

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – January 17, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 scheduled a regular meeting for 8:00 am on Tuesday, January 17, 2012, 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 Jeff Daniels, Les Loble, Bill Olson, and William Shropshire. Secretary Dick Fast was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Community member, Les Hillard, attended for the discussion on Spanish Peaks.

PUBLIC FORUM

President Cronin called for public comment at 8:10 am. Les Hillard explained that he was attending the meeting for information on the Spanish Peaks water system as he is representing a family member that is interested in acquiring the system. President Cronin explained that the WSD is not involved in the bankruptcy, but the District is trying to stay on top of it. President Cronin recommended that Hillard talk with Edwards.

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

BOARD OF DIRECTORS

Director Shropshire moved to elect the current slate of officers. Director Olson seconded the motion. President Cronin called for discussion. Vice President McRae and President Cronin stated that they were willing to continue serving as officers. Motion passed, 6 yeas to 0 no votes. Reelected officers are Packy Cronin as President, Gary McRae as Vice President and Dick Fast as Secretary.

MEETING MINUTES

In the November 22, 2011, minutes, Director Loble noted a spelling correction to the word "Oath" and a correction to the wording in the motion on the FY 2010-2011 audit.

Director McRae moved to approve the minutes of November 22, 2011, with corrections as noted by Director Loble. Director Shropshire seconded the motion. Motion passed, 6 yeas to 0 no votes with President Cronin voting.

FINANCIALS

Smith noted that in the non-operating revenue there was a double booking error on the resort tax. Director Shropshire noted that the expenses are over on maintenance and wanted to know if there is a trend, or reason why. Smith explained that the numbers will smooth out over the course of the year as the maintenance is front loaded due to our maintenance occurring early in the fiscal year. Director Shropshire asked about the spiking NW energy costs at the plant. Smith said he will need Burroughs to answer that question. Smith reported that the SRF payment for approximately 1 million was paid on January 3, and there is approximately 16 million left.

Smith noted that there is roughly \$15,000 to \$20,000 in work done at Spanish Peaks that has not yet been reimbursed. Edwards explained that we are sitting on reserves for the Spanish Peaks water and we may be able to pull it out of there. Edwards noted that the letters of credit sitting at the bank are null and void with the bankruptcy. Directors Loble and Shropshire felt that the District should pull the money out of Spanish Peaks reserves. *President Cronin directed Smith to transfer the money from the Spanish Peaks' account to the District.* When asked about the

Spanish Peaks PIC funds, Smith explained that this money is not ours. The Board noted that both of these items could be an action by the bankruptcy court. President Cronin said that we need to wait for a decision from the bankruptcy judge. Board members agreed that pre-petition expenses can be paid. *Director Shropshire asked that the Spanish Peaks' trustee be contacted and informed as to what the District is doing for reimbursement for Spanish Peaks expenses. Director McRae moved to approve the November and December financials with the previously discussed adjustment to the non-operating revenues. Director Daniels seconded the motion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.*

MOUNTAIN LAKES

Edwards noted that three items needed attention: tax impact, owners' consent, and SFE connection fees. The tax impact to units in the Mountain Lakes Condominiums was presented in the manager's report and Lenny Liston was provided this information. The issue for them is when the taxes start, and Edwards recommended that the taxes start upon annexation just like other properties. *President Cronin wants the start date upon annexation presented to Liston so that he does not come in and ask for any other concession on when the tax starts.* Edwards distributed the consent form that was prepared by Swimley. Swimley also sent the consent form to Mountain Lakes' legal counsel, Art Wittich. Director Loble said *the Consent to Bond Levy Assessment document should read "upon annexation" to clarify when tax liability starts for unit owners in Mountain Lakes Condominium.* Edwards has not received any documents back from Liston. Edwards explained that the ordinance has gone through two readings and the Board will need to approve the third reading and approve annexation before the property is annexed. President Cronin stated that *the District needs to have Mountain Lakes' developers complete the well before annexation occurs. Edwards will send the changes to Swimley and communicate with Art Wittich.*

SPANISH PEAKS

Edwards distributed an email from Swimley that reported that the Spanish Peaks group is challenging the move of the bankruptcy proceedings to Montana. Edwards said he has talked with SPHOA representatives, Dean Genge and Karen Roberts, about the bankruptcy issues. Edwards has told them that the District is continuing to operate the water system under the assumption our agreement with Spanish Peaks still stands. *President Cronin asked Edwards to address the pros and cons of continuing to work with Spanish Peaks.* Edwards reported that the WSD staff continue to do the quarterly billing and does the sampling for Spanish Peaks. The letter from Karen Roberts, SPHOA Treasurer, was discussed and her letter is incorrect about the District's authority and responsibilities. Edwards said any requests for payment for work at Spanish Peaks will have to come from the trustee. All board members agreed with Director Shropshire that *the District's legal counsel needs to review and possibly respond to Robert's letter.* President Cronin asked, just for discussion, if it is an option for the District to cease providing operating services to Spanish Peaks. Edwards reported that Swimley has been talking with the bankruptcy trustee, but not about our operating agreement. Director Loble feels that *the District should get assurances from the trustee that we will get paid if we incur expenses.* Director Loble feels that the public relations aspect is very important in this community, but doesn't feel that the District's rate payers will want the District doing work for free for Spanish Peaks. Director Shropshire reported that in liquidation a trustee is appointed by the court to

protect the assets and protecting the assets, such as making repairs, is the trustee's responsibility. Edwards said he sent a letter to all the Spanish Peaks owners with their quarterly water and sewer statement that explained that the WSD does not own the water system, but that it is continuing to performing its obligations under the operating agreement. Director Loble asked if District legal counsel reviewed Edwards's letter from the District and is concerned that it sounds like we are agreeing to what Karen Robert's letter says. Edwards reported that Swimley did not review the letter. The Board reviewed the operating agreement. Director Shropshire feels that we are under contract with Spanish Peaks and have the obligation to inform the trustee of any repairs and maintenance needed. WSD has the discretion to deny doing any work for repairs; we only need to inform the trustee of repair issues. Director Shropshire said if the trustee authorizes payment for repair then the District should proceed. *The Board wants assurances from the trustee that the WSD will get paid for all operating maintenance and repairs.* Director Loble reiterated that we cannot expect our District rate payers to cover Spanish Peaks' expenses. Edwards read paragraph 3.6 of the agreement about WSD's authority on repairs and maintenance. *The consensus of the Board is that Swimley and Edwards should contact the trustee and raise the issue and get a clarification from the trustee. The Board wants Swimley to review Roberts' letter and Edwards' letter and decide if a response to Roberts' letter is needed and to write a response if warranted.* Edwards is not aware of any imminent problems with Spanish Peaks' water system. Edwards reported that he isn't sure when the bankruptcy court in Delaware will decide if the bankruptcy will be moved to Montana. He also feels that the bankruptcy could drag on for months. Edwards reported that he heard that Spanish Peaks had tried to go through Chapter 11 reorganization and it was denied, and then they went to Chapter 7.

Mr. Hillard stated that they are just doing their due diligence in exploring the possibility of purchasing the Spanish Peaks water system as an investment. If they acquired the system they would want to have an operating contract with the District like the District has had with Spanish Peaks.

SEWER OPERATIONS

Edwards reviewed Burroughs flow reports for the year and it is the biggest numbers we have had. May and June 2011 were the highest flows, which makes it clear that there is an infiltration problem. Edwards feels that it was an anomaly because of the high snow packs and feels the flows will go back down this year with the low snowpack thus far.

WATER OPERATIONS

Muscat's production report was provided in the board packet. Edwards noted that the summary in his General Manager's report provided additional details. Edwards reported that we are now almost exclusively filling the Aspen Groves' tank with water from the mountain. We are still lower than we were a year ago for production and Edwards feels that we are in a good spot in terms of the improvements we have made to the system. According to Edwards, there is some good correlation in the production totals as to when repairs were made. President Cronin stated that it is important for the District to get additional water source (i.e. Mountain Lakes well). Edwards reported that the mountain continues to use more water than the meadow, even though they have little irrigation. Edwards said it was noteworthy that the YC numbers have continued to drop and feels this is because we use a leak detection company and then send the leak detection company to YC.

SNOWMAKING

Edwards reported that we have made approximately 1 million gallons of snow, have taken three rounds of snowpack samples, and we will continue to sample through the spring. Edwards noted that YC threw a lot of good effort at the project and it has worked out well. For additional information on the snowmaking project, Edwards has put a couple of links on the WSD website.

STORAGE POND LINER

Edwards reported that the storage pond liner project was stopped due to the weather, and just a small portion on the aeration pond needs to be finished next fall.

ONLINE BILL PAY

Edwards reported that he hopes to have the online bill payment running by the 1st quarter billing in April, 2012.

POWDER RIDGE DEVELOPMENT

Edwards reported that Big Sky Resort LLC is proposing to change the Powder Ridge construction pads from what were single units to duplex. The engineer's report states they want to add 3 additional units, which will include a total of 23 single condominium units and 4 duplex condominiums for a total of 31 condominium units. The original Powder Ridge Phase IV Subdivision was approved for 28 condominium units. Edwards will be meeting with engineers, but he said the additional units will not involve additional lines.

PROPOSED DEVELOPMENT

Justin Hauser, Hauser Engineering, has submitted information regarding the Rock Ridge Planned Unit Development located in the base area of Yellowstone Club just as a courtesy as the project is out of the District.

PARK DISTRICT

Edwards reported that, in the board packet, there was a notice of passage of a Madison County Resolution regarding the intent to create the Big Sky Mountain Trails, Recreation, and Parks Special District. Edwards feels like it will go through. Director Olson said it seems that there are only issues from the Ennis side.

GENERAL CORRESPONDENCE

There was no general correspondence for the Board to address.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, March 20, 2012, at 8:00 am.

ADJOURNMENT

Director Loble moved to adjourn the meeting at 9:43am. Director Shropshire seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – March 20, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held its regular meeting on Tuesday, March 20, 2012, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Directors Jeff Daniels (left meeting at 9:50 am), Les Loble, and William Shropshire. Vice-President Gary McRae participated via conference call beginning at 8:15 am. Secretary Dick Fast and Director Bill Olson were not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Peter Bedell. District legal counsel Susan Swimley participated via conference call on agenda items concerning Mountain Lakes Annexation and Spanish Peaks Resort Bankruptcy.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:09 am.

MEETING MINUTES

Director Shropshire moved to approve the minutes of January 17, 2011, as written. Director Loble seconded the motion. Motion passed, 4 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

January/February Financials: Smith briefly reviewed the budget vs. actual noting that, through February, the estimated operating revenues are on target and that the operating expenses are approximately 3.5% over. This overage means the budget is about \$50,000 in red at this point, but Smith feels this will even out over the fiscal year. Smith did not have any unusual items to report. Director Shropshire asked if Smith could determine if it would be an economic advantage to the District to pay off our state loans by using the cash on hand in addition to refinancing with lower rate commercial loans. Smith reported that our state loans are from 3% to 4% interest rate. Director Shropshire asked that *Smith explore refinancing our state loans by following up with our bankers to see what is available since interest rates are at historic lows.*

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

Farmhouse Partners Annual Payment: Smith and Edwards briefly reviewed the history of Farmhouse Partners being allowed by the District to make installment payments of their plant investment charges (PIC) for their Big Sky apartment project. Smith reported that Farmhouse has not made their \$3,912 annual interest payment on their PIC fees second note, but through the years they have been late at making this payment. Smith noted that, in the past, we have not applied the \$1,000 per month late fee. This year Smith sent Farmhouse a past due letter for the \$3,912 annual interest that was due on December 31, 2011, plus an additional \$2,000 for the January and February late fees. Director Loble expressed his view that the *WSD should enforce the terms of its agreement with Farmhouse.* Smith commented that he doesn't know what to do if Farmhouse has not paid by a date certain. Should he send the penalty and annual interest fees to the county for collection through taxes? Edwards stated that the District can always shut off water to the building if warranted. Smith reported that Farmhouse's final payment of \$97,000 is due December 31, 2012. Both Edwards and Swimley believe that the PIC and interest can be put on the taxes as the law provides for collecting fees and assessments. The consensus of the Board is *Smith should call Dab Dabney and inform him that the late penalty of \$1,000 per month as of January, 2012, will be applied to the past due interest payment. Smith will also remind Dabney that the final payment on the note is due December 31, 2012.*

FY 2012-2013 BUDGET

Smith reported that he is now working with the staff on the FY 2012-2013 budget. The preliminary budget will be presented at the May meeting. Smith stated that he is not anticipating a rate increase. If any board members want information on the new fiscal year budget prior to the May meeting, they should contact Smith. *Director Loble requested the budget be provided to the Board two weeks prior to the meeting.* President Cronin stated that it would be his goal to keep the rates where they are. Edwards reminded the Board that if the rates are raised, we have to publish and mail information to our customers of the rate hearing. This takes time to plan.

MOUNTAIN LAKES ANNEXATION

Edwards reported that he talked with Leonard Liston regarding the taxation consent form as required for annexation by the WSD Board at their January 17, 2012, meeting. Edwards distributed the information received from Liston. The consent form has been distributed to the six Mountain Lake owners and Liston thought that it would not be a problem to get signatures from four of the owners. Owners of units 203 & 302 object to being taxed upon annexation and feel it should be upon connection. Edwards reported that if Mountain Lakes were not annexed into the District it would use its private septic system. Water would continue to be provided by the District's public water system. Mountain Lakes would not be able to complete build out without being connected to the District's sewer system. President Cronin stated that the position of the WSD Board has been 100% of Mountain Lakes owners' signatures must be obtained, and that Liston is obligated to drill a well by December 31, 2012. Per Board consensus, *Edwards will email Liston and inform him that the Board requires all (100%) individual owners of Mountain Lakes to agree to and sign the consent form for taxation prior to annexation.*

SPANISH PEAKS RESORT BANKRUPTCY

Edwards reported that the WSD has always been viewed as a secured creditor, but recommended filing a claim with the court for the \$10,500 that is delinquent. *Swimley will file a creditor's claim with the court for the amount currently owed by Spanish Peaks, plus the projected quarterly charges.* Director Shropshire asked if the bankruptcy proceeding has changed from Chapter 7 to Chapter 11. The February 8, 2012, bankruptcy court document mentions Chapter 11. Swimley will check into the status, but believes the "11" is a typo as she is not aware of any filing to change the status from Chapter 7.

SEWER OPERATIONS

Peter Bedell reported that there have been a couple of frozen sewer lines which have been repaired. Bedell said we have sufficient wastewater capacity with the pond at 12' and 8' left for capacity. In comparison to this time last year, the ponds were full and Burroughs was pumping to the Yellowstone Club. Edwards reported that Bedell has just taken his operator test and will get the results within the month. Edwards reviewed the flow reports prepared by Grant Burroughs. It appeared that the months were switched and *Edwards will have Burroughs correct the tables and also provide labeling so that the summary and detail report tie together in future reports.*

WATER OPERATIONS

Muscat reported that the meadow flows are high at a couple of million gallons and staff will have leak detection done in May and June. Muscat is not sure where the problem is, but thought that ground settling around previously fixed pipes may have caused a leak and this needs to be fixed.

This summer, Muscat will continue replacing the oldest fire hydrants from the 1970s, and refurbish the 50,000 gallon tank in Sweetgrass Hills. According to Muscat, the District's goal is to replace both Sweetgrass tanks with one larger tank. Muscat reported that staff have been working on pumping improvements to the mountain system and the system is working well now. Muscat would also like to tie the upper Sweetgrass tank into the main meadow so that we could supply the Sweetgrass tank from another water source. In routine water sampling, Muscat reported that we tested positive for total coliform at the District's office sink. In retesting at a lower source (the treatment plant), that site also had total coliform. All other sites tested absent for total coliform. Muscat felt that the total coliform was probably from dirty faucets. Muscat chlorinated the system, and all additional samples tested absent for coliform. As required by Department of Environmental Quality, the District published a public notice about the positive tests and will send a letter to customers in the April statement. Edwards noted that total coliform is not fecal coliform.

YELLOWSTONE CLUB SNOWMAKING

Edwards reported that Blue Water Task Force will be taking core samples at the pilot snowmaking test site today. Once melting occurs, sampling will be shifted to the lysimeters installed last year.

ONLINE BILL PAY UPDATE

Edwards reported that the District now has a non-subsidized online bill pay model available to customers for paying their quarterly water and sewer bill. The model has no advertising and only displays the District's logo. If preferred, customers can create an account for only looking at their bills and usage online. An easy-pay option to set up recurring automatic payments is also available. Swimley is reviewing the easy-pay legal statement that the customer agrees to before paying their bill. Chris Sund is now working on our meter export files so that more real-time usage can be viewed online. Edwards would also like to create notification options for customers so they can be notified if their water usage exceeds a specific set level.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Yellowstone Club Subdivision: Edwards reported that, as a courtesy, we have received a few letters regarding Yellowstone Club's proposed development. Since this proposed development is outside of the District service area, Edwards has not commented on the correspondence and has only included the letters in the board packet for informational purposes.

Resort Tax Application for 2012-2013: Edwards reported that the *deadline for submitting an application for resort tax allocation is April 4, 2012, at 3:00 pm*. Edwards noted that resort tax paid 100% of our first two bonds and these bonds will be paid off in 2013. Smith reported that on July 1, 2012, the \$500,000 resort tax payment will come from last year's allocation and on January 1, 2013, WSD will receive a final \$250,000 payment. Edwards is recommending a total resort tax request of \$600,000 for tax relief/bond debt and projects. This would be \$150,000 less than what was received last year. President Cronin feels that tax relief is an important aspect of resort tax allocations as everyone in Big Sky benefits. Director Loble reported that the resort tax board is exploring bonding for large capital projects. Edwards reported that Boyne's \$250,000 annual payment has been fully paid off and the District no longer receives this annual payment. The Resort Tax Board will hold their Q&A forum on May 9, 1:00 pm, and their appropriations meeting on June 13, 1:00 pm.

SEWER & WATER PERMITS

Edwards reported that the District has 124 SFEs left for development before the Board needs to release additional SFEs.

TELEMETRY PROJECT

Edwards reported that the District has been working with Recon Dynamics on a wireless telemetry pilot project that can provide real time data on temperatures, water meter readings, motor run times, equipment starts and stops, motion detection, etc. The software can be programmed to send email notification to a personal computer if, for example, a temperature drops below a certain level. Edwards reported that the District now has the remote devices which monitor temperature and provide notification of when the generators run. Edwards said temperature notification to homeowners could prevent freeze ups due to failed heating systems. District staff currently try to notify owners if their water meter shows up on a routine high use report. With the cost of a small remote device (tags) at \$40, Edwards wants to shift the monitoring water use to the owners. Edwards reported that he will apply to the resort tax for \$30,000 for the cost of a meadow base receiver station. The mountain would need a separate station at an additional cost. Director McRae reported that the Williston, ND, water system has been using satellite reading technology that he has been told works well.

GENERAL CORRESPONDENCE

There was no general correspondence for the Board to address.

NEXT MEETING


To accommodate off season schedules, the next Board meeting is tentatively scheduled for Monday, May 7, 2012, at 8:00 am.

BSOA POND

Director Shropshire reported that he has been engaged in several conversations with members of the community about the BSOA pond restoration project. These people are sorry that the District has not moved forward to change the District's water rights for use at the BSOA pond. Director Shropshire has explained to these individuals the potential negative outcome from DNRC if the District tries to reapply water rights. Director Shropshire would like the Board to approach the topic of water rights reallocation with DNRC on a very informal basis to get their informal advice. (Director Daniels left the meeting at 9:50 am.) President Cronin thought an informal meeting is a good suggestion, but the Board has to understand that our water rights are our most important asset and the District's mission is to provide sewer and water. *Edwards will follow up by contacting Carl Uhlig, BSOA pond consultant, and visiting with Kerry Strausheim, DNRC Bozeman regional office manager.*

ADJOURNMENT

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


Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – May 7, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular board meeting on Monday, May 7, 2012, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Secretary Dick Fast and Directors Jeff Daniels, Les Loble (left at 10:00 am), and William Shropshire. Vice-President Gary McRae 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 Mountain Lakes representative Leonard Liston and community member Dick Allgood.

PUBLIC FORUM

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

MEETING MINUTES

Director Loble moved to approve the minutes of March 20, 2012, as written. Director Daniels seconded the motion. Motion passed, 5 yeas to 0 no votes with President Cronin voting.

FINANCIALS

Smith reported that revenues are on target with the budget and he had nothing unexpected to report. Smith explained that unrestricted reserves draw down until the quarterly billing is done and then the revenues replenish this fund.

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

FY2012-2013 Budget: Smith reviewed the FY 2012-2013 draft budget without proposing increases to water and sewer rate. Smith noted that the last rate increase was with the July 2009-2010 budget. According to Edwards, the estimate to complete the wells would be about \$20,000 without any disinfection requirements. Once the District receives a response from DEQ on its waiver request for disinfecting, staff will have to estimate the costs associated with any disinfection process required by DEQ. If disinfection is required, the funding will come through SRF. Edwards stated that he intends to meet with DEQ to get the project moving forward. Smith reported that the water usage is down 10%. Smith projected flat revenues and presented a conservative budget. Smith estimated a 7% increase on the property and casualty insurance, but he is still waiting for the insurer's review of the system and written cost. Smith met with both water and sewer operators on their portion of the budget. Sewer operations are up approximately 1% based on year-to-date figures. Director Shropshire questioned the maintenance budget as it is lower than what the projected actual costs are now shown. Director Shropshire stated that as equipment gets older, it needs more maintenance and repair. Smith feels that sewer expenses will only be a little over budget and is comfortable with the draft budget presented. Edwards noted that depreciation replacement funds are used for larger repair and replacement items. Smith reported that there is also a tight budget on the water operations, with this budget up approximately .75%. Smith noted that the wild card in the budget is power costs. Changes were made to the water system on the mountain and, theoretically, we should see a reduction on the power costs, but we haven't seen any cost savings yet. Smith reported that we have also changed mechanics for the generators and the maintenance work being done now is more comprehensive and it does cost more. The water system depreciation will start decreasing several thousand

dollars every year. With non-operating, Smith reported that we are on the final year on the loan payment on the filter building and the annual resort tax payment will also be complete. PIC fees are the same with an estimate of \$45,000. Non-operating revenues are down about 16% for water and 27% for sewer because the District is not requesting as much from resort tax and Boyne's \$250,000 annual payment has expired. This year our resort tax request is \$630,000 with \$250,000 of it as the last obligated payment for the filter building and irrigation improvements. For non-operating expenses, Smith included \$20,000 to complete the pilot snowmaking project. Overall Smith projects a \$15,000 operating loss, but he doesn't believe the sewer shortfall warrants raising the sewer rates.

Director Loble moved to approve the FY2012-2013 Budget as presented. Director Fast seconded the motion. President Cronin called for discussion. Motion passed, 5 yeas to 0 no votes with President Cronin voting. Edwards will publish the District's budget as has been done in previous years.

Bond Debt Service Mill Rate Levy: Smith and Edwards reviewed the projected mill rates at 28.15 mills for water and 26.95 mills for sewer. Edwards explained the jurisdictional areas with the overall taxable values being down 2.14%. These taxable values are used to calculate the mill rates. Edwards stated that the District, as in previous years, has used plant investment funds with the goal to smooth out the mill rates instead of having large fluctuations.

Director Shropshire moved to approve President Cronin signing the mill request at 28.15 mills for the water project bond and 26.95 mills for the sewer project bond as presented. Director Fast seconded the motion. Motion passed, 5 yeas to 0 no votes with President Cronin voting.

MOUNTAIN LAKES ANNEXATION

Edwards reported that, at the last meeting, 4 of the signatures had been received on the consent agreement. Leonard Liston informed the Board that they have been working towards completing the annexation requirement and they now have 5 of the required 6 signature. Liston stated that getting signatures has been a challenge as the owners are now asking for something from the developer in exchange for the signatures, but Liston hopes to get the last signature. Liston said, in general, he purchased the project and came to the WSD Board for annexation prior to even closing on the purchase of the project. According to Liston they have not built anything in 4.5 years and the last unit sold in 2008, and there is no revenue source. Additionally, 6 owners are servicing the HOA costs instead of the 36 planned owners and these 6 owners are dissatisfied as their HOA costs are more than expected. Liston noted all he has done and feels that he has always been giving to the WSD Board as connecting to the public sewer is the right thing to do. Liston's concern is the December 2012 deadline of the well installation as he doesn't intend to start the next building until next year and he doesn't feel he can go back to his investors for money to complete the well this year. Liston does not want a date specific for well completion and asked the board to change the well agreement read "prior to connecting, the developer has to complete the well." Liston said the District will get all they want—the well, the PIC, and the unanimous approval from unit owners—it is just the timing. Edwards reported that the annexation ordinance has been through two readings and the District gave Liston a deadline extension for well completion to December 31, 2012, with the understanding that the land will be

become part of the tax levy district upon annexation. According to Edwards, the well is not critical for the District at this time. Liston stated that he will commit to putting in the well once they start the next building and which he hopes is next April. President Cronin stated that, to avoid any potential lawsuits, he has been the one board member that wanted 100% of signatures agreeing to taxation upon annexation. He asked other board members if they thought he was out of line with this requirement. Liston assured the board that he can get the signature, but if he didn't have to get it would be easier on him. Director Fast is comfortable with the signature requirement but would reconsider if District legal counsel supported a change. Dick Allgood feels that with Liston having 35 of the 36 signatures that the board should consider his request. Edwards agreed with President Cronin in that the District should do what it can to stay out of potential lawsuits and supported the requirement of 6 signatures. President Cronin said that he understood Liston's request on the concession on the well completion date, but emphasized that the Board has an obligation to protect the District. If the District has to compromise, Director Shropshire stated that he would agree to a one-year extension on the completion of the well. Director Loble suggested a provision that states once the 6th consent is obtained, a one-year extension on the well completion will be given. Liston reiterated his concern about a one-year extension of the well completion and asked what if he has to return to the Board for another extension. President Cronin said the District has two options on the well language; giving a one-year extension, or tying it to when development begins. In keeping a deadline, there would be no provision to prevent Liston to before the board to ask for another extension. Liston restated that before a connection is made, the well would be completed and that he will have the 6th signature before annexation and the annexation agreement will not change prior the 6th signature. Once the final signature is obtained, the Board will consider amending the annexation agreement and the well completion agreement to allow the developer to complete the well prior to connection but without a specific deadline. When the annexation goes through, taxation will begin, PIC fees for existing units will be paid upon connection, the well agreement language will be changed to well completion before certificate of occupancy on any new development. Director Fast asked if the District needs the additional well before Liston develops. Liston reported that development will begin either April 2013, or 2014,--it will depend on the bank. President Cronin felt that the compromise will still be a safe position for the District by tying well completion with development.

Edwards recommend that Liston be required to submit a well plan to the District at the same time he submits the sewer extension plan. To put the documents on the same track, Edwards also wants the well has to be completed by the time Liston's engineer substantial completion date of the sewer extension.

Director Fast moved, pending the receipt of the 6th owner's signature, to direct Edwards to work with District Counsel and Liston to prepare amendments to the annexation agreement and to the well agreement that would delink the annexation from the drilling of the well and amending the well agreement to require Liston to submit a well plan to the District at the same time Liston submits the sewer extension plan to DEQ and the District and completion of the well must be on or before the engineer's substantial completion date of the sewer extension. Upon receipt of the 6th signature the Board will review and take action on the documents. Director Shropshire seconded the motion. Motion passed, 5 yea votes to 0 no votes.
(At 10:00 am Director Loble and Leanord Liston and left the meeting.)

SEWER OPERATIONS

Edwards briefly reviewed Burroughs flow report.

Manhole Maintenance: *President Cronin noted that asphalt around the rim on some manholes is wearing out and asked that staff check out the manholes entering in Westfork and to fix this problem.*

YC Pump: Edwards has asked District counsel to prepare letters to Flow Service and Power Service regarding the issue with the failed new pump serving Yellowstone Club that only has about 40 hours of use on it. Burroughs reported we are pumping at half capacity and if one of the pumps goes out, we will not be able to pump any water. Burroughs thinks that there is a heating problem at the pumps, and the flow conditions need to be changed from a "T" to a "sweep." *President Cronin directed Burroughs to get this piping replaced.*

YC Storage Pond: Burroughs reported that the YC pond is probably about 90% full and he is concerned about storage capacity. Edwards will be meeting with YC staff to discuss this issue and to get them to start using the reclaimed water for irrigation. According to Edwards, the current YC golf course maintenance employees do not want to use the reclaimed water. The issue is that the agreement with the District allocated 1,900 SFES to Spanish Peaks and Lone Moose in exchange for YC building storage ponds and using the reclaimed water. The Board and staff discussed the possible need of reducing the SFE allocation if YC will be using less water than specified in the agreement. Edwards noted that the snowmaking at YC is also important for using the reclaimed water.

Nutrient Management Plan: Edwards reported that the technical document was provided in the board packet and the annual irrigation reporting will be done. This irrigation reporting requirement is a bit of the fallout from work being done by the Blue Water Task Force on elevated nutrient loading in their testing on the water tributaries. Edwards noted that DEQ has approved the Nutrient Management Plan and meters for irrigation water leaving the plant were added a year ago to allow for future reporting. *The Board suggested asking Boyne to use a port-a-potty at the golf course maintenance shop and to discontinue using their drain field.* Edwards reported that DEQ does not issue permits for land application systems at this time. Edwards will continue to work with DEQ as drawing submittals on the irrigation must be submitted.

Pond Lining: As an alternative to a rock lining on the pond, Edwards suggested a vinyl lining printed in rock and draping it into the pond.

WATER OPERATIONS

Muscat reported the flows are up in the meadow and down on the mountain. The pipeline from the mountain is only supplying Aspen Groves. The meadow village wells are now supplying all other areas in the meadow until the repair to the mountain line is done. This summer Muscat will continue working on hydrant and valve replacements and the Sweetgrass tank will also be refurbished. Muscat reported that water samples have not had any additional BacT hits since January.

SPANISH PEAKS RESORT

Edwards distributed the bankruptcy information received on the Spanish Peaks Resort and according to Swimley it is in Chapter 7, not Chapter 11. Smith reported that he received notice that another party will take over paying the bills for Spanish Peaks.

ONLINE BILL PAYMENT SYSTEM

Edwards reported that the online bill payment system is up and running and the District's website has a link.

RESORT TAX APPLICATIONS

Edwards submitted two applications for resort tax funding. The bond debt tax relief of \$350,000 will be split between water and sewer bond debt. The application for \$30,000 is for the Recon telemetry project. The Q&A will be 5/9/12 and allocation will be 6/13/12.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards reported that realtors inquired about SFE commitments to the Taylor family property in Section 31. This property lies east of the storage ponds (in the District) and a 4-acre parcel (outside of the District) that is across the highway and south of the ponds. Edwards reported that he has done extensive review of the files and he doesn't think there are SFEs allocated on the 4-acre parcel, but there are 25 SFEs on Section 31 that was an undivided remainder. The District has 10 SFEs for its property (plant) in Section 31. Edwards stated that the Board could consider purchasing the property.

SEWER & WATER PERMITS

Edwards reported that six permit applications were received. Four were for new homes and two were for remodeling.

GENERAL CORRESPONDENCE

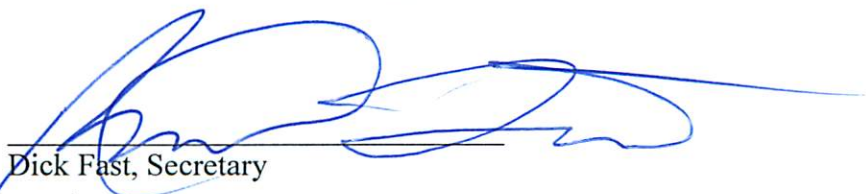
There was no general correspondence requiring board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, July 17, 2012, at 8:00 am.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 10:58 am. Director Shropshire seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

5-7-12. min (Board Approved 8/14/12)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – August 14, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, August 14, 2012, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Secretary Dick Fast (left meeting at 11:50 am), and Directors Jeff Daniels, Les Loble (left meeting at 11:25 am), Bill Olson, and William Shropshire. Vice President Gary McRae intermittently participated in the meeting via conference call starting at 8:35 am. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, Grant Burroughs and Peter Bedell. Lone Peak Lookout reporter Jolene Keller was also present.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of May 7, 2012, as written. Director Olson seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

FINANCIALS

Monthly Financials: Smith presented the April, May, and June financial statements for Board approval. Smith noted that there was a net operating loss of approximately \$100,000 with the operating revenues at 97.8% of what was budgeted and with operating expenses at 2.5% over budget. The sewer operating loss was approximately \$72,000 and the water operating loss was approximately \$34,000. Smith stated that he wasn't concerned about the loss and feels that the District is in good shape. Smith reported that in June he moved \$25,000 out of restricted water operating reserves and asked the Board for their approval per District rule.

Director Shropshire moved to approve moving \$25,000 from restricted water operating reserves as requested. Director Fast seconded the motion. Director Cronin called for discussion. Director Loble felt that with the rule, this money should only have been moved with prior Board approval. Director Olson asked about using unrestricted reserves instead of restricted. Smith explained that there was no money in the unrestricted water reserve at the time and the balance now showing on the financials are the funds from the transfer. Smith noted that these funds will be repaid with the incoming revenue. Smith clarified that Board approval to transfer funds was not a written rule, but it has been operating procedure. Director Shropshire withdrew his motion as Board approval was not needed.

Smith reported that overall net income was about 11% under. Regarding repairs and maintenance expenses, Director Olson and other board members expressed concern that every year the District has unexpected maintenance expenses and wondered if these expenses are historically under budgeted. Smith and Edwards reported that part of the problem is when old lines are repaired; more of the costs are booked under repair and maintenance. Director Shropshire stated that *if the life of an asset is going to be extended a year, such as through repairing a motor, or replacing a line, then the items may need to be capitalized.* The Board also discussed changing the \$5,000 capital expenditure threshold. Edwards explained his reason for wanting to lower this threshold. *Smith will communicate with operators and try to remedy the under budgeting of repair and replacement for next fiscal year.*

Director Olson moved to approve the April, May, and June financials as presented. Director Shropshire seconded the motion. Motion passed, 6 yeas votes to 0 no votes with President Cronin voting.

General Obligation Bond Mill Levy Certification: Smith reported that the certified taxable values were received from the counties and the proposed mill rates are 27.80 for water and 26.40 for sewer. This is an increase of approximately 11 mills, or 27%, from last year as no resort tax funds were received for bond debt. Edwards said that by using \$400,000 from the segregated account funds, the District is able to smooth out the mill levy rates. (Director McRae joined the meeting at 8:35 am via telephone.) With little chance of the current resort tax board members supporting WSD bond debt, *Board members were in consensus about publically highlighting the cause of mill rate increases through an article in the newspaper in addition to mailing a newsletter to District customers. The Board wants information presented that provides an explanation of what improvements the bonds are paying for, as well as the reason for the increase in the mill rates.* The manager's report provided the mill rates from 2004 to present and showed where they escalated a couple of years. Edwards explained the effect of the increase in this year's taxable value. Director Shropshire noted that the increase in mill levies will be a hardship on low income rate payers. Director Olson reported that the fire district has the ability to levy taxes, but has been totally funded by resort tax. Director Loble feels that lack of resort tax funding for the WSD has been a problem of communication and feels that there has to be communication with the rate payers.

Director Loble moved to approve the General Obligation Bond Mill Levy at 27.80 for water and 26.40 for sewer as presented. Director Fast seconded the motion. President Cronin called for discussion. The Board discussed changing the \$400,000 PIC funding. Director Loble asked the staff to prepare a report on the historical use of the \$400,000 PIC funds. Smith reported the amount was set at \$400,000 years ago to have a sustainable funding for sewer mills. The Board asked that the staff have the discipline to review the amount funded annually. Motion passed, 7 yea votes to 0 no votes with President Cronin voting.

Delinquent Accounts Tax Role: Smith noted that the list of delinquent accounts provided in the board packet was as of last week. Smith asked for Board approval to send delinquent accounts to the counties for collection on the tax rolls.

Director Loble moved to approve sending the delinquent accounts to the counties for collection on the tax rolls. Director Fast seconded the motion. President Cronin called for discussion. Director Shropshire stated that putting delinquent accounts on the tax rolls doesn't get the District cash and asked what the counties charge for interest. Smith will get that information. Edwards noted the option of shutting off water service, but isolating water shut off is not possible on all properties, such as condominium units. Edwards reported that the District has always elected to put delinquent accounts on the tax rolls. Without Farmhouse Partners' delinquent balance, the total delinquent amount is only about \$30,000. President Cronin stated that if the delinquencies do not hamper the District from doing business, then delinquencies need to be pushed along to the tax rolls. Director Loble reported that the resort tax board has taken a position to collect the 3% resort tax and presented an alternative for collecting delinquent amounts through a tax collector. Smith noted that for customers who call and work out a payment plan their delinquent balance is not sent to the tax rolls. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. (Director McRae was not on conference call to participate in this motion.)

Director Shropshire asked that the staff prepare a historical report on what accounts have been delinquent and sent to the tax rolls. The Board discussed options such as using a collection agency, turning off service, etc. Director Shropshire feels that staff need to analyze the reasons for delinquency.

Auditor Contract: Smith asked for Board approval for a three-year audit contract with our existing auditor, Holmes and Turner.

Director Loble moved to approve the three-year contract with Holmes and Turner as District auditor. Director Daniels seconded the motion. President Cronin called for discussion. Director Olson stated that at some point in time, the District does need to go out to bid to make sure that the District is getting a comparative rate. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. (Director McRae was not on conference call to participate in this motion.)

MOUNTAIN LAKES PARTNERS ANNEXATION

Edwards reported that all six of the consent forms have been received. Edwards met with legal counsel and prepared and sent the draft ordinance and water well installation agreement to Liston for comment. Edwards noted that Liston's response deleted the District's ability to bid the well completion if the developer failed to complete this requirement. The Board felt that there is already security for well completion in that the agreement states that the developer cannot make a connection without well completion.

Director Loble moved to approve the Water Well Installation Agreement as proposed by Liston in his draft dated 7/6/2012. Director Daniels seconded the motion. President Cronin called for discussion. Motion passed, 6 yea votes to 0 no votes with President Cronin voting.

Director Shropshire moved to approve the third reading of Ordinance 2012-01 with the typographical correction of "know" to "known" on 1.01 and relabeling the Ordinance from 2011-01 to 2012-01. Director Daniels seconded the motion. President Cronin called for discussion. The development will pay a plant investment charge of \$10,000 per SFE on the existing units and the common area, and on any future development. The well has to be completed prior to connecting. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. (Director McRae was not on conference call to participate in this motion.)

The signed consent forms will be recorded at the county.

FARMHOUSE PARTNERS

Edwards reviewed the history of the Farmhouse Partners permit fees, where in 1997 they had requested a reduced PIC fee on their low income housing project. The Board did not reduce their fees, but agreed to a deferred payment via a promissory note with interest time payments and a balloon payment on December 31, 2012. According to Edwards and Smith, Farmhouse has been struggling to just make their annual interest payment. A letter was sent to the developer asking that the delinquent interest amount be paid by August 31, 2012, or this will be sent to the tax rolls. Edwards reported that the District can call the promissory note anytime and referenced a draft letter in the board packet. Edwards recommended collecting the PIC fees now as it would protect the District if Farmhouse goes under with their current financial struggle and asked the Board for approval to collect the balloon payment by August 31, 2012, or add it to the tax rolls. Edwards stated that, for the record, the District has not heard that this project is going bankrupt.

Director Fast moved to exercise the default language in the promissory note by sending a final letter, as drafted in the board packet, to Dab Dabney/Farmhouse Partners that the PIC fees owed on the property will be put on the tax rolls if payment of fees is not received by August 31, 2012. Director Shropshire seconded the motion. President Cronin called for discussion. The fees demanded include the interest payment that was due on 12/31/2011. Motion passed, 6 yea votes to 0 no votes with President Cronin voting. (Director McRae was not on conference call to participate in this motion.)

AMEND AGENDA

Director Fast moved to amend the agenda to address the water operator report. Director Loble seconded the motion. Motion unanimously passed.

WATER OPERATIONS

Muscat reported that the flows are normal and the mountain is using a normal amount of water when factoring in two major leaks that have since been repaired at Park Condominiums and with Yellowstone Club pulling their maximum allotted amount of water. The increase in water use at Lone Moose is due to the District using this water source during the repair of Park Condos and for the high demand at Yellowstone Club. Muscat stated that the bad news is that Lone Moose wells are not producing the amount of water they were initially reported to and these wells will not be a reliable water supply for the entire District. *Director Loble asked staff to provide the District's total production and demand.* Edwards reported that industry standard for leak loss is about 10-15% and we are probably about 20%. Director Loble stated that when you want to build more capacity, people get upset about not conserving and we need to look at ways to tighten up our system if we have a lot of loss. Muscat reported that we do the most aggressive leak detection in the state and that huge leaks were repaired at Yellowstone Club, Yellowstone Condominiums, Silverbow, etc. Yellowstone Club had surpassed their seven-day limit prior to finding and fixing a leak. Muscat reported that the Sweetgrass Hills 50,000 gallon water tank is in the process of being repainted. Edwards noted that the YC is not using the wastewater committed to in the agreement. Additionally, with Lone Moose wells' production, they will not have the water supply for 900 SFEs and the Board may need to review and adjust the obligation for this development. Muscat summarized that irrigation water use is unbelievably huge with wells running 24-7 for the period June thru Labor Day and we do not have a spare tire. Muscat wants to have additional water wells to use when demand is high. Director Loble asked if the Board has suggested to homeowners and developers to xeriscape. Muscat reported that he did dog and pony shows on this topic before at BSOA architectural meetings and they want landscaping. Edwards reported that the two Cascade wells with sulphur smell are not used. According to Muscat if we wouldn't have had the leaks at Park Condominiums and Yellowstone Club we would have been in a safe zone, but would have still had to run the wells 24-7. Director Fast reported that Muscat was very responsive at working with a customer in Aspen Groves in increasing that customer's water pressure.

ORDINANCE 97-1001 AMENDMENTS

Edwards reviewed the history of the proposed amendments as it has been a work in progress and has labeled the amendments as first reading. It was noted that there were no formal notifications on this first reading. Edwards highlighted the extension of the warranty period extension to two years. Edwards will work on enforceable language for adding text on being a customer in good standing as it applies to permits. The Board discussed the proposed changes of allocation of

capacity and Edwards will leave it as drafted. With remodeling, the original Ordinance had only allowed 1.0 SFE limit, and this has been eliminated. Board approval for new permits had been at 5.0 SFEs and it is proposed to be changed to 25 SFEs. SFE reallocation revisions clarify that unused SFEs revert back to the District, such as for unused SFEs from condo developments. Edwards feels that there are loopholes that we probably cannot close. The Board discussed not allowing reallocation/transfer of SFEs unless SFEs are in a current pool, i.e. Boyne and Town Center. Director Olson feels that all the SFEs should belong to the District and then the District allocate based on permit applications. Additionally, Director Olson feels that the District needs to figure out its intent of capacity and allocations. Edwards stated that changing to this type of SFE allocation system would eliminate the table. Edwards reported that without zoning in Madison County, the District is a check and balance of what can be built in that area and works as quasi zoning. Director Olson feels that the District needs to do something with the SFEs to prevent them from being used as a commodity. Director Loble recommended that the Board schedule more meetings specific to working on the Ordinance amendments as this section of the ordinance needs additional review and work. Edwards reviewed the history behind the use of Table 3.01 and distributed and discussed the Gallatin County zoning document and how certain parcels are zoned. Edwards reported that there are parcels in our District where our table of capacity does not have an SFE allocation shown, and without zoning in Madison County there are parcels that would be potential problems for the District to decide what capacity could be built. Edwards distributed a graph of our sewer flows since 1993 where the flows are now averaging about 72 gallons per day per SFE, which is lower than the flows used in 1986 for capacity planning. (Director Loble left the meeting at 11:25 am.)

Director Shropshire moved to approve the first reading of the draft amendments to Ordinance 97-1001. Director Daniels seconded the motion. Motion passed, 5 yeas votes to 0 no votes with President Cronin voting. (Director Loble had left the meeting and Vice President McRae had been disconnected and was unavailable for this vote.)

The Board will schedule monthly meetings to get the ordinance amended by November. Edwards will invite the Madison County planner to the next meeting to get their input on development capacity in Madison County.

Director Shropshire suggested that President Cronin could appoint a committee to work on the Ordinance amendments and then bring the amendments before the Board at a regular meeting.

Director Olson noted his unavailability to make all meetings and said that he may need to resign.

(Director Fast left the meeting at 11:50 am).

SEWER OPERATIONS

Peter Bedell noted that the flows are looking good without any pumping to the Yellowstone Club and, currently, we only have one pump on line. Burroughs noted that we are down to about 250,000 gallons as compared to about 500,000 this time last year. Edwards reported that the cost to repair one of the pumps would be about the same as replacement. Burroughs will check into getting one of the pumps repaired. Burroughs has not received an answer from engineers, or suppliers, if changing the piping will fix the pumping failure. It hasn't been determined why the new pump failed after 40 hours...if it is manufacturing problems, or installation errors. Burroughs doesn't feel that we will need to use the YC pumping system this summer season. Bedell reported that there hasn't been much activity in selling compost for the last month.

PILOT SNOWMAKING

Edwards reported that the YC pilot snowmaking is wrapping up and once HKM finishes the final report it will be sent to DEQ. Edwards reported that the YC greens keeper has been opposed to using reclaimed water for irrigation. They are only using 20 million gallons a year...about 1/3 of what the agreement had called for. YC never draws down their pond going into the winter and it keeps getting fuller every season. *Edwards asked the Board what the District's course of action should be, i.e. should the agreement be reviewed and the capacity allocation reworked. The Directors were in consensus that YC needs to be put on notice.*

POND LINER

Edwards reported that the pond liner project is finished.

TOWN CENTER CAR WASH

Edwards has been talking with Town Center representatives about a proposed car wash. Edwards needs more specific information to give them a definitive number on SFEs. Peter Bedell reported that he and Burroughs have discussed the car wash proposal and they do not have any problems with it as long as the developer has a system that models after the car wash on Oak Street in Bozeman, where they reuse the water and have filtering systems in place to take care of oil, sand etc.

SEWER & WATER PERMITS

Edwards's manager's report listed permit activity.

GENERAL CORRESPONDENCE

No general correspondence required Board action.

NEXT MEETING


The next Board meeting will be scheduled during September, 2012, once availability of board members is known. Director Shropshire is gone September 15-19, but is available earlier in September, plus the 20-21, and 24. Director Daniels is gone starting September 18. Director Olson will be available September 24-28.

NEW BOARD MEMBERS

President Cronin stated that the Board needs to think about board member replacement for the appointments for both Madison and Gallatin Counties as the terms of Directors Olson and McRae expire in November, 2012.

ADJOURNMENT

Director Shropshire moved to adjourn the meeting at 12:09 am. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – September, 27, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Thursday, September 27, 2012, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Secretary Dick Fast and Directors Les Loble and Bill Olson. Director William Shropshire participated via conference call. Vice President Gary McRae and Director Jeff Daniels were not present. WSD staff members present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Boyne representatives Jamie Roberts and Brian Wheeler. Gallatin County Planning representative Tim Skop and Madison County Planner Charity Fechter joined the meeting at 9:23 am.

PUBLIC FORUM

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

MEETING MINUTES

Director Loble moved to approve the minutes of August 14, 2012, as written. Director Olson seconded the motion. President Cronin called for discussion. Director Fast asked if a letter regarding the mill rates on the bonds had gone out to District rate payers. Edwards distributed a draft letter for the Board to review. Director Fast asked if Yellowstone Club has been put on notice regarding their required use of reclaimed water for irrigation. Edwards reported that he has emailed Mike Ducennois in the past about the capacity issue and YC only using half of their commitment. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

FINANCIALS

Draft Audit Report: Smith distributed the District's draft audit report prepared by Rosie Barndt of Holmes and Turner. The audit report will be presented as a final draft at the next board meeting. Smith asked the Board to review the draft and send any comments to him prior to the next board meeting. *Director Loble asked that Smith remind Barndt to highlight notable aspects of the audit when she presents the report to the Board.* Smith noted the adjustments for the taxes that are levied where Barndt may want taxes booked as a receivable when it is received. The other adjustment is the presumed rent from Search and Rescue.

ORDINANCE 97-1001 AMENDMENTS

Edwards stated that at the last meeting a first draft of the ordinance amendments was reviewed and approved. This will be the second reading and any proposed amendments will not take effect until approval of the third reading. Edwards noted the big issue is with changing Table 3.0-1 and he reviewed three options—doing nothing, eliminating the Table, or issuing permits based on density guidelines. With the games that were played in determining SFEs in previous years, the District had amended the ordinance and simplified the SFE calculations administratively through using square feet. The Board reviewed and discussed the points that Director Fast presented in addition to the amendments and options proposed by Edwards. Edwards invited Madison and Gallatin County Planning representatives, Charity Fechter and Tim Skop, to the meeting to discuss zoning and its effect on the Table 3.0-1. Edwards explained how the engineers calculated SFEs to create the Table and that it has since been a long-standing exhibit to the ordinance and it was part of the District's early planning for capacity. According to Director Olson and President Cronin, the Table was created by engineers as only a planning document. The Table was then legislated into District rule/ordinance, thereby creating roadblocks for development on some properties by not meshing with reality. President Cronin summarized that the Board isn't looking at opening the flood gates for development, but the District needs to recognize that owners need flexibility in building on properties that can handle

it. Director Olson feels that the mission of the Board is to provide capacity for development and to facilitate development, not restrict development.

The Board discussed the pros and cons of having SFEs revert to the District and approving permits based on what zoning and ordinance regulations allow. This change would prevent the SFEs from being a commodity. Contractual processes were discussed that would prevent the Board from changing pooled SFEs because of Boyne's settlement and Westland TM's lawsuit., and the Yellowstone Club agreement. Brian Wheeler stated that Boyne did spend years building up the SFE pool and feels that the issues need to be analyzed separately. According to Wheeler, Boyne values the SFEs like gold and the excess SFEs need to be addressed. Wheeler feels that the ability for reallocation of SFEs on the mountain is critical for Boyne. Wheeler feels that SFEs are still used as currency.

Tim Skop reported that development allowed by Gallatin County zoning doesn't add up with Table 3.0-1, where zoning allows more building than the SFE table allows. Edwards reported that in the instance of Lone Mountain Ranch, the Table has it built out, but zoning allows for additional development. Skop recommend that the District retain remaining SFEs from developments that are built out. The Board expressed concern about the lack of zoning in Madison County being a problem. Charity Fechter reported that Madison County uses Boyne's master plan in approving what can be built and any amendments to the master plan must be approved by the Madison County Commissioners. Fechter said that review letters for comment are sent to the WSD at the pre-application stage so there is a chance for District review prior to the master plan being amended. Brian Wheeler said that the District needs to look at tear down and reuse of the property, i.e. the mountain lodge, the Huntley, etc. when considering build out capacity. *Fechter requested that the Madison County Planning Office be included in the loop for District notification of permits* as they have had parcels developed without their knowledge and such things as driveways, etc. are not up to county standards.

Edwards feels that the District either needs to amend Table 3.0-1 and fill in the holes, or take the Table out and make zoning density around the counties guidelines for guidance in approving permits. Edwards's preference was to eliminate the Table and use it as a tracking tool. It could be replaced by what Gallatin County zoning density allows and the District could come up with a density plan according to the master plan for Madison County. To narrow the commercial definition, Skop provided information on how Gallatin County decides approval--height restrictions, setbacks, parking requirement, etc.

The Board discussed how many SFES are unused, what the District's capacity is now with the decrease in average flow per day per SFE, planning for future development like a big hotel, and the disparity that has always existed between flows and SFES. Edwards reminded the Board that the facility plan is a 20-year plan not a full-build out plan. The District does do not have storage capacity to get to full build out and that is why we are looking at snowmaking. The Board discussed what will happen if we get to capacity with current infrastructure and people still want to develop. Edwards stated the District's need to take care of the property included in the District boundary where SFEs had not been allocated, or these properties need to be excluded from the District. *Edwards will expand option 3--using the Table as a tracking tool...not as parcels owning SFES--using what is allowed by zoning, covenants, and master plans.* With the District's data base, Edwards feels that he can look at averages and get good numbers for what is on the ground right now and then tie that into density regulations.

Director Fast moved to approve the second reading of the draft amendments to Ordinance 97-1001. Director Shropshire seconded the motion. President Cronin called for discussion. It was noted that a third reading will be required before approval of the amendments. Motion passed, 4 yea votes with President Cronin voting to 1 no vote cast by Director Loble.

PRIVATE WELL REQUEST

Edwards summarized the request from Kevin Stump to drill a well to support a pond at his residence at 235 Chief Joseph Road in Sweetgrass Hills. Edwards noted that the District's ordinance prohibits drilling private wells in the District. Edwards explained that there was a private well drilled for pond use on Young's property in Sweetgrass Hills without District review and approval. The District fined Young \$5,000, but he was allowed to have the well. Edwards reported that he asked Mindy Nowakowski, BSOA, if there are any restrictions to construct ponds in Sweetgrass Hills and it doesn't appear as if there are. Edwards stated that he personally would rather see a private well to supply water for ponds instead of using the public water supply. Directors Shropshire and Olsen do not want private wells as they could impact the District's water supply. President Cronin asked how you would quantify the impact of private wells without an extensive engineers study. Director Shropshire feels that it would be setting a terrible precedent to allow, or approve, private wells in the District. The District has a restriction on wells and the Board needs to enforce it. Director Olson reported that he personally has a pond and he knew that he would have to pay the District for the use of the water to operate the pond. Director Olson explained that the Board agonized over Young's illegal well and doesn't think that the Board should ignore the restriction again. *Edwards will send a letter to Stump and let him know that a well will not be allowed, but that he can proceed with a pond knowing that the water will have come from the public water supply.* Edwards does not want ponds being filled during high water demand periods (July and August) and will inform Stump of this.

Director Loble moved to deny Stump's well request. Director Fast seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

GENERAL CORRESPONDENCE

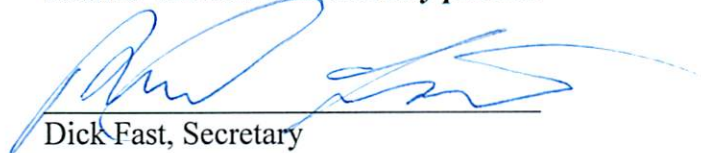
Edwards distributed a draft letter to be sent to property owners in the District that will explain the mill rates for water and sewer bonds that will be on their tax bills.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, October 16, 2012, at 8:00 am.

ADJOURNMENT

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



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – October 16, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, October 16, 2012, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Directors present: Jeff Daniels, Les Loble, and Bill Olson. Director William Shropshire participated via conference call. Vice-President Gary McRae and Secretary Dick Fast were not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Jim Muscat. Others present were The Big Sky Weekly reporter Emily Stifler and Boyne representatives Brian Wheeler and Jamie Roberts.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:13 am.

MEETING MINUTES

Director Olson moved to approve the minutes of September 27, 2012, as written. Director Daniels seconded the motion. Motion passed, 5 yeas to 0 nays with President Cronin voting.

FINANCIALS

FY 2011-2012 Audit Report: Stating that there were no significant findings, Auditor Rosie Barndt of Holmes & Turner distributed a one-page summary on the final audit report. Barndt reported that the auditor is required to communicate any significant estimates in compiling the financial statements, but feels that all delinquent accounts receivables are collectable. If receivables are not collectable and it is a big enough amount, it needs to be reported in the audit. According to Barndt, history shows that approximately 97% of the receivables turned over to the counties for collection have been collected. Barndt asked the Board if they were aware of any reasons why the \$134,600 owed by Farmhouse Partners might not be collected as the amount would then have to be reported. In Barndt's research, nothing came to her attention that would make her think the amount would not be collectable, but asked Board members if they felt this amount should be noted in the audit because it might not be collected. President Cronin reported that even if the property goes to bankruptcy, the taxes have to be paid and delinquent balances are sent to the counties for collection on the tax rolls. The Directors discussed which creditors they felt were the most senior and who would get paid first. Director Shropshire stated that with the current collection procedure all of the receivables are collectable at some point in time. Director Shropshire feels it should be up to Barndt to comment in the audit report if she is not comfortable with the reasonable assurance of payment on these delinquent accounts within a year or two. Barndt stated that she is comfortable with leaving the audit report as is without a comment on the delinquent receivables. With all Board members in agreement, President Cronin said Barndt's audit report should be left as is, without a note on the Farmhouse delinquent receivable. Barndt reported that she made a small journal entry for the principal and interest on a loan payment and that taxes receivable should be recorded when the county sends out the tax bills. Additionally, the interest in the Big Sky Search and Rescue building (where no cash actually changes hand) should be recorded. Barndt will submit the final audit report to the State today. *Barndt and Smith will prepare the annual report that must be submitted by 12/31/12.*

Director Shropshire moved to accept the final audit report and approve the submission to the State as presented. Director Daniels seconded the motion. President Cronin called for discussion. Citing state statute, Director Loble doesn't think that the Board has any authority to accept, or reject, the audit report. Director Shropshire explained that with the Board "accepting" and not "approving" the audit report, the District is not ignoring statute. Director Shropshire considers it good protocol to accept the report. Motion passed, 4 yea votes with President Cronin voting to 1 no vote cast by Director Loble. Director Shropshire noted that he hasn't seen such a clean audit report.

September Financial Report: Smith reported that there are no unusual items to report and, overall, the numbers are looking good. Smith noted that this summer quarter was the highest usage and billing on the water side with \$388,000 billed. All operating categories are favorable and the income will be on target by the end of December when the taxes start coming in. In regards to the delinquent accounts, Smith reported that \$163,076.73 was transferred to the counties for collection this year and the cumulative amount since 2002 is \$548,213.

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

Accounts Payable Policy: Smith explained that the original policy was approved in 2002 and he has added a sentence to give him the flexibility to capitalize and depreciate asset replacement parts below \$5,000 that extend the life of an asset beyond one year.

Director Shropshire moved to approve the amended Accounts Payable Policy as presented. Director Loble seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

Past Due Accounts: Smith reviewed tables that presented the total past due accounts and amounts placed on the tax rolls since 2002. For 2012, the balance is now at \$163,076 and Smith did not suggest any changes in how we collect through the tax rolls. Director Shropshire feels that our current policy is appropriate in terms of collection, but noted where for 4 to 5 years fewer than 20 accounts were turned over and this number has tripled since the recession. The higher number is a concern to Director Shropshire and he doesn't feel that our current policy of doing nothing but turning over the delinquent balance for collection does anything to encourage customers to pay their water and sewer service charges current. Where it's possible to isolate shut off, Director Shropshire asked if the District should consider using its service leverage until the owner brings the account current. Smith reported that if we take out the Farmhouse Partners' note, the delinquency trend is beginning to decline. Smith noted the procedure for collection, the late fees charged and the \$100 fee added for collection on the tax rolls. Smith feels these added fees/charges cover the interest the District would earn on the delinquent amounts if the account had been paid on time. With the auditor's report of 97% of delinquent accounts being collected and with interest being covered through late fee charges, Directors Loble and Olson did not think delinquency should be addressed through shutting off service. Edwards noted that individual shut off is possible for single family and stand-alone structures, but some condo complexes do not have the ability to isolate shut off to a single unit. Edwards doesn't like shutting off service as out of area owners may not know what is going on when so many properties are managed by property management companies. President Cronin stated that the bigger picture is that the current system is working, but if the interest rates go up, or the trend starts changing/increasing, then our procedure should be reconsidered.

ORDINANCE 97-1001 AMENDMENTS

Edwards presented the third reading draft amendments to Ordinance 97-1001 asking that the Board not approve and adopt the amendments at this meeting as comment has not been solicited from the public and/or developers.

In regards to building tear down scenarios, Director Olson brought up that we do not have any language in the ordinance that tells us what happens to the SFEs if for instance a structure like the mountain mall is torn down and feels that the reuse of the SFEs needs to be addressed. Edwards noted that with previous tear downs the SFEs stayed with the property and the developer has not had to pay the plant investment charge on the existing SFEs, but that the development has been limited to the total SFE's originally allocated to the property. Edwards noted that Boyne's settlement document addresses it by using the table at the time with no additional PIC fees. With amending the ordinance, the District could approve additional SFEs and any unused SFEs would revert to the District with no refund of any PIC fees on these SFEs. President Cronin stated these issues are addressed for Boyne and others where settlement agreements are in place. Wheeler asked if the District will be crediting the developer for what was allocated to the property originally, or crediting for what was actually as built. Director Olson wants the issue clarified in the ordinance. Edwards will take that concept from the Boyne settlement and include narrative to the ordinance. Edwards noted that we have not changed our past SFE records to account for square footage for single family homes.

Wheeler reported that without zoning in Madison County, Boyne bases their development and master plan on SFEs that they have available. Edwards said that he originally had doubts about changing from permitting via defined SFE allocations for the Madison County area, but feels that with the working relationship with Madison County Planning staff and with Madison County Commissioners reviewing and approving master plans he feels that their reviews are like zoning. Director Loble feels that the Ordinance needs to include language that the SFEs are not a commodity and not tradable—article 4 may address this issue.

Edwards noted that with Westland TM they were court awarded gallons per day and this has been reworked to 1,435 SFEs. Edwards also noted that Westfork's SFEs will never be built out. With Boyne's pool concept, Yellowstone Club's agreement with 1,000 SFEs to Spanish Peaks and 900 to Lone Moose that the District will never be able to totally eliminate the SFE concept.

Director Daniels asked what Edwards anticipates for comment from developers. Edwards reported that the amendments will make it harder to move SFEs as the property will have to be owned for longer periods of time. President Cronin feels that the amendments will make it easier for development though if owners come to the District with building plans that go along with what is allowed by zoning. In looking at the specifics of where the SFEs are allocated and what can be built by zoning. President Cronin noted that there will be unused SFEs reverting back to the District. Edwards reported that if developments such as Black Eagle want to build out per plans originally used, the District would approve it. Edwards said the District isn't the taste police, but will have to balance SFE requests with what the zoning allows. Director Olson said the District is not a zoning department or an architectural committee; the District provides water and sewer and he feels uncomfortable with the District becoming a taste committee. Edwards feels that if submittals are close to what zoning allows, i.e. 12 units per acre, then the District should approve applications if they are reasonable. Reverting the unused SFEs back to the District lends itself to the approach of balancing out SFE requests.

Edwards said we need to get feedback from property owners/developers. President Cronin would like the District to look at how it proposes to talk the developers through this change. Edwards said the hard line approach would be to blow out the reallocation process where the District will not approve reallocation and the Board may want to consider adding this to the amendments—it would need an effective date, though. With existing developments, they would be able to finish build out with what was already approved. Director Olson feels the Board/District should be encouraging development not discouraging it. President Cronin would like people who own property in the District to be able to develop it. Director Olson cautioned that some developers may consider it a takings of SFEs. Director Loble stated that if property owners think the proposed change is a takings, the District can then ask them to show the deed where they got the SFEs. Wheeler said that with the 2-step process for approval in what is allowed to be built in Madison County, he feels it covers the District. *Director Loble asked that Edwards have legal counsel review the amendments prior to going for public comment.* Director Loble would also like a *summary of proposed changes sent to developers prior to public comment.* Wheeler reported that there was never a mechanism to sell SFEs, it was done covertly and with the District's change to require a one-year ownership, the problem was taken care of. Director Loble thinks that if we are doing something that may have financial impact on someone, the District needs to go the extra mile for public review and comment. *President Cronin directed Edwards to have Swimley look at the amendments.* Edwards will add documented limiting numbers for such development as Spanish Peaks and Lone Moose. The commercial and resort parcels were the tricky parcels for defining SFE density calculations in Exhibit A. Exhibits B & C are the same and could possibly be moved into the rate ordinance. In regards to Article 3 on connecting, permitting and reallocation, Director Shropshire asked how often the District has had engineers determine capacity. Edwards explained that prior to releasing capacity for new permitting in the past, the District has had engineers (Ray Armstrong/HKM) look at the capacity of the plant. It was a way for the District to have someone else look at capacity for permits. President Cronin noted that the Board has no intention of rushing through the passing of the ordinance amendments and the District will solicit comment from the public. The Board had no other narrative changes to the proposed amendments. *Edwards will get a legal review, add narrative on the knock down issue, prepare an executive summary, and distribute the amendments to the Board for another review.* Edwards feels that the document could be completed and approved by the first of the New Year.

WATER OPERATIONS

Water Operator Report: Muscat distributed his well production data reporting that he feels the increase in flows reflects the warmest June thru September he can ever remember. Muscat does not believe this increase is due to leaks as the flows are already down 36% since the beginning of October. Muscat reported on the pumping problems with the wells at Lone Moose as being one reason for their high use, but that the development also uses a lot of water for irrigation for such a limited amount of landscaped area. Muscat explained that the District did not need to go beyond the Level 1 Restrictions as we now have the ability to share the water source from the mountain with the meadow. Muscat reported that the 50 thousand gallon tank has been refurbished and he only has testing to complete before putting the tank back on line. The big project for the District now is getting the new meadow wells on line. To provide Boyne with a water source for snowmaking, a fire hydrant has been installed for using mountain wells 5 and 6.

Sweetgrass Hills Tank Easement: Edwards reported that the access issue and clean up through Rogers Crane property has been put on hold according to a letter received by the Big Sky Owners Association. Wheeler reported that there is no Sweetgrass Hills owners association, but the mailing regarding the easement access issue was sent to Sweetgrass Hills owners. According to Wheeler, the architectural committee will meet on this issue on November 7th, 8:30 am, at the Village Center, and a notice will be sent to owners about the meeting. Muscat stated the 250 thousand gallon tank in Sweetgrass Hills needs to be upsized and a good location would be the land vacated by Northwestern Energy when they built their new substation by the treatment plant. Edwards noted that the easement issue in Sweetgrass Hills will need cleaned up.

SEWER OPERATIONS

Grant Burroughs was unavailable to review his wastewater flow report. Edwards summarized that the numbers look good...they are even, or below, with what that has been reported in previous years. According to Edwards, the District has irrigated with as much treated wastewater as we can and it has been a good irrigation summer. The golf course irrigation is currently being blown out. In regards to the failing pumps, the pump engineer has said that we need to do some piping modifications before we put a new pump in. The piping design was originally installed according to HKM's design and the District has not pressed the issue of failing pumps because of the design being faulty. Edwards said we could go down this road with the engineers by purchasing a new pump and asking the engineers to help pay for it. President Cronin said this original 90 degree piping angle caused two pumps to burn out and this faulty piping configuration was the cause. President Cronin feels this faulty engineering design needs to be presented to the engineers and we should push this issue. Edwards stated that we could get into who shot who with that argument as the plans were prepared by HKM, but reviewed and approved by the State, and reviewed by the pump suppliers. Director Loble feels that there is reason to believe that our relationship with the engineers needs to be preserved by both sides and the District should ask for sharing the expense of pump replacement since it is about a \$75,000 investment in replacing the pumps. *Edwards will meet with HKM and Power Service in Billings about the pump failure issue and will include Grant Burroughs in the meeting.*

BOARD OF DIRECTOR APPOINTMENTS

Edwards reported that the Gallatin and Madison County appointed directors' terms expire in November, 2012. Director McRae's term expires November 9 and Bill Olson's term expires in November 2012, but no specific date was given for Olson's term. As far as Edwards is concerned he believes that both appointed terms would be up November 9, 2012. Edwards reported that Brian Wheeler is willing to serve as the Madison County appointment and recommended that the Board make a motion to present Wheeler's name to the commissioners to consider for a 6-year term. For the Gallatin County appointment, Edwards was not aware of any individual expressing interest to take that seat. Director Loble recommended that *the District advertise for the vacant Gallatin County appointed position as Director McRae will not be available for reappointment and to also advertise the vacant position for Madison County.* Director Shropshire announced that he intends to apply for the appointment for the Gallatin County position as he now is filling an unexpired term of an elected position. Director Loble asked *Edwards to check with legal counsel to find out if the Board could appoint another person to fill Director Shropshire's unexpired position.* Director Olson stated that he has always enjoyed serving on the WSD Board, but he now has other commitments and will not apply for a reappointment. The Board thanked Director Olson for his years of service to the District.

Director Loble moved to have the minutes reflect that the Board has always appreciated Bill Olson's years of service to the District as a Board member. Director Shropshire seconded the motion. Motion unanimously passed.

GENERAL CORRESPONDENCE


There was no correspondence requiring board action.

NEXT MEETING

Director Loble suggested that the Board change the starting time of the board meetings from 8:00 am to 8:30 am. The next Board meeting is tentatively scheduled for Tuesday, November 20, 2012, at 8:30 am. Director Shropshire will be available via telephone.

ADJOURNMENT

Director Loble moved to adjourn the meeting at 10:20 am. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

10-16-12. min (Board Approved as amended—11/20/12)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – November 20, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, November 20, 2012, in the WSD Community Room. President Packy Cronin called the meeting to order with the following Board members present: Secretary Dick Fast, and Directors Jeff Daniels, and Les Loble. Director William Shropshire participated via conference call. The term limits expired for the Madison and Gallatin County appointed positions held by Vice President Gary McRae and Director Bill Olson. WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Others present were Boyne representative Brian Wheeler and Country Market representative Sloan Bauer from Bayliss Architects.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:38 am.

DIRECTOR APPOINTMENTS

Edwards reported that the District advertised for the appointed director positions with an application deadline of November 16. Brian Wheeler was the only applicant for the Madison County appointment. Gallatin County has received two applications, William Shropshire and Peter Manka, with Gallatin County extending the application deadline to November 23. The Madison County Commission will act on their appointment today if the WSD Board makes a recommendation. Gallatin County has postponed their appointment until their next meeting on November 27, but asked that the WSD Board also make a recommendation for their appointment. Edwards reported that legal counsel did not have any issues with the Board recommending Shropshire for the Gallatin County appointment. Edwards also reported that last week Tom Reeves, a district property owner, expressed interest in the one-year appointment to fill Director Shropshire's unexpired term if Shropshire is appointed to the six-year term.

Director Loble moved to recommend that Madison County Commissioners appoint Brian Wheeler to WSD Board for a six-year term. Director Daniels seconded the motion. Motion passed, 5 yea votes to 0 no votes with President Cronin voting.

The Board discussed recommending an applicant for the Gallatin County appointment. Board members concurred with President Cronin's statement that the Board should consider recommending Shropshire for the appointment as he is familiar with the District's history and issues, he would be able to offer continuity to the board, and he has also demonstrated his commitment through actively serving on the Board for several years. The Directors discussed the possibility of negative public perception for not waiting to review all applications. The consensus was that Shropshire would be best suited to fill the county appointment and then the Directors would consider the other applicants to fill Shropshire's unexpired term of one year.

Director Daniels moved to recommend William Shropshire to the Gallatin County Commissioners for the new Gallatin County appointment to the Big Sky County Water and Sewer District Board of Directors for a six-year term. Motion passed 4 yea votes to 0 no votes with President Cronin voting. Director Shropshire was not present for this vote.

ORDINANCE 97-1001 AMENDMENTS (Third Reading Draft)

Edwards noted that the ordinance included in the board packet is the exact same ordinance as presented at the October meeting. The knock down concept of not charging for reusing SFEs still needs to be added to the draft ordinance. Edwards emailed out the draft ordinance to developers as listed in the board packet. Bill Simkins contacted Edwards only to make sure the amendments do not affect the Town Center's development capabilities. With the lack of response from other developers, Edwards's thinks that they do not feel threatened with the proposed changes and that they understand that the District is trying to streamline development. Edwards reported that Jerry Scott, Tract 5 LLC, has 45 SFEs sitting on Tract 5, but intends to use only about 25 SFEs for a condominium development. With the proposed amendments the developer would forfeit the remaining SFEs and this is a bit of a takings issue. Under the current ordinance, the developer could move the SFEs to another property they own; but they cannot transfer, or sell, SFEs to another property owner. President Cronin stated that the amendments solve one problem in that there will not be a need to transfer SFEs if the District has the ability to approve development allowed per zoning

With all Directors in agreement, President Cronin clarified that the third reading of the ordinance will not be voted on today. Edwards wants legal counsel input to determine if a full blown public hearing is needed as the ordinance amendments can change the effect of who pays and District rate changes require a public hearing. If legal counsel advises a public hearing, all District property owners will have to be notified and this could be done through an insert with the quarterly billing done in early January.

Edwards noted that his email to developers invited comments by either email, or in person, at this meeting. As of this morning, Edwards had not received any comments. Edwards would like to get some feedback for a written record that at least states that the developers received the amendments and had no problem with the proposed changes. Edwards stated that he also considered contacting Lone Mountain Guest Ranch, but was unsure of their point of contact with their management changes.

President Cronin stated that the Board could approve the amendments in January after legal counsel reviews the amendments and advises if a public hearing is required.

Director Loble moved to have the January water and sewer statement include a notification to the ratepayers regarding the ordinance amendments even if a public hearing is not required. Director Daniels seconded the motion. President Cronin called for discussion. The Directors discussed putting a page advertisement in the Lone Peak Lookout with Edwards recommending only a summary being published. Director Fast cautioned that the summary must be general enough so that people are not overwhelmed by the technical aspects of the amendments. Motion passed, 5 yea votes to 0 no votes.

Director Loble offered to assist Edwards in preparing an article on the ordinance amendments. Edwards will send his reworked third draft to the board the first week in December and then a full clean copy will be prepared for the December meeting. President Cronin advised board members to contact Edwards within the next couple of weeks if they have any suggested changes. Edwards will have a clean document to present to the public for the January meeting.

MEETING MINUTES APPROVAL

Director Loble moved to approve the minutes of October 16, 2012, as amended. Director Fast seconded the motion. Motion passed, 4 yeas votes to 0 no votes with President Cronin voting. (Director Shropshire was not available for this vote.)

FINANCIALS

Smith reported that with the tax revenues not coming in until December the operating revenues are currently unfavorable but that will change. The rest of the budget was reported as favorable without any unusual items to report. Smith feels that the 3rd quarter revenue will carry us through December and then the next best quarter for billing (1st quarter) is coming up. The SRF payments are due January 31, 2013, and, based on tax receipts, we should be in good shape. Smith is optimistic that customers with delinquent accounts turned over to the tax rolls for collection will pay their taxes and then this will be included in our tax revenue. Edwards reported said that the District heard from American Bank regarding Farmhouse Partners' delinquent account on the tax rolls as we are now in front of the bank and they felt that they should not be subordinate to the District. Edwards noted that Farmhouse has restructured their bank loans. Smith reported that by December 31 he will know if Farmhouse pays their taxes including the delinquent amounts due the District. Smith reported that The Lodge (formerly the Holiday Inn Express) ownership has been consolidated, or re-condominiumized, and they will now have 15 units with a base charge instead of the 90 units with a base charge. This will reduce District revenues, but Smith did not feel it was significant. Edwards feels that The Lodge management is unraveling a previous bad decision to condominiumize the Holiday Inn Express. Edwards noted that the Big Sky apartments are getting a base charge for each unit.

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

SEWER OPERATIONS

Burroughs was unavailable to present his flow reports. Edwards reported that the irrigation has been blown out and everything has been done as we go into winter.

Snowing Making Pilot Project: Edwards reported that he and Ray Armstrong, DOWL/ HKM, met with DEQ on November 19. DEQ is happy with the data presented on the one-year pilot snow making project. Edwards and Armstrong will be finalizing the report and submit it to DEQ by the end of December. Edwards reported that no affluent snowmaking will occur this year.

Spotted Elk Sewer Rehabilitation: Edwards reported that the District is doing preliminary work on the Spotted Elk sewer line as we have a lot of leaking services where ground water (I & I) is coming into the pipe. The District is looking at replacing some of the section and slip lining the upper section at the dead end. The District will spot dig and repair every service connection. This will be the first time the District has used slip lining and Edwards feels that this section of sewer line is a great candidate for using the slip lining approach. Edwards said that the line under Lake Lavinsky was slipped lined and he hasn't heard of any problems on that line.

Pump Replacement: Edwards reported that he and Ray Armstrong will be meeting with Flow Serve regarding the faulty piping. Edwards has informed Armstrong that the District will be looking to HKM for financial help on the retrofitting and pump replacement.

WATER OPERATIONS

Muscat was not available to review his production reports.

Meadow Wells #4 & #5: Edwards reported that the District is working towards getting the meadow wells #4 & #5 online. Edwards said we haven't received a decision from DEQ regarding chlorination. Edwards believes that since we will only need to run the wells in the summer we will chlorinate at point of source, but he doesn't know if DEQ will agree with that.

SEWER & WATER PERMITS

Edwards briefly summarized the permitting inquiries.

- 1) The Lodge submitted an application for remodeling an area in the lower area where they will add washers for in house linen use. Kennedy reported that the Lodge has paid their fees and a permit will be issued.
- 2) A letter of inquiry was received regarding approval for a change of use of two office units in the upper level of the Country Store building into three one-bedroom, one-bathroom apartments where no additional SFEs exist on this property. Representing the property owner, Sloan Bauer asked the Board if they will be able to get approval for this change in use even though the property is considered built out according to SFE allocations. Edwards stated that under the draft ordinance amendments, the request would be approved if it was allowed by zoning. Edwards noted that getting zoning approval may require conditional use approval. Until the ordinance is amended, the District cannot approve the project. It is anticipated that the ordinance will be passed in January and the Board can then address this request.
- 3) There was no new information received regarding a car wash in the Town Center.
- 4) Employee housing at the Town Center is not pressing ahead for permitting. Their project manager, Ryan Hamilton, is doing the paper work to only receive zoning approval at this point.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, December 18, 2012, at 8:30 am.

ADJOURNMENT

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



Dick Fast, Secretary

11-20-12. min (Board Approved as amended 12/18/12)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – December 18, 2012
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, December 18, 2012, in the WSD Community Room. Director Loble volunteered to chair the meeting at the request of President Cronin. Director Loble called the meeting to order with the following board members present: Secretary Dick Fast and Directors Jeff Daniels and Brian Wheeler. Participating via conference call were Director William Shropshire and President Packy Cronin (left meeting at 9:15 am). WSD staff present were Ron Edwards, Marlene Kennedy, and Terry Smith. Gallatin Associates representatives Jerry Scott and Al Malinowski were in attendance beginning at 10:00 am.

PUBLIC FORUM

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

MEETING MINUTES

Director Daniels moved to approve the minutes of November 20, 2012, as amended. Director Fast seconded the motion. Motion passed, 6 yea votes to 0 no votes with Director Loble voting.

FINANCIALS

Smith reported that for the month ending November, 2012, financials for both water and sewer were still in the black. There were no surprises to report.

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

SRF Loan Certificates: DNRC sent Certificate of Completion forms for closing out the WSD \$7,000,000 and \$6,500,000 bonds that needed signatures from Cronin, Fast, and Edwards. These projects were completed in 2004 and the District is under a 20-year repayment plan.

Director Daniels moved to authorize District Officers Cronin and Fast and District Manager Edwards to sign the SRF loan documents. Director Wheeler seconded the motion. Motion passed, 6 yea votes to 0 no votes with Director Loble voting.

DIRECTOR APPOINTMENTS

The manager's report provided a narrative on the county appointments. Gallatin County confirmed the six-year appointment of William Shropshire to fill the seat vacated by Gary McRae. Madison County confirmed they appointed Brian Wheeler to serve a six-year term for the seat vacated by Bill Olson. Edwards thanked both new appointees for submitting their names to fill the positions.

With Director Shropshire filling Gallatin County's six-year appointment, Edwards reported that the board currently has one open seat. The open seat will have a one-year appointment as the term for this elected position expires November, 5, 2013. Edwards stated that the Board can choose to either leave the seat vacant, or to make an appointment. For an appointment, Edwards suggested that the Board consider the other Gallatin County applicant, Peter Manka, or Tom Reeves who talked to Edwards about his interest in filling the one-year appointment. The board reviewed Manka's application submitted for the county appointment and all members agreed that he has great credentials. Tom Reeves had not submitted an application, but some board members reported they knew Reeves through his volunteer service in the community.

Board members unfamiliar with Manka and/or Reeves felt that the board should meet with the candidates. All board members agreed to Director Loble's suggestion of a 3-person committee interviewing the candidates. Secretary Fast will chair the interview committee that includes Directors Shropshire and Daniels. *The committee will interview the candidates after January 1 and make an appointment recommendation to the Board for their next meeting.*

Edwards suggested electing officers after the vacant seat is filled. When asked, both President Cronin and Secretary Fast stated that they were willing to continue serving as officers of the board.

ORDINANCE 97-1001 AMENDMENTS (Third Reading Draft)

Prior to discussing the ordinance amendments, board members discussed potential conflicts of interest for members. Edwards reported that board members sign a conflict of interest form. *Director Wheeler will sign a conflict of interest form* to avoid any perceived conflicts of interest issues in future meetings. Director Loble noted that if a board member has a financial interest that that may be a conflict, but the board member could still vote if the member stated their conflict. Director Shropshire agreed that as long as the conflict is stated, that the board member can then vote, or recuse themselves.

Director Wheeler stated that with regards to the third reading of the ordinance amendments, he wanted the board to know that Boyne may have issues with some of their property on the mountain where they financially invested in pooling their SFEs. Director Wheeler also noted that he does have a financial interest in Meadow Village Tract 9, but plans to sell that interest in the near future. President Cronin noted his conflict is that he is a part owner in South Fork and that property has potential to gain from development capability under the amendments.

Edwards reported on legal counsel's review of whether a public hearing is required prior to approving the third reading of the ordinance amendments. The board can solicit additional comments through his draft letter to customers that is intended to be sent with the January billing, or the board could approve the third reading and send a letter to customers that briefly outlines the adopted amendments. Director Fast commented that the timing would be good to solicit comments from our customers by including Edwards's letter with the billing. Director Loble felt that a letter soliciting comment would be the most conservative way to go before adopting the amendments.

As directed by the board at the last meeting, Edwards added a new paragraph to Section 3.6 of the ordinance amendment (page 2 of 4 of the manager's report) to clarify permit fees regarding existing SFEs on remodeling/tearing down projects. With all board members in agreement, Director Loble suggested *adding "and reverts to the District."* to the paragraph. *(President Cronin left the meeting at 9:15 am.)*

With regards to remodeling permits where the property was owned by Boyne, according to the settlement document, Edwards clarified that the \$3,500 surcharge would apply on any additional SFEs permitted. Edwards explained the history of the surcharge that was included in the Boyne settlement regarding the sewer infrastructure.

Edwards reported that his Exhibit A in the proposed ordinance amendments is a guideline for density based on what is already built. Edwards stated that the Exhibit will replace Table 3.01 and he feels it will make more sense to the community. The SFE pools (Boyne and Town Center) will be honored. Edwards noted that he is now more comfortable with keeping the densities reasonable in the Madison County properties since Charity Flecher presented their review scenario for the master plan for that area. Fast asked about the "TBDs" on Edwards's exhibit. Edwards said the District could have a commercial category and fill in the blanks/TBDs.

Director Shropshire moved to have the third and final reading of the Ordinance 97-1001 Amendments on January 15, 2013 and a letter be sent to all customers. Director Fast seconded motion. Motion passed, 5 yea votes to 0 no votes with Director Loble voting. Edwards will revise his letter that will be sent to the customers with their 4th quarter statement. Director Daniels asked that the letter define SFEs.

SEWER OPERATIONS

Burroughs was not present to review his flow report, but Edwards feels that our flows look pretty good this year. Edwards reported that the Nutrient Management Plan annual report sent to DEQ is an accounting on our wastewater irrigation. The total irrigation to the golf course was about 135 million gallons, which was about average. No water was sent to the Yellowstone Club this year as their ponds are getting fuller due to their golf course superintendent not liking to use treated water. Director Fast feels that by the District not pumping water to YC every year, precedence could be set. Edwards reported that he has had conversations with Mike Ducuennois/YC regarding their requirement to take treated wastewater. Edwards noted that as a condition of YC using treated wastewater they were given 1,900 SFEs for capacity. The 900 SFEs allocated to Lone Moose could be reduced as a result of YC not using the wastewater. Edwards also reported that no fresh water was pumped out of the Middle Fork which was unusual.

Edwards discussed the possibility of Spanish Peaks using treated wastewater for their golf course irrigation in the future, but there is no agreement in place to have them use the water.

WATER OPERATIONS

Muscat was not available to review his production report. Edwards stated that the year-end production will be provided at the January meeting.

SPANISH PEAKS BANKRUPTCY

Edwards noted that we received some correspondence announcing a broker has been assigned to the Spanish Peaks bankruptcy. Edwards reminded the board that the big issue is the water system they own. Whoever ends up buying Spanish Peaks will probably also own their water system. We currently have an operating agreement with Spanish Peaks to assist them with operating their water system and the District owns the main sewer lines.

PROPOSEDED DEVELOPMENTS & SUBDIVISIONS

Tract 5: Edwards noted that he has talked to Al Malinowski about Tract 5 development plans and the ordinance amendments. Edwards also wrote to the State on how the District views the State's request for a subdivision rewrite for development of Tract 5. Gallatin Associates representatives Al Malinowski and Jerry Scott arrived at 10:00 am to comment on the ordinance

Amendment. They also reported that they have not received any response from DEQ on Edwards's letter that regarding Tract 5 not needing a subdivision rewrite. Malinowski reported that their engineer feels that Edwards's letter will satisfy DEQ.

Edwards informed Scott and Malinowski of the board meeting scheduled for January 15 for the final review and adoption of Ordinance 97-1001 Amendments. Edwards explained that with their development plans, Tract 5 will have excess SFEs and that under the current ordinance a reallocation of SFEs could be done if they owned property to move the SFEs to. Scott noted that they consider the excess SFEs on Tract 5 a commodity and asked if they could get a break on possibly the surcharge if they didn't play the game with transferring the SFEs to property they would have to buy to facilitate the transfer. Malinowski stated that when the SFEs were assigned to the parcel, it was part of the value of this property. They want to know the board's intent in the amendments and they also want to find some value in the excess SFEs even though the District doesn't think the SFEs are a commodity. Edwards stated that there has been no discussion by the board on changing the SFE fees under the amendments. Scott asked if the Board would like them to submit a formal request for consideration on the fees. In return for reverting their excess SFEs on Tract 5 to the District, they would like the Board to consider giving them a break on hookup fees and the Boyne surcharge fees. The scale of the project will be around 20 SFEs, leaving an excess of 26 SFEs. Scott thinks they should get a value for the excess SFEs as the District will get a value in reusing the SFEs. Edwards said the cleanest way to compensate the Tract 5 owners would be to not charge a surcharge on the SFEs they use for their development. Director Wheeler explained that in the Town Center, properties are sold with set development (SFE) capabilities. Reporting that the board has been working on the amendments for the last 3 months and wanting to move forward, Director Loble asked that Scott and Malinowski submit a letter to the District that lays out their exact situation and what they are proposing.

SEWER & WATER PERMITS

Edwards noted that there is more and more talk about engineering submittals for a grocery store in the Town Center.

GENERAL CORRESPONDENCE

There was no general correspondence for the board to address.

ANNUAL DINNER

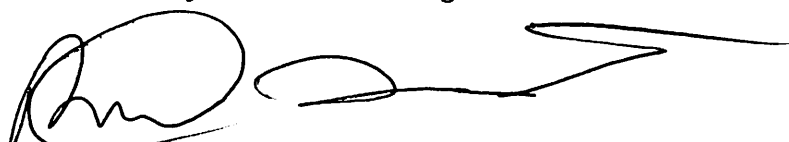
Edwards will check with Bill Olson and Gary McRae on their availability for attending a District annual dinner sometime in January. Edwards suggested The Cabin as the location.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, January 15, 2013, at 8:30 am.

ADJOURNMENT

Director Loble adjourned the meeting at 10:18 am.



Dick Fast, Secretary