsibility for burning.

Steve Johnson thanked the Board for allowing the trail as it is a great asset to the community and it came out very well. Johnson asked that the board consider naming the trail and Edwards thought that the District should name it after Denny Black. Katie Morrison also reported that she has received many positive comments about the trail extension. Morrison distributed a schematic of the community park proposed improvements. Edwards noted that *the District wants to hand off the trail maintenance to BSCC*. Johnson reported that the first weekend in June is national trails day and they will probably do some cleanup work then with volunteers. *Johnson will put a notice in the paper in the spring*. Edwards reported that we received a bill for about \$17,000 for the trail work and we are still within our \$20,000 budget. Director Olson offered to work with BSCC on benches along the trail. Johnson said that signage will be coordinated with Kristen.

NORTHWESTERN ENERGY SUBSTATION PROJECT

Edwards reported that the substation project is winding down. The landscaping and drip irrigation are in. Edwards introduced Jim Heckman and asked Heckman to check if the sage has been transplanted. Heckman reported that the visual retaining wall can be stained, and Edwards has asked *NW to submit samples if that is to be done*. President Cronin stated that the product for staining concrete is very caustic and that if that is to be done, there will need to be some sort of plastic catch basin. Heckman stated that, at a minimum, the walls will need to be sealed. Heckman reported that the gates are not yet in and that the lighting still needs to be addressed as it had been way over lit. They will consider soft white lights. Edwards asked Heckman if the trenching for the power work to get to the substation is done and if it has it all been reclaimed and restored. *Heckman will check with Matt Micklewright on what trenching still needs to be done and will also make sure that the restoration is done where they trench*. Edwards and President Cronin stressed the need to get the *reseeding done in a timely manner and to also do weed control and to spray the trees for the weevil and spruce bud worm*.

SEWER & WATER PERMITS

Edwards reported that two new remodeling permits were received. Edwards said two certified letters were sent out to property owners that have remodeled without a permit and have not been responsive to previous correspondence. *Edwards will consult legal council to see if we can add permit fees to the tax rolls*.

GENERAL CORRESPONDENCE

There was no general correspondence for the Board to address.

BOARD SIGNATURES

Edwards asked board members to sign several District documents previously adopted, along with the Resolution 10-01 adopted today.

BOARD POSITIONS

Director McRae reported that his tenure is up in December 2011 and that he is considering taking on a reasonably long job that is out of state where he may need to resign. If he resigns, he suggested that William Shropshire be appointed to his term. Director McRae was appointed by Gallatin County and they would have to agree to Shropshire's appointment. Edwards noted that in 2011 there will be three board positions up for election and the two appointed positions are also up at the same time.

NEXT MEETING

The Board discussed Director Daniels earlier request to change the meeting time to 8:00 am on Tuesdays. Director Weltner stated that she cannot be in attendance from 8:00 am until 8:30 on any Tuesday and suggested changing the meeting day. President Cronin noted the previous problems with changing the meeting date and said the board meetings will be on Tuesday at 8:00 am for now and the Board will try to delay board action items until 8:30 am when Director Weltner will be available.

The next Board meeting is tentatively scheduled for Tuesday, February 15, 2011, at 8:00 am.

ADJOURNMENT

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



Dick Fast, Secretary

12-21-10. min (Board Approved 2/15/11)