

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – January 21, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, January 21, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice President Les Loble and Directors Jeff Daniels (left meeting at 9:44 am), William Shropshire, and Brian Wheeler (left meeting at 9:44). Secretary Dick Fast and Director Tom Reeves were not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Peter Bedell. Others present were property owner Robert Shanks, BSOA representative Suzan Scott, and property owner and water resource engineer Peter Manka.

PUBLIC FORUM

President Cronin called for public comment. With no public comment, President Cronin called the meeting to order at 8:35 am.

MEETING MINUTES

Vice President Loble moved to approve the minutes of December 17, 2013, as written. Director Daniels seconded the motion. Motion unanimously passed.

FINANCIALS

Smith stated that there were no unusual items to report. Revenues and operating expenses are favorable. The excess revenue came from the irrigation period.

Farmhouse Partners: Director Wheeler reported that Dab Dabney is looking at solutions for paying the money owed the bank, the District, and Boyne. Dabney has refinanced part of the bank loan. Dabney will also need to refinance the second note. According to Director Wheeler, refinancing at a low interest rate is needed to make the project work. Director Wheeler stated that the challenge with the project is the rent controlled limits. Edwards said the delinquency to the District was added to the tax rolls for collection.

Vice President Loble moved to approve the December financials as presented. Director Shrophsire seconded the motion. Motion unanimously passed.

2014 BOARD OFFICERS

Director Shropshire moved to elect the current slate of officers; President Packy Cronin, Vice President Les Loble, and Secretary Dick Fast. Director Daniels seconded the motion. Motion unanimously passed.

SEWER OPERATOR'S REPORT

Peter Bedell and Edwards reported that the record flow for a single day was recorded on December 29, 2013. Director Wheeler stated that the record flows reflect the biggest skier day in history on the mountain. Edwards noted the record total annual flows were in 2011. The total flows for 2013 are 113 million gallons. The graph provided in the manager's report provided mountain and meadow total flows for each day of December.

WATER OPERATOR'S REPORT

Muscat reported that meadow village production is down about 10 million gallons for the entire year. The average water production on the mountain is good. December production was high due to leaks. The next four weeks will be considerably lower as the leaks were fixed. The six-inch main in Sweetgrass Hills was repaired yesterday. The leak on the force main in Lone Moose will be repaired in the spring.

WATER RIGHTS EXTENSION APPLICATION

Mountain Well 7: Edwards reported that he submitted an application to extend the completion of filing of the water rights for mountain well 7. This is the well that Yellowstone Club drilled behind Lake Condominiums. According to Edwards, DNRC should approve the extension as the 2012 extension was approved without any issues. The board packet included a schedule for filing deadlines for water rights. The next deadline is December 31, 2015.

Mountain Lake Condominiums: Edwards informed the board that he has not recently heard from Leonard Liston about the development plans. Director Wheeler asked if its well system was ever finalized. Edwards reported that the developers have to drill a new well before they can hook up any new buildings. Director Wheeler wants to make sure that this well is finalized before the District allows Mountain Lake to hook up any new buildings. *Edwards will follow up with Liston as to where Mountain Lake Condominiums are on their development plans.*

BSOA POND RESTORATION PROJECT

Edwards reported that Colleen Coyle is not available to contract with the District as she has taken a job out of the state. Vice President Loble noted that he also recommended attorney Mike Cusick. Edwards will contact Mike Cusick to see if he is available to work on the District's water rights for use on the BSOA pond restoration project.

FIRST PLACE EASEMENT REQUEST UPDATE

Edwards stated that Scott (Curly) Shea reported that the surveying has not been done. Once the surveying is done, the easement issue will be on the agenda.

SPANISH PEAKS

President Cronin is concerned that the District is running the Spanish Peaks (SP) system without an agreement. President Cronin sent an email to Bayard Dominick (Jon Olson's supervisor) asking that the District see a signed contract in the very near future. President Cronin would like to establish a deadline for having a signed agreement. Director Wheeler stated that deadlines and an agreement with accountability are good for both SP and the District. As an alternative, President Cronin stated that SP can run its system. Edwards noted that SP benefits from our relationship by using our rate setting system. The District also collects the quarterly charges and holds these funds in a segregated account. Edwards noted that rate setting becomes more complicated for SP if it operates the system. President Cronin stated that the District has presented SP with a reasonable contract. President Cronin suggested giving SP two weeks to sign the contract as presented. Edwards reported that SP would like to change the paragraph on the District's reserved right to charge water use on their golf course. Edwards stated that this single point may be a deal breaker. Director Wheeler noted that Jon Olsen presented preliminary plans to the WSD board at the last meeting and that a SP representative would be making a comprehensive presentation to the WSD board in the future. Director Wheeler also felt that the

District needs to proceed with having a signed agreement. Vice President Loble stated that we need to have an agreement in place. President Cronin feels that the agreement needs to be on the top of the District's priority list. Agreeing with President Cronin, Vice President Loble stated that SP needs to sign the agreement as is. Vice President Loble asked if District attorney Susan Swimley has reviewed the contract. Edwards reported that Swimley has had the contract for a long time, but has not commented on it. Vice President Loble wants Swimley to sign off on the agreement language and then give SP two weeks to sign the agreement. Director Wheeler suggested that the District have a defined date of a week prior to the next board meeting for SP signing the agreement. *President Cronin directed Edwards to contact Swimley for a written confirmation that she has reviewed the agreement.*

Vice President Loble moved that, subject to attorney approval of the draft agreement prepared by the District, Spanish Peaks be sent notice that the agreement must be signed on or before February 24, 2014, the Monday before the next board meeting. If the agreement is not signed, the District will cease operating the SP system. Director Shropshire seconded the motion. President Cronin called for discussion. President Cronin proposed setting a second date for ceasing operation of the system. Director Wheeler feels that not having an agreement in place is reckless. The board will address setting a cease operation date at the February meeting if needed. Director Wheeler will discuss the deadline for having a signed agreement with Spanish Peaks owners and managers tomorrow. Motion unanimously passed.

Vice President Loble moved to amend his motion with the date of February 17, 2014, which is the Monday before the next board meeting. Director Shropshire seconded the motion. Motion unanimously passed.

SEWER & WATER PERMITS

Edwards reported that no new permits were issued. With the number of development inquiries being made, Edwards feels it is the quiet before the storm. The board may need to revisit releasing additional single family equivalents (SFEs) in 2014 if development plans come to fruition.

ASPEN GROVES - ROBERT LEVY LETTER

Referencing the letter from Robert Levy that was provided in the board packet, Edwards reported that Levy is asking the District for a recordable document that approves his building encroaching into the setback. Levy owns Lot 16 in Aspen Groves where 10-foot setbacks are required on interior lot lines and 20-foot setbacks are required on exterior lot lines. Levy encroached into the 20-foot setback in the back of the lot. From a utility standpoint, Edwards did not see Levy's encroachment as a problem. Levy's request fits into the category of the other easement issues that District has recently been addressing. With Edwards's recommendation, the board did not object to providing a recordable document as requested in Levy's letter. Edwards reported that he has met with Swimley about previous easement issues discussed by the board. Swimley is drafting a document with release of easement language to use for these types of requests.

President Cronin asked that Edwards proceed with taking care of the easement issues previously reviewed and approved by the board. Director Wheeler wants easement issues documented and of record. Edwards did not ask the board for action. Edwards and Swimley will draft release of easement language to use for easement release requests of this type. Edwards will respond to Levy's request.

WESTFORK MEADOWS LOTS 5 & 6

Edwards reported that Eric Ladd is planning a multi-family project that will require a zoning change for Westfork Meadows Lots 5 and 6 from community commercial to RMF-3500. Three duplex units requiring less than 10 SFEs is proposed. According to Edwards, the plan looks reasonable for the size of the lots and fits with the intent of the ordinance amendment. The board agreed with Edwards's summation.

STRATEGIC PLANNING RETREAT

Vice President Loble explained his theory of the purpose of strategic planning. He feels the strategic planning process helps board members learn to work with each other. Vice President Loble thinks that it is now a good time for strategic planning. Director Wheeler noted that there is a lot of activity coming this summer. President Cronin asked what Loble's vision was. Vice President Loble envisions a couple of sessions that are professionally facilitated where the board talks about where it sees the Water and Sewer District going in the next five years. The facilitator needs to be experienced at running strategic planning sessions. Director Shropshire reported that he has used a strategic model for a five-year forecast and budgeting and sees it as the most useful product for his business. Director Shropshire believes that for strategic planning to work it has to be reviewed frequently. Director Shropshire would be happy to participate. Director Shropshire stated that the board will have to come up with a vision of the organization, set a strategic outcome, and then review it frequently, or strategic planning is not useful. Vice President Loble also wants District staff to participate as they have opinions of how they see the systems should be run. Edwards noted that the District needs to discuss the possibility of expanding the District's service area (Firelight, Moonlight, etc.) Directors Shropshire and Wheeler also feel the District needs to look at the service area. Director Wheeler feels that the District needs to anticipate resources and options available. Director Wheeler is currently participating in a four-day planning session with Boyne's partners. He feels this is an important part of what will happen with their Big Sky holdings. *Vice President Loble will contact Buzz Davis who ran the planning session for the Resort Tax District board. Director Shropshire will contact Eric K. Schindler who has had quite a bit of experience in this area and has worked with Shropshire's company.* Director Wheeler suggested preparing an RFP before hiring a consultant. Director Shropshire would like some of the District's projects be completed before a planning session is scheduled, possibly in April. President Cronin appointed Loble, Wheeler and Shropshire to the Strategic Planning Committee. *Edwards will work on a scope of service with committee members.*

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action.

NEXT MEETING DATE

The next board meeting is scheduled for Tuesday, February 18, 2014. Dick Fast will not be available.

PUBLIC COMMENT

Peter Manka asked to make public comment regarding water treatment. Manka stated that he is a water resource engineer from Big Sky. Manka is representing a group of Big Sky residents that are concerned about the District's planned chlorination of the new meadow wells coming on line. Manka feels that it is an arbitrary rule that DNRC is applying to the District's new wells. In Manka's opinion, it is without science, or logic, for DNRC to require the District to chlorinate the two new wells. Manka feels that it would be a huge expense to disinfect the water and it will also degrade water quality. Manka's group would like the District to get a variance. The group is also looking for feedback from the board on how they can demonstrate to DNRC that their regulation does not apply to the District. Edwards reported that DNRC insists on chlorination. Edwards noted that other disinfection options exist. (*Directors Wheeler and Daniels left the meeting at 9:44.*) For now, Edwards said that the District needs to agree to disinfect the new wells to receive approval from DNRC to get these wells online for summer irrigation. The District needs to get these new wells online to take pressure off the mountain water system. The District can then explore getting a variance, or approval, for other disinfection options with DNRC. Edwards recommended committing to disinfection and to proceed with applying for a variance. According to Edwards, UV disinfection would be expensive and chlorination will not. *Edwards will review Mark Cunnane's groundwater analysis for the meadow that was done about eight years ago.*

ADJOURNMENT

The meeting adjourned at 9:50 am.



Dick Fast, Secretary

1-21-14.min (Board Approved 2/18/14)

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PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:32 am.

MEETING MINUTES

Director Loble moved to approve the minutes of January 21, 2014, as written. Director Shrosphire seconded the motion. Motion passed unanimously.

FINANCIALS

Smith reviewed the budget versus actual report. Expenses were on target and revenues were favorable. Tax revenues were up as payments are now coming in from property in foreclosure in past years.

Director Reeves moved to approve the January financials as presented. Director Daniels seconded the motion. Motion passed unanimously.

SWEETGRASS HILLS TRACT A-1

Edwards reported that he has had two meetings with Scott Altman and Mark Fasting regarding development of Tract A-1. They are considering building affordable housing on the parcel. They are requesting a zoning amendment from community commercial to RMF 6500. Altman said the lower portion of the parcel will be zoned recreational. A 1.29 acre portion, currently zoned community commercial, will not change. Altman is proposing to transfer the 1.29 acres to WSD in exchange for additional single family equivalents (SFEs). A boundary line adjustment would be needed if the parcel was transferred to the District. March 3rd is the Big Sky zoning meeting and March 20th is the Gallatin County meeting. Altman reported that they have a preliminary sketch plan. Edwards reported that the parcel currently has 25 SFEs allocated. Based on Altman's planning, they need 45-50 SFEs for the single family residences planned. Edwards noted that the District has never swapped land for SFEs, but the District did allow development at Mountain Lakes in exchange for a well. Edwards noted that with the recent ordinance amendments, the board can consider permitting a greater number of SFEs than on Table 3.0-1. President Cronin noted that the SFEs on this parcel are from the Simkins/Westland Supreme Court decision with the SFEs assigned by Simkins. President Cronin thinks granting additional SFEs needs to be decided in the context of what the Simkins were allocated in the settlement as it was substantial capacity. President Cronin feels that the board needs to understand the history on this property. Edwards explained that 435 SFEs were allocated to the

parcel. Ten SFEs were reallocated to the treatment plant, some were reallocated to the park, and approximately 300 SFEs were reallocated to the Town Center. Vice President Loble suggested if the zoning on the parcel is amended, wouldn't the developers then be entitled to approximately 45 SFEs under the amended WSD ordinance. Edwards stated that the District amended its ordinance to take care of some of the problems with parcels not assigned SFEs, or inadequate SFEs. Edwards and Susan Swimley noted that the amendments do not entitle property owners to additional SFEs if they change zoning. Director Reeves reiterated that the logic in the amendments was because there were properties that were not originally included with SFEs, and this property has different circumstances in its request for additional SFEs. President Cronin noted that this does fit into allocating additional SFEs as noted by Vice President Loble. Director Wheeler feels that President Cronin's concern is valid. Director Wheeler asked if the board should review the request for SFEs from the WSD's land trade perspective. Edwards feels adding land around WSD property is advantageous. Director Wheeler asked if the District's road easement will be an issue. Altman reported that it would be better for them to move the easement nearer the ponds, but they are flexible. Altman would like to address the easement at a later date. Altman needs to move forward with his plans by the April 30th closing date. Edwards asked if Altman not owning the property impacts getting an approval for a zoning change. Fasting explained the application for a zoning change. It made the most sense to change the approximate 5 acres near the stream corridor to community recreation. RMF6500 would be used on the remaining 9.1 acres to get to their goal of 40-50 units. The zoning on the 1.29 acres would remain community commercial. Fasting recognizes that they need a letter from the Water & Sewer District before they can move forward with the Department of Environmental Quality (DEQ). Phase I would use the 25 SFEs the parcel currently has allocated. Phase 2, which would require DEQ review, needs approximately an additional 25 SFEs. The 70 foot setbacks on the front of the property were discussed. Fasting reported that their boundary includes 50 foot setbacks from the stream channel. Altman has been working with BSCC to plan a trail system on the south side on the upper bench. Altman added that swapping the 1.29 acre parcel with the District would also serve as a buffer from the pond. Altman reported that they are working on relocating the county road easement with neighboring property owner, Bill Erwin. Altman is planning an aesthetically pleasing entry corridor with berming and other landscaping. Altman intends these single family residents to be affordable. His goal is to price the homes in the \$250,000 range and to have requirements in place to prevent owners from reselling at high prices. Director Reeves noted that the location of the District's easement was put there for the reason that it was the shortest span. Altman said that not relocating the District's easement is not a deal breaker from them. Director Reeves's concern is to maintain the lowest cost route for a future bridge if it is ever needed. Altman said they will address the board in the future regarding the easement. Vice President Loble stated that as the project moves ahead, decisions regarding the District's easement will be easier to make. Fasting and President Cronin suggested paving the District's existing easement, incorporating it into the development's internal roads. President Cronin does not want Altman and Fasting to think this discussion is a foregone conclusion that their request is approved. Vice President Loble stated that it is explicit that the board is not approving SFEs at this meeting. Doug Chandler asked if there was any motion the board could make to get closer to approval for additional SFEs. Edwards noted that he sent a letter that framed the District's position. Anything over that would be determined after the prospective buyer owns the parcel. President Cronin stated that Edwards's comment goes with a boiler plate response that the District has to give.

SPANISH PEAKS WATER OPERATING AGREEMENT

Edwards distributed the most recent correspondence from Susan Swimley and Gina Sherman on the agreement. The documents provided a redline version of the changes to the agreement dated 2-17-14 that Swimley reviewed. The most contentious portion has been the irrigation to the golf course. At Vice President Loble's request, Swimley stated that she had no problem deleting Recital paragraph G, Conveyance of System. Regarding billing staff time against the rates collected, Director Reeves would like it spelled out more completely. Smith stated that he believes the flat \$1,000 per quarter overhead proposed would cover the costs. President Cronin reported that he has had previous conversation with Edwards about this charge and does not believe that \$1,000 per quarter covers all of the District's expenses. Edwards noted that the sewer system serving Spanish Peaks (SP) is owned by the District. This agreement is for the water system. Edwards said that the best thing would be to develop a special rate for SP customers in order to catch up on depreciation. Vice President Loble asked that the last few words in paragraph 2.3, "and those described in this agreement." be struck.

Jon Olson reported that their two new wells will add 40 percent to their water supply. SP knows that they need additional wells and are actively pursuing other sites for drilling wells. They are doing everything they can to mitigate the golf course irrigation use.

In regards to the section on indemnification, President Cronin asked if we indemnify anyone else in other agreements. Swimley responded that this language is typical.

Director Wheeler stated that the majority of the issues center around the golf course irrigation and this isn't the forum to fine tune this agreement. Director Wheeler asked that the WSD sign an interim agreement. President Cronin stated that the District should have a signed agreement. The District should not continue operating the system without an agreement. Olson stated that if we leave this meeting today knowing what each agrees to, a document can be prepared quickly. President Cronin noted that he and the rest of the board are just reading this newly drafted agreement for the first time at this meeting. President Cronin said he needs time to digest the information and review it with staff. He wants to hear from staff on how well they think this proposed agreement is going to work. President Cronin said the District has continued to run the SP water system without an agreement and the board asked for a signed agreement by this meeting. Swimley suggested using the original SP agreement, add a paragraph, and have it signed as an interim agreement. The board agreed to use the original SP agreement and have CHP Acquisitions sign it.

Director Wheeler moved to amend the original SP agreement that the board will adopt for 30 days with the new holding company. Director Shropshire seconded the motion. Motion unanimously passed.

Edwards will work with Jim Muscat, Jon Olson, and Susan Swimley to prepare a final agreement. As requested by board members, the draft agreement will have a one-year term limit. The board can then renew the contract annually.

Vice President Loble asked that paragraph E in the recital be deleted.

Edwards asked about mediation for resolving issues. Swimley explained that mediation is the best solution for both parties as arbitration is too complicated and too costly.

Edwards personally likes to see the District involved in the operation of SP as he feels that we are making it a better system.

Edwards, Olson, and Muscat will meet next week to continue working on the agreement.

President Cronin asked when the addendum will be signed. Swimley stated that she will contact Gina Sherman today. Olson will have it signed by a SP representative and then President Cronin will sign it. *President Cronin directed Swimley to have the interim agreement signed within the next two or three days.* Vice President Loble asked that a special meeting be called if a glitch happens in the next three to four days and the Interim Agreement cannot be signed.

BSOA POND DREDGING PROJECT

Edwards reported on his discussions with Mike Cusick. Edwards was impressed with Cusick. Edwards feels that Cusick could also be a good resource on other District water rights issues. Cusick has worked with Carl Uhlig. Edwards is prepared to sign a client letter to have Cusick work with the District.

Edwards pointed out that Cusick mentioned that some changes by the 2007 legislature on permitting off-stream projects might apply to the BSOA project. Edwards would like to examine the possibility of selling water rights for the BSOA project. Edwards requested BSOA to cover costs for Carl Uhlig on this project. Suzan Scott will contract with Carl Uhlig to work on behalf of BSOA. Edwards noted that we have a point of diversion that we do not want to move for this pond work. Edwards reported that BSOA has about \$300,000 in funding to start with for this project. Director Reeves asked if WSD water rights were conveyed, and the project didn't move forward, could the water rights then be returned to the District. *Director Reeves also wants the question, "Will the District ever need this water right?" answered before the board considers giving up any water rights.* Edwards noted that Cusick has a case in the court that is similar to what the District wants to do with BSOA. Cusick did say that the District may want to wait for the outcome of the case before proceeding.

SEWER OPERATIONS

Flow reports were provided in the board packet. Peter Bedell stated that pond levels are high and we will need to start pumping to Yellowstone Club (YC). Inflow is considerably up, over 30 percent increase since last year. *Edwards will notify YC that we will be pumping to YC. Director Wheeler will send a Pace Report of lodging at the mountain.* This report measures bookings for Big Sky Resort's lodging.

WATER OPERATIONS

Edwards noted that Muscat is absent and his production report is in the packet. Edwards reported that the application for a water right extension for Mountain Well #7 was approved.

FIRST PLACE EASEMENT REQUEST UPDATE

Edwards reported that the survey work is done. No board action is requested at this meeting.

DEVELOPMENTS & SUBDIVISION

Cascade Ridge: Edwards reported that a copy of his correspondence to Mark Lilly regarding the Cascade Ridge development is in the packet.

Boyne SFE Pool: Edwards reported that, at Boyne's request, he is reviewing the total SFEs available to Boyne.

Westfork Meadows Lots 5 & 6: Edwards reported that his follow up correspondence on the planned development on Westfork Meadows Lots 5 and 6 is in the packet.

Town Center Hospital Project: Edwards reported that the District has received new submittals from the hospital's engineers. They have drilled wells for geothermal use. *Edwards stated that the District should have something in its ordinance regarding geothermal wells.*

Mountain Lake Condominiums: Edwards reported that Lenny Liston called. The developers of Mountain Lake Condominiums plan on starting a second building and know that the well has to be completed. Edwards has encouraged Liston to hire Mark Cunnane regarding the well work.

SEWER & WATER PERMITS

Edwards reported that no new permit applications were received. Staff have had numerous inquiries regarding building projects and Edwards expects this summer to be busy. Director Wheeler reported that construction estimates are coming in high and this may slow down submittals for permitting.

STRATEGIC PLANNING COMMITTEE

Edwards and committee members Vice President Loble, and Directors Wheeler and Shropshire will meet next week.

BSCC PARK

Suzan Scott reported that the structure to be built in the park is a temporary yurt.

SOUTH FORK PHASES 5, 6 & 7

Edwards reported that the sewer and water main extensions look okay at this point, but he is waiting for reports from Burroughs and Muscat. Edwards will write a letter to their consulting engineer, Allied Engineering, on the project. A preconstruction meeting will be held with staff, engineers, and contractor. Preconstruction costs will be used in the conveyance document. The depreciation schedule will be based on these numbers and be included in the District's budget.

IRRIGATION IN TOWN CENTER

Edwards reported that he has met with Ryan Hamilton regarding their high water use in Town Center open spaces. Hamilton will be working with the District in the spring on how to cut back on irrigation. The Town Center also wants to explore using treated wastewater. Director Reeves asked if we would charge for the use of irrigation water. Director Reeves stated that all water is a commodity and that the District needs to consider charging for affluent water. The charge could be less than potable water. President Cronin agreed with Director Reeves. Edwards reported that, currently, the District does not charge for water to Boyne's golf course, the chapel, or the community park. Peter Bedell noted that in California treated wastewater is .20 cents less per unit.

GENERAL CORRESPONDENCE

Edwards reviewed Mike Jirout's letter that asked for relief from a high water bill. Smith noted that he had contacted Jirout's property manager when the property showed up on high water use report. Edwards reported that the District has not adjusted water and sewer bills for leaking toilets, or other unexplained water use. Edwards reported that the District does make adjustments for averaging purposes but that would not apply to a condo without outside water use. The District does not change meter data, but does have the ability to bench test the meter at the owner's cost. If the meter comes back out of specification we could make an adjustment. The board instructed Edwards to respond to the request in the normal manner.

There was no additional general correspondence requiring board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, March 18, 2013, at 8:30 am.

ADJOURNMENT

Director Reeves moved to adjourn the meeting at 10:40 am. Director Wheeler seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

2-18-14. min (Board Approved 3/18/14)

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PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:35 am.

MEETING MINUTES

Director Shropshire moved to approve the minutes of February 18, 2014, as written. Director Loble seconded the motion. Motion unanimously passed.

FINANCIALS

Smith reviewed the budget vs the actual expenses report. Using estimated revenues to date and booked expenses, all items were either on target or favorable.

Director Loble moved to approve the February financials as presented. Director Reeves seconded the motion. Motion unanimously passed.

BSOA POND RESTORATION PROJECT

Edwards reported that Mike Cusick will call in to give his thoughts on the pond project. The Big Sky Owners Association (BSOA) has contracted with Carl Uhlig. The critical issue Cusick identified is the construction date of the diversion point of water into the pond. If the District can find documentation to show that the point of diversion was constructed prior to 1973, then a permit will not be needed. Edwards has been reviewing old Rural Improvement District (RID) files and believes the diversion point was built before 1973, but he will continue his research. Edwards has asked BSOA to review its files, too. Edwards will also ask Boyne to review its old files from the Lone Mountain Springs/Ray Tout era. Director Wheeler stated that Boyne does have some old files that may have helpful information. The board talked about the potential benefit of getting an affidavit from Tiny Bingman, a former Big Sky Resort employee from the early 1970s. *(Waiting for a call from Mike Cusick, the board moved the discussion to the next item on the agenda, Spanish Peaks Water Operating Agreement, at 9:07 am.)*

Joining the BSOA pond discussion at 9:50 am, Mike Cusick said that the District needs to do historical research to verify that the pond diversion construction and the irrigation use was before 1973 to avoid DNRC post-1973 permitting requirements. Edwards reported that he has found plans that show pre-1973 construction. The District needs to find out when the diversion for

irrigation was put in service. The claim needs to confirm that it is a small storage site with a dam in addition to a pump site. Once the claim is researched, the District can decide if it will work with the BSOA to change the pond from on-stream to off-stream. Vice President Loble asked if it would be helpful to get affidavits from people who were involved with this construction in the early 1970s. Cusick stated that it would. Cusick reported that he and Edwards discussed possibly allowing the BSOA to apply for the change in use. The District would be removed from the process. The District would convey BSOA just the amount of water it needs to move the pond off stream. That way, the WSD water rights would not be involved. The Town of Manhattan is in a similar situation where the ditch company is seeks to convey some of its irrigation water rights to Manhattan for mitigation. Vice President Loble asked if conveying water rights to BSOA would turn the destiny of the District's water rights over to the BSOA if the BSOA didn't follow through with the project and then the District's water rights were returned to the District. Cusick advised that if the District had to go the route of conveying water rights, the DNRC then has the right to review historic use; DNRC may not adjudicate water rights. If the BSOA is the only applicant, it is not binding on the District. Cusick said that if diversion construction and irrigation was done before 1973 then the District would not need to convey part of its water rights to BSOA. President Cronin stated that the District needs to determine when the rights were established. The District needs the answer to the question, "What evidence do we have that all was in place before 1973?" Director Reeves stated that the District needs to know this regardless if water rights are conveyed to BSOA. Cusick recommended that the District wait for the Manhattan decision and to get evidence of water rights before proceeding. Cusick thought that the decision on the Manhattan case should be handed down in the next six months, or so. President Cronin stated that the District will get an answer regarding the date of construction and service before proceeding. *Director Wheeler will ask some former Boyne staff if they have any information on the construction and date of service.*

SPANISH PEAKS WATER OPERATING AGREEMENT

The board started its discussion on the Spanish Peaks Operating Agreement from 9:07 am until 9:50 am. Edwards reported that the board packet includes redlined and final versions of the Spanish Peaks (SP) Water Operating Agreement. Vice President Loble noted that the redlined version only included a change of signatures. Edwards reported that he, Muscat, and Olson worked together to prepare the draft agreement. The manager's report includes a list of questions they came up with that board, staff, and SP should answer. Language in the draft agreement would allow the District to turn off the water to the golf course when the tank reaches a certain level. Vice President Loble asked about the termination provision. Director Wheeler stated that he understood that the agreement was for only one year. President Cronin commented that he is not set on the concept that the District has to take over the SP water system. Additionally, the District either needs to work towards taking over the SP water system, or have SP run it. President Cronin stated that he is not happy with the one year agreement. President Cronin explained that the District has been running the SP system for ten years and it should not run the SP system on a contract basis forever. If the District is going to run the system, Director Reeves emphasized that the District needs to be making more the \$1,000 a quarter stated in the agreement. *(Jon Olson arrived at 9:14 am)*. President Cronin feels that Spanish Peaks should either run their own system, or work towards conveying the system to the District. President Cronin stated that the District already has an ordinance for operating its water and sewer systems and questioned why the District would create a different set of rules under an operating agreement with SP. Vice President Loble asked if there is an advantage to the District, or the

community, for the District to run the SP system. Edwards explained that the District did not want the SP system 10 years ago due to potential problems and the unknown integrity of the system. The SP system has been relatively trouble free during the 10 years of the District operating the system. Edwards feels that the integrity of SP system has been proven. Edwards distributed a narrative of his answers to the questions provided in the board packet. *(With Mike Cusick calling in at 9:50 am, the board moved its discussion back to the BSOA pond and resumed discussion of SP following conclusion of that call.)*

Edwards reported that the cost to run the SP system and the accumulated value of depreciation are the big issues. Director Reeves asked, realistically, how fast the depreciation fund could be caught up. Edwards reported that when the District took over the Lone Mountain Springs water system, the District had to change rates and build up its depreciation account. Edwards said the other issue is bonding jurisdictional areas. For past bond issues, the District has pooled all District property owners into funding a bond. If the District is to take over the system, the board needs to decide if SP should be a separate bonding area. Director Reeves asked if the agreement gives the District enough leverage to enforce SP to not use well water for golf course irrigation. President Cronin noted that the interim agreement already gives SP another year to work out the logistics for running its own system, or conveying it to the District. President Cronin thinks most of these issues already discussed by the board are nonnegotiable. If SP is not going to agree to what the board has outlined, then the District should not continue to operate the SP system. Director Reeves stressed that the depreciation must be resolved before the board will consider taking over the SP system. Vice President Loble noted that there is still the liability of the District operating the system even under this interim agreement. President Cronin asked Olson how he feels about the questions Edwards prepared and if SP is in agreement with the District on the items discussed. President Cronin stated that if SP is not in agreement, then the District should not continue to operate the system. Olson reported that he does not know if the SP management has gone down the transfer road to the degree that President Cronin wants. SP does understand that the depreciation account needs to be addressed. Olson does not know if the new owners want to transfer the water system to the District. Olson reported that they are beginning to work on the fee rate and depreciation. The District needs to know if SP is in, or out, on the terms the District wants. Vice President Loble asked Olson if the District said it would no longer run the SP system, could SP run it. Olson responded that right now the answer would be no, but operating procedures could be established. Edwards noted that if SP becomes a private water company it has to go before the Public Service Commission (PSC) to establish rates. The District is not under the jurisdiction of the PSC. Director Reeves concurred with President Cronin that SP needs to agree that it is either in, or out, under the District's terms. The board asked if Olson needs the 1-year window, or if a decision can be done in 3 or 4 months. Olson stated that 1 year would work for them. Olson asked if President Cronin wants SP to come to the board in 3 months and say they will transfer the system, or operate the system themselves in a year. President Cronin explained that he is not comfortable with the liability the District has taken on with operating the SP system. The District needs to focus on a path, which is either getting SP under the District's ordinance, or having SP operate its own system. Director Wheeler asked Edwards if progress has made in the last 30 days. Edwards feels that the signing of the interim agreement shows progress. Olson stated that at the last meeting he felt that everything was worked out through the interim agreement. President Cronin commented that he has been resolute that the District needs to know whether the District and SP can even come to an agreement. Edwards cautioned that if the District takes over the SP system, it will take over

the responsibility to meet full build out of SP. If SP did not use the wells for golf course irrigation, its water system would be close to meeting full build out. Olson reported that SP knows they have to have a second phase of water improvements to meet full build out. Olson stated that initially there was never discussion of using treated effluent for golf course irrigation. They are now just working on the feasibility of using 100 percent treated effluent, or if using treated effluent will require supplementing with fresh water. President Cronin stated that, from his perspective, SP is leaving the District in limbo and it is not right for the District's needs. Olson noted that SP does want to make sure that any agreement is beneficial to the District. Olson apologized for misunderstanding the District's intent with the interim agreement.

As the water operator, Muscat stated that the District has been operating SP for 10 years and the District needs to decide if it wants to take it over. If the District never wants to take over the SP system, the District needs to hand it back to SP. Muscat feels that the District is in an awkward arrangement by operating the system. Vice President Loble stated that the District should be reasonable and allow SP's new owners time to decide what course to take: operate the system themselves, or convey it to the District. Olson feels that the golf course irrigation and establishing a fair rate for irrigation water use are the two difficult issues. A long-term plan for the SP system needs to be established. Olson stated that SP would appreciate having the 1-year interim agreement time period to figure the issues out. Edwards stated that if a transfer of SP is to be considered by the District, that \$1.3 million in a depreciation account needs to come with it. Olson reported that there are approximately 190 SP owners. These owners have not been paying into depreciation. Edwards stated that the District needs to decide what points are negotiable. Director Reeves reiterated that depreciation is non-negotiable. Director Wheeler reported that it took 2 years to accomplish the transfer of Lone Mountain Springs to the District. Director Wheeler believes that there needs to be a set time period to make a decision. Muscat noted that right now SP is controlled by one entity. If all the lots were sold, the District would then have to work with an HOA on these same issues. Working with one controlling entity makes it easier than working with an HOA. President Cronin also feels that working with one entity is easier. Vice President Loble would like the District to put a termination date in the agreement and if the terms are not agreed to by that date then everyone goes their separate ways. Edwards suggested a minimum of 6 months, or the 1 year outlined in the interim agreement. Vice President Loble considered it fair and realistic to set a year. The system could also be transferred during that year. Director Wheeler asked if terminating the agreement in a year is what Loble is asking. Vice President Loble said "yes" because the District operating the SP system for 10 years has been long enough. Vice President Loble asked that *SP be on the agenda every month with Jon Olson, or another SP representative, giving an update on their progress.* Olson needs to know if a transfer has to be completed by the end of the year. Vice President Loble believes that the District has demonstrated over the 10 years of operating the SP system that the board is reasonable. Unless the District sets a deadline, Vice President Loble feels that the owners of SP and the District will never get this resolved. Vice President Loble and President Cronin suggested keeping a year time frame and within the next 2 months the SP owners have to let the District know whether they are on board, or not, with the transfer under the terms the District has outlined. The District wants to have this decided. Director Reeves stated that at 11 months if we are in the same place, the District could walk away. Vice President Loble responded "yes" and that the SP owners control their own destiny. Director Shropshire stated that he does not feel that the District has identified any advantages of owning the SP system. The District is receiving practically nothing to operate the SP water system. Director Shropshire does not feel there is any compelling reason to do either one: operating or owning the system. Vice President Loble stated that the District is not signing the agreement as written in the board packet.

Vice President Loble moved that paragraph 7 of the agreement be amended to terminate the agreement at the end of one year with no provision for renewal. Director Shropshire seconded the motion. President Cronin called discussion. Vice President Loble said that there would also have to be a revision to paragraph 8 to reflect the one year term.

Vice President Loble moved to amend his motion to revise paragraph 7 so that the agreement terminates at the end of one year and to have the District's attorney review and revise paragraph 8 to conform to that one year termination. Director Shropshire seconded the motion. President Cronin called for discussion. Motion unanimously passed. (Director Daniels left the meeting at 10:00 am)

Vice President Loble said that a special board meeting may be needed if SP does not agree to the issues as discussed by the board. *Olson asked that Edwards provide him with a list of what the District wants if the District is to take over the system.* Edwards publicly thanked Olson for getting the draft agreement signed as is. Olson stated that he will plan on coming to the monthly board meeting. Olson said 3 months is a short time period for him to get an ultimate decision from Cross Harbor. Vice President Loble recommended to Olson that SP hire a person familiar with working with the PSC if they are going to pursue setting up a utility.

STRATEGIC PLANNING

Edwards reported that Buz Davis has been hired as the consultant to guide the board through the strategic planning process. Edwards has briefed Davis on the operations of the District. Edwards reported that some board members have provided feedback on the Strengths, Weaknesses, Opportunities, & Threats (SWOT) form. *The planning sessions will be on Monday, April 14, and Monday, April 21, beginning at 8:30 am.* Buz Davis stated that he will be helping the board do planning for a 5-year window. Davis would like to interview each board member for approximately 45 minutes. The purpose of the individual interview is to get a sense of common themes of what board members think the issues are. *Davis asked that board members sign up for a time slot on a schedule that he will distribute electronically.* The things that Davis will ask board members will be key issues for the future of the WSD and what board members hope to get out of the strategic planning session. Edwards looks at the strategic planning process as taking time to decide policy and growth. The board members will be deciding where the District wants to be in 5 years rather than reacting to issues on a month-to-month basis. Director Wheeler offered a meeting room on the mountain for the interviews if needed.

Vice President Loble moved to approve and sign the consulting agreement with Buz Davis. Director Reeves seconded the motion. Motion unanimously passed.

SEWER OPERATIONS

Burroughs reported that the District is pumping 260,000 gallons of water per day to the Yellowstone Club (YC) and intends to pump a total of about 15 million gallons. The District is receiving 2-5 million gallons more a month through the sewer treatment plant than last year, which is up about 38%. This may be the new reality for flow. Director Wheeler reported that, including Moonlight, the resort's figures are up 75,000 skier visits. Burroughs explained that every fall the District needs to free up pond capacity, which we have not. Using both pump stations, the District could send YC about 500,000 gallons a day. Burroughs reported that the meadow golf course has not been using enough water. Edwards said the District will be looking

at the feasibility of upgrading the golf course system for automation. The second pump is here and retrofitting/customizing the pipe to set the new pump is being done. We are waiting on the power company for piping fabrication. President Cronin asked if the District is making it difficult for YC by pumping to YC when it is trying to empty its pond for repairs. Burroughs stated that, on a hot day, YC could use 1.5 million gallons a day on their golf course if they wanted to.

WATER OPERATIONS

Muscat reported that the flows were down in the meadow due to a repair which was fixed in Sweetgrass Hills. The mountain is higher, but half of that is due to the use at YC. The Lone Moose system has a leak and its high use is reflected because of it.

DEVELOPMENTS AND SUBDIVISIONS

The manager's report provided a summary on the following developments and subdivisions: Sweetgrass Hills Tract A-1; South Fork Phases 5, 6, & 7; Big Sky Medical Center; Meadow Village Tract 5; Meadow Village Tract 9 Remainder (Morning Sun Condominiums); Westfork Meadows Lot 5 & 6; and First Place Easement Request. Edwards reported that Scott Altman's rezoning application for Sweetgrass Hills Tract A-1 was denied by both the Big Sky Planning and Zoning Advisory Committee and the Gallatin County Planning Board. That means Altman's project may not proceed.

SEWER & WATER PERMITS

Edwards reported that two permits were issued. Edwards feels that additional projects are getting lined up for construction starts.

RESORT TAX APPLICATIONS

Edwards reported that the resort tax application deadline is Wednesday, April 14. Edwards feels that the resort tax collections will be approximately \$3.7 million this year. Edwards stated that last year the resort tax board sent a message that it was not interested in funding water and sewer applications. Edwards asked the board for suggestions. Director Reeves stated that he felt that the reason the Tract A-1 application was not considered last year was because a concrete plan was not presented. Edwards reported that the Recon Dynamics request for the meadow area was funded. Edwards suggested submitting an application that would serve the mountain area. Vice President Loble stated that if serving the canyon is a priority, the District needs to request resort tax bonding before the Big Sky Resort Area District reaches its bonding limit of about \$7.5 million. President Cronin noted that this may be a question to address during the strategic planning meetings. Edwards suggested that maybe the District could submit a resort tax application with a schematic of what the Tract A-1 community amenity could be. Edwards was not confident that would receive favorable consideration from the Resort Tax Board. President Cronin suggested going through Big Sky Community Corporation (BSCC) with an application. Steve Johnson stated that the BSCC is not ready to present a proposal.

BIG SKY CHAMBER OF COMMERCE

Edwards reported that the Kitty Clemens of the Big Sky Chamber asked him if the District had any public land and asked to talk to the board. Clemens stated that she was bringing a proposal to the board as way for the District to get some new revenue. Clemens distributed a proposal titled "Workforce Housing Demonstration Project." Clemens explained that the reason she

asked Edwards about the District's public land was because the Chamber would like to partner with the District in a housing demonstration project. Clemens explained what the Chamber has been discussing in regards to a housing plan. They would like to put together a master plan for about 150 dwellings with single and multi-family units on the District's 30-acre parcel that is located by the treatment facility. Clemens reported that she has had phone conversations with other government agencies and has received positive feedback. She proposed to the board to allow the Chamber to plan a workforce housing project that would be deed restricted. The proposed resource to fund a housing plan would be a request from the Resort Tax Board. Additionally, the Chamber would work with the Human Resource Development Council (HRDC) and other government agencies. Director Reeves wanted to know if they would want to build more units on the 30 acres if the demonstration project were successful. Director Reeves also wanted to know what would happen if the project were not successful. Clemens stated that if the demonstration project was unsuccessful, then the District would have a bridge, and water and sewer infrastructure improvements to the property. President Cronin asked if the unit owners would own the land under the unit. Clemens responded that it is possible that a housing authority could be created to own the land. Clemens stated that the Big Sky Chamber is asking the District to give them the land. Clemens wants the District to help start a workforce housing project through the land donation. President Cronin explained that the District has owned the land since the land transfer with Simkins/Westland. The District has supported community needs by already giving Search and Rescue and Northwestern Energy the use of District property. This property is not a housing district area; it is zoned for community facility. Vice President Loble recommended that the board look at the housing slide show presented at the public meeting last week. Vice President Loble stated that the presentation did not address the communities' success in providing low cost housing. He did not see evidence that it worked. Clemens feels that the projects have worked; they just have not come up with enough inventory. Vice President Loble said that he was not convinced by the slides; nothing was presented about what was achieved. Vice President Loble stated that the District may not want to give its land away since it is for the future needs of the District. Director Wheeler reported that Clemens did a great job on the presentation at the community meeting. Director Wheeler said that the issue for a housing project is the land and Clemens is here to pursue land availability. Director Wheeler stated that employee housing in Big Sky is a tough problem. The Big Sky Chamber is pursuing options and he feels that they need to assess what land is available. Director Wheeler thinks that the Lazy J land would be perfect for a housing project. Director Wheeler stated that the board is not against employee housing. President Cronin assured Clemens that the District board does get the picture of employee housing needs in the community. The board also knows the community needs to be proactive, but 30 acres of employee housing adjacent to the sewer plant is not appropriate. Without the District having a prepared long-term master plan for this property, it would be premature to give the land away. Clemens reported that the District is the only entity that will qualify for the subsidies for employee housing and it is the only entity with publicly held land. (*Vice President Loble left the meeting at 11:00 am.*) Director Wheeler applauded Clemens for pursuing employee housing. Director Wheeler commented that he really liked the concept to "incentivize" and not "subsidize" in building employee housing. The board wanted Clemens to know that the District is not against employee housing, but it is a matter of the community determining how to get it here. Clemens asked the board to review the proposal she distributed and to reconsider approving the use of the District's land for employee housing. Clemens stated that she already has approval from her board to present the request to the Resort Tax Board.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action. Edwards noted that the snow pack reports provided in the board packet were interesting.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, April 15, 2014, at 8:30 am.

ADJOURNMENT

Director Reeves moved to adjourn the meeting at 11:06 am. Director Wheeler seconded the motion. Motion unanimously passed.



Dick East, Secretary

3-18-14. min (Board Approved 4/15/14)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – April 15, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held its regular meeting on Tuesday, April 15, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice-President Les Loble, Secretary Dick Fast and Directors Jeff Daniels, Tom Reeves, Brian Wheeler and William Shropshire (joined meeting at 8:43). WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were BSOA representative Suzan Scott, District contracted water engineer Eric Blanksma from Morrison & Maierle, and Big Sky property owner and water resources engineer Peter Manka representing a group of Big Sky residents concerned about water treatment.

PUBLIC FORUM

President Cronin called for public comment at 8:35 am. Representing a group of Big Sky residents living in the meadow area, Peter Manka read a prepared statement saying that they oppose the use of chlorine in Big Sky's water system. They are requesting that the District pursue alternatives to chlorine use and are willing to make their voices heard at the State Department of Environmental Quality (DEQ) if necessary. Manka said the group entrusts him to explore options and report back to them. Vice President Loble noted the pride the District has in its quality of water. Vice President Loble is not sure that Manka and his group going to DEQ will make a difference in the state's treatment requirements. Vice President Loble asked for a count of the number of people Manka represents. Manka responded dozens. Manka wants to work with the board without blowing this issue up. If he cannot, the group is ready to drive to Helena and meet with DEQ. Manka feels that DEQ has an arbitrary rule for instituting the use of chlorine. Manka wants the District's water treated without the use of chlorine. President Cronin stated that the board hears their concerns. President Cronin said that well disinfection is an item on the agenda for this meeting and invited Manka to stay for that discussion. Staff reported that water systems in Big Sky using chlorination include Firelight, Moonlight, and Spanish Peaks. Edwards noted that chlorination has been around since the early 1900s. Edwards agrees with Manka in that he also feels that it is unnecessary to treat the District's water, but it is required by DEQ's surface water rules even if the rules are arbitrary. Manka reiterated that the group he represents would like options other than chlorination for water treatment to be explored. Edwards said that engineer Eric Blanksma is in attendance to speak on the subject.

With no further public comment, President Cronin called the meeting to order at 8:44 am.

MEETING MINUTES

Vice President Loble moved to approve the minutes of March 18, 2014, as written. Director Fast seconded the motion. Motion unanimously passed.

FINANCIALS

Smith reported that operating accounts are either favorable, or on target, with no unusual expenditures to report. The non-operating accounts are on target. Compared to last year's first quarter, use and revenues are up approximately 10% from last year. Smith will be working with staff to prepare a preliminary FY 2014-2015 budget that will be presented to the board.

Vice President Loble moved to approve the March financials as presented. Director Daniels seconded the motion. Motion passed unanimously passed.

MEADOW VILLAGE WELLS 4 & 5 DISINFECTION OPTIONS

Edwards reported that the packet included the final report on Meadow Village Wells 4 & 5 Treatment Alternatives. Eric Blanksma, Morrison & Maierle, was hired to review options for disinfection and prepared the report. Edwards provided a history of these wells and reported on the state's disinfection requirements. The static level of wells has to be 25.5 feet, or more, or treatment is required. Blanksma reviewed the chlorine, ultra violet and ozone options explored. Blanksma and Edwards reported that engineer Mark Cunnane's efforts to get an exemption from DEQ's disinfection requirements did not go well. Blanksma informed the board that he does not advocate any specific treatment option. Blanksma explained the different options outlined in his report. Using chlorination at a reduced minimum and adding additional pipe to lessen impact was discussed. With additional piping and feeding from all meadow wells, Blanksma reported that the chlorination could get down to .3 milligrams per liter. Blanksma stated that this chlorination level is about the lowest you can get. Vice President Loble asked if the chlorination could be tasted at that level. Muscat reported that Spanish Peaks water system is at .3 and he cannot taste the chlorination. Edwards stated that if you give five different people chlorinated water to taste, some of them may detect it. Manka reported that the Big Sky school's well water was shocked and both students and staff could taste the chlorination at .05 and .02 levels of chlorination. President Cronin asked if wells 1, 2, and 3 are grandfathered and if only the new wells 4 and 5 would require disinfection. Edwards reported that DEQ will only require chlorination when wells 4 and 5 are in use, which are anticipated for summer use only. Muscat asked the board to keep in mind that the District's goal is to get enough water supply throughout the year. Muscat reported that the District has been low on water supply every summer in the areas of the Meadow, Westfork, South Fork, Hidden Village and Sweetgrass. During the summer, wells 1-3 are run 24/7 and the District still has been on the edge of running out of water every year. Muscat feels that the chlorination proposal Blanksma presented is the best treatment option. Muscat explained that Blanksma is proposing to restructure the meadow piping to take the water to the tank before it is dispersed. Edwards feels that the District will need to do this piping at some point so it makes sense to look at installing this piping in addition to bringing wells 4 and 5 on line.

Blanksma also reviewed the ozone disinfection option. Explaining how an ozone system works, Blanksma reported that ozone treatment leaves water without a residual taste after treatment. Package systems would require housing for equipment and 1,000 watts of power. A gas injection system poses some risks. Blanksma noted that there are not a lot of records of catastrophic leaks. There could be problems and monitoring equipment near the treatment site would be required. Edwards said that the District would need to work with Boyne to modify the current easement if this treatment option was selected.

Blanksma explained that the U-V treatment passes the water across a set of lamps for disinfection. Blanksma said this is a newer development that does not create a residual taste in the system. Edwards cautioned that, today, DEQ's focus is with four-log disinfection at the source. Edwards is not confident that DEQ will be consistent with that disinfection level in 20 years and that is why he prefers a chlorination system. U-V treatment does not treat potential problems further out in the system. Blanksma explained that testing for residual would be at the end of the pipe. Edwards stated that it has to be demonstrated that testing sites meet the residual numbers. With a dedicated line, the residual testing location would be where the water goes in the tank.

President Cronin noted Edwards's preferred scenario would be a dedicated line and to build a chlorination treatment building at Spotted Elk. Edwards feels that a treatment design could be engineered so that both treatment options could be available someday. Edwards reported that the cost figures from Blanksma are \$338,000 for dedicated chlorination and \$500,000 for UV. Muscat prefers the dedicated main as it provides more contact time before the water is pumped into the tank. The happy medium would be to bring the wells together for treatment and then the water run to the dedicated pipe to the tank. The District needs to have a system that would allow treatment of wells 1-3 if DEQ requires it in the future. President Cronin stated a dedicated line has its own merits and has been on the District's wish list. Edwards reported that a U-V system would be simpler than an ozone system. Vice President Loble noted the cost comparisons. The cost of a dedicated line stands on its own. Director Reeves asked if U-V could be installed in the future. Both Smith and Edwards noted the \$500,000 cost for a U-V system, plus the cost of piping. Edwards said the costs could come out of our asset reserve account. Blanksma estimated the following treatment costs: dedicated pipeline at \$338,000, chlorine single source at \$108,000, ozone at \$542,000, and U-V at \$500,000. There would also be some cost for building modifications. For timelines, Blanksma reported that design would take 2-3 months. DEQ review and approval would take 6-8 months. Director Reeves asked that if U-V was used, could a chlorination system be designed in for future use. Edwards responded "yes". Edwards feels that DEQ requirements may change in the future and the District has to be prepared for that. Director Wheeler asked Muscat if that is the best use of the budget available. Muscat reported that, during the summer, the District is at the limit of its production capacity in the meadow. According to Edwards, the meadow water requirements need to be a priority now. Muscat feels that the District needs to put the new wells on line as soon as possible. President Cronin asked the board if they are ready to vote on this issue. Muscat asked that if UV is chosen as the primary treatment, is chlorination still needed. Blanksma reported that he has talked to two people at DEQ and, right now, source treatment is required now. Director Fast asked if the District should get something in writing from DEQ on their current treatment requirement. Muscat asked Blanksma how you would prove the UV system is operating and how it is regulated. Blanksma explained that there is testing on flow rates. Blanksma noted that his cost estimates are for UV disinfection at only wells 4 and 5. The board asked if there could be a bank of lamps for UV system disinfection at Spotted Elk. Blanksma estimated \$100,000 per UV system, and it would probably be \$200,000 to cover the flow. Muscat asked about the hydraulic piping. Muscat suggested chlorinating for two-three months and then work towards a U-V system as piping for the system will be difficult. The board would like all the water to come to one pumping system and then have one treatment site. Muscat said that this is not possible right now with the District's piping constraints. Director Reeves asked Blanksma for timelines and cost estimates for the different treatment options. Blanksma thought it would be \$200,000 more to treat all the wells at once.

President Cronin asked that Blanksma provide cost estimates for a dedicated line to the tank, manifold for all the lines at Spotted Elk, and U-V treatment for all the water at one point. Vice President Loble wants cost estimates for both UV and chlorination treatment options, plus costs for building modifications, piping, etc. The board suggested that Manka take this project proposal to the community for funding by resort tax. Director Wheeler said he would like Blanksma to present a cafeteria plan that the board can pick from.

Edwards and Muscat will meet with Blanksma and report back to the board.

STRATEGIC PLANNING

Edwards reported that Buz Davis, the strategic planning consultant, likes the energy of this board. Davis will prepare a draft of the strategic priorities created during the planning sessions. For priorities, Director Shropshire feels that the first step is to ask for *a proposal from the engineers for updating the water and sewer plan. Director Shropshire would like the proposal presented at the next meeting.* Edwards feels that once the engineers have been given a scope an updated draft could be completed within three months. Edwards will have to work through a scope for the update.

SPANISH PEAKS (SP) WATER OPERATING AGREEMENT

Edwards reported that he has sent the draft agreement to District legal counsel, Susan Swimley, for review. As of today, he has not received a response from Swimley. President Cronin asked if the agreement dates are staying the same. Edwards reported that with SP signing the last draft, he doesn't think it will be a problem. Director Reeves expressed concern that Swimley may be over booked. Vice President Loble advised staying with one attorney on this agreement. With the expiration of the 30-day interim agreement, President Cronin said that the District is back in limbo by running the SP system without an agreement. When the agreement is ready, Edwards will contact President Cronin for signing it.

Staff and board members have told Jon Olson that he, or another SP representative, need to attend the monthly WSD board meetings. Director Reeves asked that the District invite Jon Olson to the meetings and that the agenda be amended to address SP when Olson arrives.

SEWER OPERATIONS

Edwards reviewed the flow reports provided by Burroughs. The District is pumping about a ¼ million gallons of treated wastewater to Yellowstone Club (YC). YC's capacity is about 80 million gallons. Compared to a year ago, flows are up approximately 3 million gallons. Edwards feels that the flow increase has to be attributed to the increase in skier visits as we are not into run-off season yet. Smith noted that water use is up approximately 10% from last year. Edwards said that staff need to read the meter flume at SP. Director Wheeler said the flow numbers are not matching the skier visits. All flows need to be measured. *Burroughs feels that half of the flows to the plant are coming off the mountain, but he will get the numbers.*

WATER OPERATIONS

Edwards reviewed Muscat's flow reports.

BSOA POND PROJECT

Edwards reported that he found old plans showing that construction was pre-1973. Former resort employee Willis Wetstein will execute an affidavit that legal counsel Mike Cusack will prepare. Edwards said that John Miller is also a former employee that Cusack will contact. Director Wheeler reported that Tiny Bingman is in a health care facility, and was only the head of maintenance at the time of construction. Director Shropshire feels that an affidavit from Wetstein should be sufficient, but it should be done soon. Edwards distributed an email from Mike Cusack. Once the affidavit is received, Cusack will have the District in a position to sever part of its water rights to BSOA for its pond project. Edwards summarized that the importance of construction verification as alleviating unintended consequences on the District's water rights.

When the diversion went into operation is critical because construction prior to July 1973 was grandfathered by DNRC. Secretary Fast said that the District is protecting the future use of its water rights by getting the proof of pre-1973 construction and use. Edwards reported that we are now on a different track with BSOA where we would sever a part of the District's water rights to BSOA. They would then have the water rights to mitigate water loss for their pond construction. Director Reeves wants to see that BSOA has the money to do the project before considering giving up the District's water rights. Edwards feels that the District could give, or sell, water rights to BSOA. If BSOA does not complete its project, they should revert the water rights back to the District. Director Reeves suggested selling BSOA water for mitigation instead of severing the District's water rights. Vice President Loble believes that the power of the District would allow selling water to BSOA for its project. Edwards said that one less agreement is desirable to him. Edwards noted that the District has the diversion water right through the lawsuit with Boyne.

Suzan Scott reported that the pond project proposal from Carl Uhlig is around \$500,000. BSOA has \$300,000 set aside for the project and has other reserve funding available.

RESORT TAX APPLICATION FY 2013/2014

Edwards submitted a resort tax application for \$18,000 for a second Recon asset tag receiver for the Mountain Village. The Recon receiver in the meadow has been successful and is getting more use. The Resort Tax board will have a Q & A Meeting, May 14, 1:00 pm, and Appropriations Meeting, June 11, 1:00 pm. Once available, *Edwards will email the board a list of requests that the resort tax board receives.*

After discussing the funding preferences of the resort tax board, Vice President Loble asked that Edwards and a board member go to a chamber meeting to mitigate any negative impressions Clemens may feel she experienced from the March WSD board meeting. Director Wheeler supported Loble's suggestion as he feels that there is misinformation in the community. Edwards reported that he will be going to a round table discussion at the Town Center tomorrow. President Cronin feels that the resort tax board should give all proposals consideration if the merits are good. Director Reeves feels that without the resort tax board bringing last year's application even for up for discussion that the District should work on public relations. Edwards and a board member (maybe Vice President Loble) may schedule a meeting with the chamber. Director Wheeler reported that he did rumor remediation with housing committee members and thought that the outcome was very positive.

FIRST PLACE EASEMENT REQUEST UPDATE

Edwards reported that he had thought that Scott (Curley) Shea and Chad Oulette would attend this meeting. Since they did not, Edwards suggested tabling their request for another month. Edwards reported that he has met with their surveyor and planning continues along.

SEWER & WATER PERMITS

A permit summary was provided in the manager's report in the board packet.

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 Tuesday, May 27, 2014, at 8:30 am. Director Daniels will not be available.

ADJOURNMENT

Director Reeves moved to adjourn the meeting at 10:41 am. Director Wheeler seconded the motion. Motion unanimously passed.

A handwritten signature in black ink, appearing to read 'Dick Fast', written over a horizontal line.

Dick Fast, Secretary

4-15-14. min (Board Approved 5/27/14)

BIG SKY WATER & SEWER DISTRICT NO. 363

Special Meeting Minutes – April 21, 2014

WSD Community Room

The Big Sky County Water & Sewer District No. 363 held its special strategic planning regular meeting on Monday, April 21, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order at 8:30 AM with the following board members present: Vice-President Les Loble, Secretary Dick Fast, and Directors Jeff Daniels, Tom Reeves, William Shropshire (participating via conference telephone), and Brian Wheeler.

WSD staff present were Ron Edwards, Terry Smith, and Jim Muscat. Others present were Jack Crowther and the District's planning consultant Paul "Buz" Davis.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:30 am.

REVIEW OF FIRST PLANNING SESSION

Buz Davis opened the planning session providing a brief summary of the objectives for this session and the desired outcomes. He then reviewed the outcome of priorities and ranking from the first planning session on April 14th.

PRIORITIZE DRAFT STRATEGIC INITIATIVES

The Board worked to combine and consolidate similar strategies developed in the first session, and to create action statements for each strategic initiative as follows:

1. Determine future requirements in order to continue to provide coordinated water and wastewater services within the District to full build out
2. Develop and refine succession plans for management, staff and the board of directors.
3. Enforce existing agreements for treated wastewater storage and disposal.
4. Evaluate the adequacy of the current financial resources of the water and sewer systems.

LUNCH

A lunch break was taken from Noon to 12:45 PM.

ACTION PLANNING FOR EACH INITIATIVE

The Board then worked on developing an action plan for each of these priority initiatives as follows:

For item 1 Future Requirements, the District will do a Capital Improvements Plan (CIP), update its Wastewater Facilities Plan (WWFP), and update its Source Water Capacity (SWCP) plan. Target dates for each are the CIP by October 2014; WWFP by January 1, 2015 and SWCP by January 1, 2015. Ron will present the action plan for these studies at the next board meeting.

For item 2 Succession Planning, create a committee of 3 to develop a pool of board candidates for appointed seats and for election candidates to fill board vacancies by October 21, 2014. The general manager will also provide a succession plan for each position and include cross training of existing employees. He will report to the Board at the December 2014 board meeting.

For item 3 Enforce Agreements, review current agreements and begin communicating the expectations of the District based on each agreement within 60 days. Take enforcement action if necessary, and/or renegotiate agreements if practical and feasible.

For item 4 Adequacy of Financial Resources, report on the District's bonding capacity, rate making authority, impact fees, and the District's capacity to fund projected capital improvements for the next 10 years. The general manager and finance officer will report in October of 2014.

It was the consensus of the board is to have staff develop a project tracking system to monitor the strategic initiatives and the respective action items priorities, and to have that system in place by June of 2014. A Gantt chart was discussed as the best tool for this tracking system. The board also discussed scheduling periodic updates to the strategic plan.

Edwards asked Buz Davis to draft an executive summary report that covers the District's entire strategic planning process. Davis agreed to draft the report and email it.

NEXT BOARD MEETING

The next Board meeting is scheduled for Tuesday, May 27th, 2014, at 8:30 am.

ADJOURNMENT

The planning session was adjourned at 1:50 pm.



Dick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363

Regular Meeting Minutes – May 27, 2014

WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, May 27, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice-President Les Loble, Secretary Dick Fast and Directors Tom Reeves, Brian Wheeler and William Shropshire (via conference call until 11:00 am). Director Jeff Daniels was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were Montana Bureau of Mines representatives Kirk Warren, James Rose, and Connie Thomson; BSOA representative Suzan Scott; Big Sky resident Frank Giacobbee; Spanish Peaks representative Jon Olson; Yellowstone Club representative Mike DuCuennos; Blue Water Task Force Executive Director Kristen Gardner; and Big Sky resident and water resources engineer Peter Manka.

PUBLIC FORUM

President Cronin called for public comment at 8:30 am. Peter Manka thanked the board for looking at water treatment options other than chlorination for Big Sky's water system. With no further public comment, President Cronin called the meeting to order at 8:31 am.

MEETING MINUTES

Director Loble moved to approve the minutes for the strategic planning meetings of April 14 and 21, 2014, and the minutes for the regular board meeting of April 15, 2014, as written.

Director Reeves seconded the motion. Motion unanimously passed.

FINANCIALS

Smith reviewed the April financials. According to Smith, the District is approximately \$74,000 in the black. Smith reported that the large tax payments will be received this month. In response to a question from Director Reeves, Smith explained that revenues gradually get closer to 100%. The second quarter is the weakest quarter of the year.

Director Reeves moved to approve the April financials as presented. Vice President Loble seconded the motion. Motion unanimously passed.

Bond Debt Service Mill Rate: Smith reported that the estimated tax levies need to be turned in to the counties by May 27, 2014. Smith presented the levies at 24.37 mills for water project bond payments and 25.62 mills for sewer project bond payments. As done in previous years, the District will use \$300,000 from the plant investment charge (PIC) funds to help pay for the sewer project bond debt. Using these PIC funds smooths fluctuations in the mill rate from year to year. Smith explained that the PIC is assessed for sewer plant improvements and that is the reason why the District has historically used a portion of the PIC funds to help pay the sewer bond debt. The same cannot be done for water improvements as the District has not assessed a PIC for water connections. The final mill rate certification will occur in August. Edwards expects the mill rate to come down a little when the taxable values come in from the counties. Edwards explained that if the taxable value goes up, the mill rate comes down. The mill rates go up if the taxable value drops. Director Wheeler feels that the taxable value, at least for the mountain area, will go down. Secretary Fast asked about the big jump in the mill rates in 2012. Edwards explained that the District had applied for resort tax funds for bond debt, but did not receive any funding. The District did not offset the non-funding from resort tax with additional PIC funds. Secretary Fast asked if the board should be looking at impact fees for water connections. Edwards noted that

the hospital will come on line with 30 SFEs and no impact fees will be paid on that project nor on any other projects that have applied for permits in the Town Center. With property in the Town Center, sewer impact fees cannot be assessed and the District does not have water impact fees. *Edwards will have the subject of water impact fees on the next board meeting agenda.* Edwards reviewed the history of the sewer impact fees. Smith noted that the PIC and the Boyne surcharge funds are in one account. Secretary Fast asked that the board *set a schedule to look at a water impact fee.* Edwards reported that he has not finished the RFPs, but that he has talked to Ray Armstrong about it. President Cronin asked that Edwards look at who the District can contract with to work on impact fees as there are projects coming on line that are not paying for either the water, or sewer, system. *Vice President Loble asked that Edwards prepare his to do list for the board to prioritize.* Director Wheeler noted that some projects are summer time sensitive.

Director Wheeler moved to approve the mill rates for the water bond debt at 24.37 mills and the sewer bond debt at 25.62 mills, as presented. Secretary Fast seconded the motion. Motion unanimously passed.

Online Credit Card Payment System: Smith reported that the credit card system that the District has been using is going out of business. The District is already set up to receive credit card payments through our new vendor, Eric Lovold. Going through Lovold will be less expensive, saving the District \$1,200. There are currently about 30 accounts that use credit card payments. The 3% convenience fee charged cannot be automatically added to an account's balance due. Edwards noted that, with the new vendor, the customer will no longer have the ability to see their usage unless the District downloads customer information monthly. Edwards explained that if account information is downloaded, all customers will then have the ability to see everyone's account and account balance. Vice President Loble and Director Reeves suggested that the District add the 3% to individual accounts using credit cards for the next billing and not have everyone's account information online for everyone to see.

MONTANA BUREAU OF MINES

Edwards asked the Montana Bureau of Mines team of Kirk Warren, James Rose, and Connie Thomson to make a presentation on what groundwater monitoring they are doing in Big Sky. With the District relying on alluvial ground water, Edwards feels that this monitoring is important. James Rose reported that they are working on a groundwater investigation program to get a ground water analysis for the area. They will prepare a comprehensive report when they are done with their study. Their goal is to address growth and development, increased water demand, sustainable water supply, and locate additional water supply. They have sampling data beginning from 1970 and the Groundwater Information Center's (GWIC) well log records that pre-date the 1980s to compare with their current sampling. They have inventoried the wells and have a data base that compiles this information.

Through their assessment, they hope to define what aquifer the water is coming from and the supply available. They will test various scenarios through a model developed by Mark Cunnane. Kirk Warren noted that the model could extend to the Firelight area. They are also proposing to drill some other monitoring wells. Rose said the model itself will be confined to the meadow area, not the mountain. Through a slide-show presentation, Warren showed what monitoring they already have. They are looking at the sustainable production and ground water interaction

recharge. Waren feels that this is good information for planning. Rose reported that in 2008 they started monitoring some wells in Spanish Peaks. They are now monitoring 51 wells located in the areas of Moonlight, Mountain Village, Spanish Peaks and the meadow. They would like to add some wells from Yellowstone Club to their monitoring area. Rose reviewed the declining water levels in some of the Spanish Peaks wells from their 2011-2014 monitoring. Rose reported that they have seen a downward trend from 2011-2014. The low levels are in January and recharges are typically in the spring. There has been volatile change, but Rose felt that it is normal considering Montana's climate. Factors such as long term climate and annual precipitation have to be compared to groundwater levels for their effects in recharging to the groundwater systems. The DNRC team wants to figure out what impacts the change in the wells. Connie Thomson explained that her focus in the monitoring: isotopes and water chemistry. Isotopes act as a time capsule and tell where the water comes from. The team will be learning about recharge sources and recharge rates through their isotope sampling. Rose noted that the meadow village study is the focus for their model. They also want to learn more about the groundwater in the Town Center area. This spring they started monitoring 2 wells in Firelight. They are measuring typical seasonal recharge through all their monitoring. Their model will tell them the causes of the change in groundwater level. In the future, they will extend their monitoring to the Yellowstone Club and Moonlight areas. They are trying to get the high discharge measurements. Rose identified the proposed locations of the new monitoring wells they want to install before winter. Rose also would like to expand their monitoring to the mountain. Director Reeves asked if the water source can support the proposed development. Rose said they think they will be able to get an answer to that question. There is natural seasonal fluctuation, but their study will give more information on possible impacts by development. Edwards feels that, depending on the results of the model, the District should be able to define the extent of future drilling areas through this study. According to Rose their study will identify possible other sites for water sources. The geologic data base will provide information for drilling sites on the mountain, too.

YELLOWSTONE CLUB AND SPANISH PEAKS

Edwards reported that the District has pumped about 12 million gallons of treated wastewater to Yellowstone Club (YC). The Spanish Peaks agreement is ready for signature with a date of May 1, 2014. Edwards reported that he has been having regular meetings with Jon Olsen and Mike DuCuennos. DuCuennos and Edwards have talked about revisiting the YC agreement as some of the numbers are unrealistic. YC feels that parts of the agreement do not work for them. DuCuennos gave an update of the YC pond repair, storage and irrigation. YC still has a leak in their pond that DEQ is aware of. To fix the leak, they will have to draw down the pond. Their original 2-year plan to fix the pond may need to be extended through DEQ. YC has been working on disposal mechanisms for treated wastewater. YC would need to apply to DEQ for disposal of the wastewater. DuCuennos feels that with YC and Spanish Peaks having unified development plans that now is a good opportunity at tying infrastructures together. DuCuennos would like refinements to the agreement as YC currently cannot perform under the agreement. President Cronin noted that YC cannot perform per the agreement with its existing pond size. DuCuennos feels that meeting the requirements hinges on disposal solutions, like tying in Spanish Peaks golf course irrigation. Snowmaking also needs to be considered as a disposal solution. DuCuennos reported that YC is planning for these ultimate goals with their recent acquisitions. Director Reeves asked how much water is in the YC pond now, including the 12

million gallons recently pumped from the District. DuCuennos thought that the pond level would be about 30 million gallons now. The YC is adding sprinkler systems to use more water, but have never used 30 million gallons in a season. Edwards reported that 90-110 million gallons are used on the meadow golf course. DuCuennos reported that the elevation difference at YC results in different irrigation needs. President Cronin asked for a worst case scenario, what is plan A and what is plan B. To meet the storage requirements of the YC agreement, Jon Olsen reported that they are working with geotech professionals for getting information on the proposed storage site at Spanish Peaks. Edwards reported that all the data is based on the wettest year in 10, and asked what do we do for the wettest year in 50. President Cronin asked how do we get to the end game of disposing all of the water. DuCuennos stated that YC cannot dispose over 65 million gallons a year. DuCuennos feels that getting together as a community is what needs to be done. DuCuennos said that even if YC could dispose of the water required in the agreement that will not meet the District's full build out needs. President Cronin agreed that the District needs to rework the agreement. President Cronin noted that the agreement provided obligations for both sides. If YC's obligations cannot be met, President Cronin asked why the District is obligating SFEs for SP and pumping water to YC to sustain a development that cannot be accommodated. According to President Cronin, the District needs a whole paradigm shift. President Cronin said that the District needs to look at the situation and deal with it. President Cronin understands DuCuennos/YC's position, but wanted to know how long the District has to wait to deal with this. President Cronin wants the District to look at the situation and deal with it. Director Reeves stated that the District would need to look at a building moratorium in the future if it cannot meet build out needs. Director Wheeler feels that short-term and long-term solutions need to be applied. Director Wheeler thought that renegotiations probably need to occur as there are different players today than when the agreement was signed. Secretary Fast wants to be able to look at what ultimately happens for meeting build out. President Cronin feels that YC has a competent group, but he needs to know that the District is finding solutions to the situation. *President Cronin asked DuCuennos to come to the District with solutions.* Edwards reported that the District will be working on updating its facility plan. DuCuennos reported that YC is also working on their 20-year plan. *Secretary Fast suggested that a wastewater group needs to be formed to be working on wastewater solutions, other than snowmaking, for the entire Big Sky.* Edwards reported that after the pilot snowmaking project was completed, there have not been any group meetings. DuCuennos commented that the pilot snowmaking study did not die on the vine; there are just a lot of hurdles to get through from marketing to permitting in order to move it forward. DuCuennos feels there are mutual benefits for the District and YC to work together. *President Cronin would like YC and SP to continue attending the monthly District board meetings to bring the District up to date.* All entities need to have a common vision on what everyone is doing. DuCuennos recommended a subcommittee with Edwards, a board member, Kristin Gardner, and himself. Director Wheeler and President Cronin volunteered to serve on the subcommittee. Director Reeves asked that two people from Cross Harbor that can speak on behalf of YC be on the subcommittee. DuCuennos said that Eric Butts and Rich Chandler could be included. *DuCuennos and Edwards will coordinate organizing a subcommittee to meet monthly.* DuCuennos suggested that something needs to be formulated with teeth to it. Director Wheeler felt that constraints should not be added to the agreement, but that disposal options need to be identified. Olsen reiterated that they will be doing geotech work this spring to figure out what SP can build. SP will then work on the design and build the pond. The biggest issue will be the piping. SP will need a plan spec review with DEQ. DuCuennos reported that he signed a contract for a new fly over of the area.

Mike Cusick called in at 10:30 am.

AMEND AGENDA

Vice President Loble moved to amend the agenda to discuss the BSOA pond project. Director Shropshire seconded the motion. Motion unanimously passed.

BSOA POND PROJECT UPDATE

Mike Cusick reported that the pond was completed before the State's permitting requirements of July 1973. Cusick stated that the critical factor is the change in point of diversion. The location and place of use of the irrigation has never changed. Cusick thinks that he can go forward and get Wetstein's affidavit. Wetstein will confirm that the as-built plans show building was done as of April 9, 1973. According to Cusick, the District needs to amend the water right in the water court. The District then needs to get the water use from on stream to off stream. Director Shropshire offered to follow up with Wetstein to expedite getting the affidavit completed. Edwards asked what amount of water was needed for the BSOA pond project. That information ought to be available through BSOA's engineer, Carl Uhlig. Director Reeves asked Cusick if the District could sell the water to the BSOA. Cusick reported that the District could sell the water, but the District would have to get the permit and apply for a change. Vice President Loble asked why the District could not just sell water to BSOA without giving up water rights. Cusick said that selling BSOA water rights avoids an application to DNRC. Now that the District has evidence that the point of diversion was finished before 1973, it is a matter of changing the pond from on stream to off stream. Cusick suggested that this change be discussed with Fish, Wildlife and Parks Department in order to get political backing for the application to change the water rights from on stream to off stream. Since the District now knows when the point of diversion was built, the District can proceed. Board members asked about the costs. Cusick stated that he thought that BSOA was going to cover all of the costs associated with changing the water rights. They should pay for this change as it will provide them with the water they want. Through changing the pond from on stream to off stream, it would require less water storage. Cusick does not think that DNRC will have any objections to this change. Vice President Loble asked if it would be best for the District to sever a portion of water rights and sell it to BSOA. Edwards reported that Cusick's new concept would be for the District to be the applicant for a change in water rights. Cusick feels that if WSD severs its water right then the District's water right is not correctly defined. The District should change its water right from on-stream to off stream, and then sell water to BSOA for pond mitigation. Secretary Fast asked if there was any down side if the pond water right was rejected. Edwards reported that the District has a history of using more and more treated wastewater for irrigation water and less use of Middle Fork water. The District could be at risk for being cut back if the water is not used. Cusick said that part of the risk is that somebody at the DNRC could question when the intake facility was actually built. The board discussed Plan A, which would be to try to provide BSOA water a simple way, without severing water rights and by changing the storage from on-stream to off-stream. Cusick suggested that the District go to DNRC for a pre-application review meeting. Cusick feels that there is a good chance of getting the approval at the pre-application meeting. Cusick suggested getting backing for the application from organizations such as Trout Unlimited, too. Plan B would be to sell off a portion of the water right to BSOA. The first step would be for Cusick to get an affidavit from Willis Wetstein. The second step would be to amend the District's water rights in the water court. This amendment could take two to five months. Cusick did not feel there was any risk in filing. President Cronin reiterated that the first step is for the District to get the needed affidavit.

Director Shropshire moved to approve that District attorney Mike Cusick proceed with Plan A and Plan B subject to an affidavit from Willis Wetstein concerning the date of completion for the point of diversion. Vice President Loble seconded the motion. President Cronin called for discussion. Director Reeves questioned if the District should proceed with only plan A for now. Director Shropshire amended his motion to proceed with plan A. Director Loble seconded the amended motion. Motion unanimously passed.

Suzan Scott pointed out that the pond restoration is a community project; not just a BSOA project. Scott wants to meet with the BSOA board to make sure that her board supports Plan A. Director Shropshire feels that the board needs to proceed with the motion, as presented and passed, as the District is at a point where a decision needs to be made. Cusick said that, at minimum, the District needs to get its water rights corrected regardless of what BSOA supports. President Cronin said the motion is for correcting the water rights. President Cronin said that Edwards and Cusick will work on Plan A. (*Director Shropshire left the meeting at 11:00 am.*) Director Reeves would like arm's length transactions and the board needs to operate the Water & Sewer District like a business. Responding to Edwards's concerns, Cusick reported that the change process would retain the water right date. No one has ever objected to a flood irrigation head gate site changed to a pump site. In this instance, with the change in the point of diversion occurring prior to July 1973 without any objections, Cusick does not think that there should be any problems. Cusick stated that he will try to contact Willis Wetstein this week to complete the affidavit.

FY 2014-2015 DRAFT BUDGET

Smith reviewed the summary of changes for the FY 2014-2015 draft budget that was in the board packet. Both sewer and water operations have budgeted for a new vehicle. Sources of funding were listed in the summary. The sewer budget is at \$8.9 million. The water budget at \$1.5 million. Edwards noted that the District is getting proposals from vendors for a water treatment system and \$1 million is estimated. Vice President Loble asked about administrative salaries and noted salaries will go up 2.7 percent. Smith noted that he has reviewed the budget with all department heads and does not anticipate much change before the next meeting. Edwards stated there would be no reason for the District to have a budget hearing on the draft budget as last year the board adopted a three-year rate increase. The new sewer rate will be \$24.39 per month with \$5.94 as the variable rate. The new water rate will be \$15.77 per month with four-tiered variable rates.

Director Reeves moved to approve the FY 2014-2015 draft budget as presented. Director Wheeler seconded the motion. Edwards noted that Director Shropshire did not make any comments to him. Motion unanimously passed.

CHAMBER OF COMMERCE TIGER GRANT APPLICATION

Edwards reported that Gallatin County submitted the Chamber of Commerce's TIGER Planning Grant application to get planning money to look at upgrading the design on a bridge from Tract A1 across the Middle Fork to the District's property. The grant application also includes pedestrian trails and a tunnel. Edwards put the item on the agenda for board discussion and consideration for support as the Chamber is looking for letters of support. Edwards reported that the District still has the easement through Tract A1 for a bridge. Edwards asked if the Chamber

received a grant to build a bridge, would the District say no. Director Wheeler asked if the Chamber's bridge was a pedestrian bridge, would the District lose the ability to have a vehicle bridge if the District needed it in the future. Vice President Loble stated that the board never consented to being a participating party to the application. Both Vice President Loble and Director Reeves felt that the board's only option is to remain silent. The board should not give the impression the District has agreed to participate in the application. Director Wheeler agreed that if the District supports the Chamber's application, it may look like the District has approved the use of District land for the Chamber's originally proposed employee housing project. President Cronin expressed his concern about remaining silent as being perceived as the District agreeing to it. Edwards reminded the board that the District's property is not 30 acres of buildable land. Edwards noted that Tract A1 is also back on the market.

SEWER OPERATIONS

Burroughs reported that the pumping of treated wastewater to YC's pond will be turned off today. Burroughs does not foresee the need for pumping more wastewater to YC this summer. Burroughs wants to draw down both ponds this fall as we need to go into the winter with the ponds empty. Going into last winter, the large pond had about 4.5 feet in it. The horse pasture will continue to be irrigated until the irrigation controls are operating. Burroughs is seeing a lot of infiltration and inflow (I & I). The flows are running 400-500 thousand gallons a day. With biochemical oxygen demand (BOD) levels around 60 mg/L, that indicates we are getting a lot of surface water into the sewer lines.

WATER OPERATIONS

Muscat reported that the mountain flow is up due to the increased water use at Yellowstone Club. The meadow flow is doing well. Due to the known leak at Lone Moose Meadows their flow is up. The summer season will be busy with repairs including fixing the leak at Lone Moose. Kirk Warren reported that they are measuring one Lone Moose well that is located next to the parking lot.

STRATEGIC PLANNING

Edwards noted that the final report prepared by Buz Davis was in the board packet. Edwards noted that some of the tasks from the strategic planning sessions have been prioritized. Edwards will add dates to the document. Edwards will also add a water plant investment charge to the tasks list. A water plant investment charge needs to be reviewed and considered due to the number of projects that will be permitted on newly created lots that have not been paying quarterly infrastructure maintenance fees.

RESORT TAX APPLICATION FY 2014-15

Edwards will attend the resort tax appropriations meeting on June 11 at the Warren Miller Performing Arts Center.

FIRST PLACE EASEMENT REQUEST UPDATE

Edwards reported that he doesn't know where Scott (Curley) Shea and Chad Oulette are in their plans. Their request will be taken off the agenda for now.

SEWER & WATER PERMITS

Edwards reported that there is an application in the Town Center that is for a brewery, cross fitness center, and a residential unit all in one building. Edwards is reviewing the Town Center's amended plat to extend water and sewer main lines.

Bozeman Deaconess Medical Center Permit Application: Edwards reported that District staff had a preconstruction meeting on the hospital project. Edwards asked for board action on this permit application as it is over 20 SFEs.

Vice President Loble moved to approve the sewer and water connection permit application for the Bozeman Deaconess Medical Center for 29.5 SFEs. Director Reeves seconded the motion. Motion unanimously passed.

Edwards reported that the South Fork's plat amendment is proceeding.

A sewer and water connection permit application will be submitted for the condominium development on Tract 9 that is next to Broadwater Condominiums.

GENERAL CORRESPONDENCE

Yellowstone Condominiums Correspondence: Edwards reported that Scott Hammond was asking for a concession on the sewer portion of a water and sewer bill.

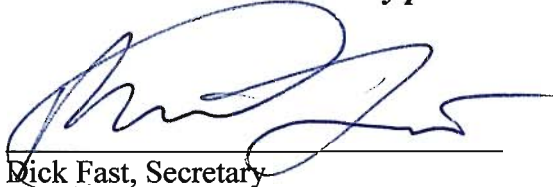
Snowpack Reports: The snowpack report was provided in the manager's report.

NEXT MEETING

Edwards and Vice President Loble will not be available the third Tuesday in June. The next Board meeting is tentatively scheduled for Tuesday, June 24, 2014, at 8:30 am. President Cronin will not be available.

ADJOURNMENT

Director Reeves moved to adjourn the meeting at 11:30 am. Director Wheeler seconded the motion. Motion unanimously passed.



Mick Fast, Secretary

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – June 24, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, June 24, 2014, in the WSD Community Room. Vice-President Les Loble called the meeting to order with the following board members present: Secretary Dick Fast and Directors Jeff Daniels (left at 10:00 am), Tom Reeves, Brian Wheeler and William Shropshire (via conference call). President Packy Cronin was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, and Nic Wellenstein. Others present were Montana Living Real Estate and Tract A1 representatives Scott Altman, Suzanne Schreiner, and Scott Johnson; Tract A1 legal counsel Kristen Brown; Big Sky resident Robert Shanks; First Place representatives Curly Shea and Chad Ouellete; ERA Landmark real estate agent Kirk Dige; Spanish Peaks representative Jon Olsen; Moonlight Basin and Spanish Peaks representative Kevin Germaine; Gallatin Associates and Tract 5 representative Jerry Scott; BSOA representative Suzan Scott; and Big Sky resident and water resources engineer Peter Manka.

PUBLIC FORUM

With no public comment, Vice President Loble called the meeting to order at 8:33 am.

MEETING MINUTES

Director Daniels moved to approve the minutes of May 27, 2014, as corrected. Director Wheeler seconded the motion. Motion unanimously passed.

Director Wheeler noted that there was a wastewater committee meeting last Thursday. Jon Olsen reported that the Spanish Peaks agreement will be signed.

FINANCIALS

Smith reviewed the budget vs actual operating and non-operating summaries. There were no unusual items to report. The District's finances are sound with operating revenue at 104% of budget and expenses at 103% of budget. The last quarter is the weakest quarter of the fiscal year.

Director Reeves moved to approve the May financials as presented. Director Daniels seconded the motion. Motion unanimously passed.

FIRST PLACE EASEMENT REQUEST

Edwards explained the request from Shea and Oulette. The board packet included an exhibit and Shea's email. Shea is asking to build 4-6 parking spaces between the WSD office and the First Place building for use by occupants of the proposed addition to the First Place building. In addition to requesting an access easement, the proposed parking spaces are partially on District land and partially on Shea's land. The easement is through the District's parking lot. Edwards distributed a copy of the existing parking lot easement with the Meadow Center Association. The agreement does not allow overnight parking. Edwards reported that Shea asked for an easement three or four months ago with on-site parking on their land. Shea reported that he has since asked 3 Rivers Telephone for access but it refused to allow access.

Director Reeves asked where the lot access was when the property was platted. Shea stated that there was no real access to the parcel. Shea bought the land from Boyne under COS 91 before it was a subdivision. Director Wheeler thought this parcel may have been an island lot in COS 91

and that the access came from a direction other than the District's property. Shea reported that property could have been accessed from the back where the dumpsters currently are. Director Wheeler thought access may also have been an easement through other meadow parcels. Director Reeves wanted to know when the parcel was originally platted, what was planned and platted for access. Director Reeves also wanted to know if the District is being asked to solve the access problem created by First Place when First Place allowed its then existing access to be used for a building. Director Wheeler said that, as asked by Director Reeves, *Shea needs to identify where the access was with COS 91*. Shea stated that part of their access is now provided through the Meadow Center agreement with the Water & Sewer District.

Edwards noted that the District's building and parking lot was originally designed for drive through (turn around) access for large trucks. Edwards also reported that WSD currently has overnight parking issues and snowplowing issues because customers of the meadow village unlawfully use the District's parking lot for overnight parking. Director Reeves stated that District legal counsel, Susan Swimley, has previously said that the District cannot give away land or other assets it owns without compensation. Oulette feels that the compensation they offer the District is through providing more parking for the First Place's building.

Edwards asked if Shea needs the parking to build on his lots. Shea responded that they could build without adding additional parking. Vice President Loble asked if they don't have parking where will their tenants park overnight. Oulette stated that they want to have their own parking through this request. Vice President Loble asked why Shea and Oulette cannot create parking on their own land. Shea reported that 3 Rivers Telephone does not want to provide access past their building as they have lines they do not want covered up.

Vice President Loble asked if the parking spaces could be moved to the southeast area of their property, thereby having the parking spaces on their own land. Oulette reported that they are trying to avoid the sewer line in this area of their property. Shea said that they need to have access through the District's property. Edwards reported that the District is okay with the First Place creating a parking area over a sewer line. It would not create a problem for the District. Their exhibit showed the proposed building avoiding the sewer line. It would be expensive for Shea to move the sewer line.

Shea reported that their development plans are for building a multi-use building with residential units upstairs and commercial space on the main level. Director Reeves asked if the parking spaces they are asking for are adequate for their development plans. Shea feels that their parking proposal will be adequate as the commercial area will not be a restaurant, it will probably be office space. Secretary Fast said that with a planned use being residential, that will require overnight parking. Overnight parking creates plowing problems as noted by Edwards.

Vice President Loble recapped that Shea's first proposal was for a driveway easement for parking on Shea's land. Now Shea and Oulette want to occupy land owned by the District in addition to the driveway easement. Oulette stated that just an easement would take care of the parking issue. Director Wheeler asked if additional parking is a requirement for their proposed construction project. Director Wheeler felt that it is a good thing for everyone if they are trying to provide additional parking for public use.

Secretary Fast said that he knows of the constraints and frustration of driving through the Meadow Center's narrow parking lot. By creating this parking in the District's drive through turn around area, we will have made it worse for access to District property. Having a cut through from the Meadow Center side and parking on First Place's own land would be better. Shea said that an access through the District land would still be needed. Shea feels that their project would be a lot better with additional parking. They already have an agreement to use the District's parking lot during the day. Shea said if their tenants need to park overnight they would take care of it through the parking they want to create. Oulette wants to be part of the solution and that is why they are here.

Edwards noted that the first time Shea and Oulette asked for an easement, they didn't have the survey work done and had not talked to 3 Rivers Telephone. They have since done both. Vice President Loble noted the proposal is a benefit to everyone but the District. Oulette said that an easement just for a driveway, or road, would allow them to create parking all on their property. Vice President Loble believes the board is the trustee of WSD's property. This proposal asks WSD to give up property rights.

Director Reeves stated that he would be more favorable to the proposal if the parking was on the First Place's turf area as (as shown on the drawing) because overnight parking in the proposed area could pose a problem. Director Wheeler noted that snow storage is a key factor. Director Wheeler agreed with Director Reeves in that he would feel more comfortable with parking on the First Place's turf area. *Director Wheeler* said this is more of a cooperative approach and *asked that Shea come in with a historical background and also come in with plan A and plan B solutions.*

Director Reeves said that every month for the last year someone has been coming to the District asking that the District give up something for the good of the community. Every issue is different, but it is over and over again; What is the District going to give us? Shea doesn't think the easement and parking would hurt anything, it would only make it better. They are trying to make it easier and want to help with the parking situation. Secretary Fast said the District wants to be a good neighbor but if we grant the easement then we would restrict our access and our ability to operate. The board needs to consider its future needs; it cannot limit the District's future needs. Director Wheeler said that the big picture is for Shea to build a building without additional parking and that is the worst thing that can happen.

Secretary Fast said that parallel parking located only on First Place's property might be a better option and for their turf area to be accessed for parking. Shea said that access has been the problem as the District's property is the only way to get access. Director Daniels asked if there is a problem with giving access. Edwards said that we use some of the area for propane tanks and snow storage. Shea said that they will have their surveyor look at another access. Secretary Fast asked if there could be elevated parking. Oulette said that they could operate with just a driveway access. *They will come back to the board with proposals.* They will still need to have access. Director Shropshire feels that the board should help Shea provide parking on his own property.

Shea does not think their access is restricted to the District parking lot just for the use of the current 19 parking spaces. He feels that they could access their property through the parking agreement with the District. Shea reported that the First Place is part of the Meadow Center Condominium Association that has the agreement to use the District's 19 parking spaces.

SFE REALLOCATION APPLICATION – MV TRACT 5 to SGH TRACT A-1

Edwards explained that A2LD, LLC submitted an application to reallocate 25-30 SFEs from Meadow Village Tract 5 to Sweetgrass Hills Tract A-1 that is below the sewer ponds. Tract 5, LLC is the record owner of Tract 5 and A2LD, LLC is the record owner of Tract A-1. Edwards explained that they are taking advantage of the provision to facilitate SFE reallocation applications. The District amended Ordinance 97-1001 so that the ability to transfer SFEs sunsets in December 31, 2015. The number of SFEs requested for reallocation is a range of 25-30. The District has never received a reallocation application for a range of SFEs, and has never approved a range of SFEs for reallocation.

Director Reeves asked about the one-year requirements of ownership and partnership. Edwards noted that A2LD, LLC is not an owner of Tract 5 and that the LLCs do not have the exact same partnership interests. Neither B. 1 nor B. 2 of Article 4 in the Ordinance 97-1001 regarding reallocation is satisfied. Tract A-1 legal counsel representative, Kristen Brown, reported that she met with Swimley. According to Brown, Swimley did not have a problem with the District approving the reallocation application. They know about the one-year requirements, but Brown reported that Swimley felt the A2LD, LLC satisfied ownership. Scott Altman reported that he bought the property individually and then he quit claimed it to A2LD, LLC on May 19, 2014. Altman is a member of A2LD, LLC. The key dates are that of the LLC. A resolution of the members adds Tract 5 effective February 3, 2014. Brown and Altman feel that February 3, 2015, will meet the one-year entity requirement. As of March 2015, Altman feels that land ownership will be completely satisfied. Vice President Loble asked if a member of an LLC is different as A2LD, LLC does not own Tract 5. Brown feels that the corporate identity is satisfied as of March 2015 with a full year of A2LD, LLC owning the property.

They are proposing that the board grant the reallocation now with the effective date of March 24, 2015. The value in approval now is that the A2LD, LLC members can work on development plans for the property now. Before construction occurred they would have satisfied the one-year corporate identity. Vice President Loble stated that once the requirements for transfer are satisfied, there is certainty for approval. He does not know why they are asking for a conditional approval. Brown explained that it is a matter of being able to go out to interested parties for going forward to development. Vice President Loble reported that hypothetical scenarios have been presented to the board in the past and then the events hypothesized have not occurred. Brown said they are asking the board to waive the one year requirement. Vice President Loble noted that the board has worked very hard on amending the ordinance. He questioned why the board would negate the conditions required in the amended ordinance. Director Wheeler asked if Brown and Altman are asking the board to clarify the right, or ability, to reallocate the defined for SFEs. Altman and Brown said that is what they want. They want a commitment for transferring the SFEs. Altman needs to know that the SFEs are available so that they can plan infrastructure. Director Wheeler asked if the historical explanation fit in the box of B. 1 and B. 2 requirements. Is the entity requirement met? Brown asked if the business entity structure they created met the definition. Edwards reported that in Swimley's initial look at this, she thought it did. Edwards said the two *issues the board needs addressed by Swimley are the business entity and length of ownership*. Swimley should also provide an opinion on *whether the SFEs must be specifically defined* instead of asking for a range of SFEs for reallocation.

Jerry Scott noted that the board historically decided that the SFEs should not be a commodity, but they are a commodity. Scott said that there are only three or four situations remaining in the District where the sunset clause will apply.

Edwards noted that he has not received anything in writing from Swimley. Director Wheeler wants to make sure that the corporate interests meets the letter of the ordinance through legal counsel review and approval. Board members felt that the ownership question needs to be discussed with Swimley. Director Reeves said if an applicant has satisfied all conditions of the ordinance, they could still plan on the transfer of SFEs. Director Reeves stated that he has no intention of going against the ordinance; he wants to follow the ordinance. Edwards said the District does not intend to amend the ordinance as it stands with reallocation. Secretary Fast said the one-year requirement will happen. The corporate issue needs to be address. Director Reeves noted that the ownership issue has to be in line by December of this year to be able to transfer SFEs by December 31, 2015.

Altman explained that they will need a letter from Edwards on development of a defined number of SFEs for Tract A1 if they apply in for a land use permit. Altman reported they would have to go through land use permitting and possibly subdivision review for any development on Tract A1. Secretary Fast noted that Scott's arguments are compelling and persuasive, but we have to be cautious about pressing ahead. We need to have legal input from District counsel. Vice President Loble said that the board *needs to have Swimley's input on two points: whether the District can waive a provision of the ordinance and whether the corporations created are legal entities that satisfy the ordinance requirements*. Director Wheeler feels that Altman and Brown should feel comfortable getting what they need if every condition is met. Vice President Loble said that no board action is needed at this time.

COMMUNITY WASTEWATER CAPACITY

Kevin Germaine, representing Moonlight Basin and Spanish Peaks, attended the meeting to inform the board about the WGM Group out of Missoula hired by CrossHarbor. WGM Group will be doing an analysis of the wastewater capacity of Moonlight, Yellowstone Club, Spanish Peaks, and the District. They met with Grant Burroughs and Ray Armstrong last week. The information will be shared with the District. The WGM Group project engineer is John Ross. Germaine stated that this is a start in YC dealing with the wastewater storage and use. Germaine expects ideas from WGM. The primary outcome of the analysis is to find out if the wastewater infrastructure meets future build out plans. They are also looking at water capacity and build out needs. Edwards suggested that Germaine have WGM work with the Bureau of Mines and share their data. Germaine reported that WGM will do the study in a timeline of two months. The wastewater subcommittee will be kept up to speed. Germaine reported the players are a CrossHarbor team with a company yet to be formed. Germaine explained that he is part of Moonlight, but is working with Spanish Peaks, Boyne and YC. Eric Butts is a civil engineer at Moonlight and will be part of the group.

SEWER OPERATIONS

Edwards reviewed Burroughs flow reports. The operators will be identifying a list of repairs to fix the increase of infiltration and inflow (I & I). Edwards explained that as water tables rise, any cracks and leaks in joints will allow water to come into the lines. Edwards noted that in 2011, where it was another huge snow year, the District had lots of I & I.

WATER OPERATIONS

In addition to the production reports, Muscat's written summary of water operations was provided in the board packet. Vice President Loble stated his appreciation for Muscat's summary. He asked that future board packets include a one page narrative report for both water and sewer. Director Wheeler noted that this was the earliest the irrigation signs were put out. Nic Wellenstein reported that last week the 250 thousand gallon Sweetgrass Hills tank dropped down to 10 feet, which made it necessary to post irrigation restrictions. *(Daniels left at 10:00 am)*

BSOA POND PROJECT UPDATE

Edwards reported that the board packet included correspondence from Mike Cusick that outlined Plan A and Plan B. Suzan Scott noted that Carl Uhlig is under contract with BSOA. Edwards needs Uhlig to quantify the amount of water needed for the pond project. The District will then proceed forward. Cusick will get the affidavit signed by Willis. Director Wheeler reported that he talked to the BSOA board and has informed them that the District needs a proper baseline before proceeding. Edwards reported that the water use would be a set amount of volume annually. The District needs to get the information from Uhlig and then have Cusick work on Plan A. Director Wheeler stated that the bottom line is that the District does support the BSOA's project but the District also needs to continue with its due diligence regarding BSOA's request. Edwards feels that the District should be able to make a decision in six months.

PROPOSED DEVELOPMENTS AND SUBDIVISIONS

Edwards reported that the Department of Environmental Quality (DEQ) approved the subdivision rewrite application to aggregate Westfork Meadows Lots 5 and 6 into a single lot for condominium development. DEQ will also have to approve the subdivision rewrite application for Tract 5.

RESORT TAX APPROPRIATIONS FY 2014/15

Edwards provided a summary of resort tax appropriations in his manager's report. The District was appropriated \$18,000 for its application for a Recon Dynamics antenna.

CONSULTING SERVICES PROPOSALS

Water Capacity: Edwards has not received a proposal from Mark Cunnane for a water capacity study. The packet provided a copy of a 2007 agreement with Cunnane. Edwards reported that Cunnane is good at providing estimates.

Water Plant Investment Charge (PIC): The PIC fee for water connections is a separate study. Edwards needs to prepare an RFP and it will be done soon. He thought there may be proposals for board review at the next board meeting.

SEWER & WATER PERMITS

Edwards reported that the District received 17 new permit applications that totaled 48.06 SFEs. Until the District releases additional SFEs, there are 23.35 SFEs remaining for new permits. *For the next meeting, Edwards will ask the board to release additional SFEs.*

BSCC WASTEWATER IRRIGATION AGREEMENT

Edwards reported that the irrigation agreement provided five-years of irrigation at no cost to the Big Sky Community Corporation (BSCC). Their irrigation is 100% wastewater. Edwards feels that it is in the District's best interest to keep BSCC using treated wastewater. Edwards reported that the District has never charged for irrigation wastewater for the Boyne golf course, YC, the Big Sky Chapel, or the Big Sky Community Park. *Director Reeves asked that the RFP on a plant investment charge for water connections include a study of what other entities are doing with regards to charging for the use of treated wastewater for irrigation.*

Director Shropshire moved to extend the irrigation agreement with the BSCC without charge for wastewater use; and to continue not charging the Big Sky Chapel, YC, and Boyne for their irrigation wastewater use. Secretary Fast seconded the motion. Vice President Loble called for discussion. Secretary Fast asked that the District study the value of irrigation water and suggested only a one-year agreement. The agreement has to be reviewed annually with an automatic renewal unless the District terminates the agreement. Director Shropshire amended his motion to make it a one-year renewal with provisions per Secretary Fast. Secretary Fast seconded the amended motion. Motion unanimously passed.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, July 15, 2014, at 8:30 am. Directors Reeves and Shropshire will not be available.

Director Wheeler noted that the new wastewater subcommittee will meet the third Thursday of every month.

Secretary Fast asked if Edwards prioritized the projects and priority list for the board to review. Edwards has not finished it yet. He is putting the priorities and projects on a Gantt chart.

ADJOURNMENT

It was moved to adjourn the meeting at 10:23 am. The motion was seconded and unanimously passed.



Dick Fast, Secretary

6-24-14. min (Board Approved 7/17/14)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – July 17, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Thursday, July 17, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice-President Les Loble, Secretary Dick Fast and Directors Jeff Daniels (left at 10:00 am), Tom Reeves, Brian Wheeler and William Shropshire (via conference call). WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith (left at 9:00 am), Jim Muscat, Peter Bedell and Grant Burroughs. Others present were First Place representative Curly Shea, A2LD LLC representative Kristen Brown, Big Sky resident and water resources engineer Peter Manka, BSOA representative Suzan Scott, Lone Peak Lookout reporter Laura Bell, and Spanish Peaks representative Jon Olsen.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:30 am.

MEETING MINUTES

Director Wheeler moved to approve the minutes of June 24, 2014, as written. Director Fast seconded the motion. Motion unanimously passed.

FINANCIALS

Smith noted that the numbers presented in the budget vs actual report were not final for the fiscal year as all the bills through June 30 have not been received. Revenues are favorable and expenses are on target at about 103% of budget. Smith reported that the sewer system will have a small loss, but he did not think the board should be concerned. Smith explained contributed capital as sewer and water main lines contributed to the District from developers. No new main lines have been added this year. The donated capital assets of \$23,000 is from the search and rescue building

Director Reeves moved to approve the June financials as presented. Vice President Loble seconded the motion. Motion unanimously passed.

Smith reported that the taxable values reports from the counties will be received in August. The taxable values will be used to set the tax mill rates on water and sewer bond debt. Edwards feels that the estimated mill rates previously presented and approved by the board will be close to the actual mill rates.

Delinquent Accounts: Smith reported that 81 owners of delinquent accounts were mailed collection letters last week. Owners have until August 15 to bring their account current or the delinquent balance is turned over to the respective county for collection. Historically this procedure has resulted in collection of 100% of the receivables. President Cronin noted that the list of delinquent accounts is not unusual. Smith estimated that the District turns over 10-15 accounts to the counties for collection annually. Edwards and President Cronin noted that, historically, the District has not turned off the water when an account is delinquent since the District has the ability to collect through the counties. Edwards noted that Dab Dabney, Farmhouse Partners/Big Sky Apartments sends an occasional email saying that they are in the process of restructuring and refinancing. Director Wheeler noted that Big Sky Apartments has a \$25,000 delinquent balance. Smith noted that, last February, Dabney did bring these accounts current. The board discussed various methods available to collect delinquent accounts, hardship cases and the like. The general consensus of the Board is that the current procedure will continue.

FIRST PLACE EASEMENT REQUEST

Edwards distributed a map showing the new proposal for an easement access to the First Place's property which was highlighted in yellow. The proposal from the June meeting has been withdrawn. The board did an onsite inspection of the parcel where Curley Shea and Edwards had painted lines depicting the easement proposal. President Cronin noted that the request is now only for an easement access to parking on the First Place's property. Shea reported that the proposed 3,500 square foot building will have commercial units on the main level and residential on the upper level. Their proposed parking provides for 4 parking spaces. Shea noted that they are trying to create the parking over the existing sewer line so that the lines are accessible to the District for maintenance. For the information requested by the board at the June meeting, Shea reported that he purchased the building 20 years ago in 1994. He has not found any history regarding access to the parcel. In earlier years, the access had been from the Meadow Center's front parking lot and then walking the sidewalk to get to the building entrance. The currently vacant area next to the First Place building has not had its own access.

Vice President Loble asked Shea if the Meadow Center covenants would allow him to build the proposed building without being required to provide more parking. Shea said that he has already been "okayed" to build on the land. Shea explained that when the PUD was created, parking spots were allocated for everyone including his future building. Gallatin County will not have to review parking requirements for his future building. Shea is just trying to create additional parking to alleviate problems with overnight parking in the District parking lot. President Cronin asked if Shea was familiar with the county's land use permit regulations regarding parking. President Cronin reported that the county will review the number of parking spaces required per 1,000 square feet of building factoring in the current use. President Cronin feels that the county will have on file what the Meadow Village parking requirements are based on the current use of each property.

Vice President Loble said that Shea and Oulette need to live within the rules that have been created. Shea agreed that Loble is right. *(Smith left the meeting at 9:00 am.)* Vice President Loble stated that the District is a water and sewer district and that is its mission. When the board is asked to do something, it has to work within that mission. If the request does not serve the District's mission, it should not be considered. Another concern is that the District granted an easement to the Meadow Center for daytime parking use and now we have overnight parking problems. Drive through access around the District's building is also of concern and would be a problem if this easement was granted. Additionally, Susan Swimley, District legal counsel, has said that the District cannot give its property away. Shea stated that they are more than willing to compensate the District for the use of its property.

President Cronin concurred with the concerns presented by Vice President Loble. The District is a water and sewer district, and nothing else. The District does not know how granting access to Shea's property will impact the District in the future. The District has already given up a tremendously huge gift of 19 parking spots. Granting this parking has turned out to be a minor headache and it is a burden to the District in dealing with the parking problems. Not only does Shea's request not fit the District's mission, but granting Shea access would be another burden that the District does not need. The District has already provided 19 spots, and Shea should not come to the District to try to make his development plans work. Getting an easement across someone's land is basically asking for someone's land. One might as well be purchasing the land. Director Daniels noted that Shea did offer compensation.

Director Wheeler informed the board that he has a potential conflict on this issue and will probably abstain from a vote. As an employee of Boyne, they sold the property to Shea. Director Wheeler also reported that he spearheaded establishment of the Meadow Center PUD.

Secretary Fast stated that the District is not in the business of providing land, but has been doing so through land use agreements with Big Sky Search and Rescue and Northwestern Energy. Secretary Fast feels that the board needs to either say no more granting of these requests in the future, or come up with a policy for considering requests and review each request individually. The board needs to analyze if the request will impact the District in the future. President Cronin reported that the big requests in the past have encompassed the community's good. These included granting land to the Big Sky Search and Rescue for its building, granting the Big Sky Chapel delayed financing on permit fees, considering the BSOA pond dredging project, and selling land to Northwestern Energy for its substation. Even though Northwestern Energy is a for profit company, their request crossed over to community service as the substation will provide reliable electricity to the community. Shea's request is not for a community venture. It is strictly a business venture for Shea and Oulette. President Cronin said the board has reviewed requests on a case-by-case basis. In this request, providing access to Shea could impact the District's future for its development options by granting an easement through the District's parking lot. The board must maintain the District's ability to function in the future.

Director Reeves does not see any benefit for the District to grant an easement. Director Daniels asked if we could give Shea access now and take it back if needed in the future. Director Shropshire asked if there was a conditional easement the board could grant, subject to periodic renewal. President Cronin felt that granting a conditional easement would create a future burden on the District. The District would then need to prove it needed its land. Shea agreed with President Cronin that a conditional or revocable easement which would be reviewed periodically was not practical for either party. President Cronin feels that the District would be opening itself to a lawsuit if it granted a revocable easement and then tried to revoke the easement in the future. Director Shropshire asked if there was anyone that could project what the land in question will be used for in the future. Edwards felt that with technology advancement, future filtration expansion needs and retrofitting the buildings might use a smaller footprint. Edwards said the District will probably never build on the drive through access. Secretary Fast stated that if the District built on its property it would cut off access to Shea's property. Vice President Loble said speculating about future uses of the property and then basing a decision today on what the Board speculates will happen in the future is not sound policy. Director Reeves noted that the District may even want to sell its building in the future and then it would be burdened with an easement. Director Shropshire asked if the board wants to keep control over its land. President Cronin noted that requests for a release of easement on Tract A1 was recently reviewed by the board. It was determined that easements have a value.

Secretary Fast reviewed the options the board has in considering Shea's request. Vice President Loble noted that, according to Shea, the Meadow Center PUD has enough spaces for Shea to build what he wants to. Shea stated that he is trying to alleviate the problem with overnight parking. Shea reported that for overnight parking in the Meadow Center a permit is required. Director Daniels asked if any of the 19 daytime parking spaces already provided to the Meadow Center could be granted to overnight parking. Edwards reported that the District does snow removal in the early morning and overnight parking is a problem. However, the parking agreement could be restructured if the board wanted. No motion was made to approve Shea and Oulette's easement request.

SFE REALLOCATION APPLICATION – A2LD, LLC

Edwards noted that he sent a letter to Susan Swimley asking for a legal opinion as discussed by the board at the June meeting. Edwards said he asked for Swimley to determine if the corporations met the District ordinance's legal entity requirement, and whether the board can waive a provision of the ordinance. Edwards has sent all correspondence from the June meeting to Swimley for review. Swimley has not yet responded and was unavailable for this meeting.

Edwards reported that the same limited liability company does not own both properties. Vice President Loble concurred. Although Tract 5, LLC is a member of A2LD, LLC that does not make the two companies one and the same. The District ordinance says the entities have to be the same to transfer SFEs. President Cronin explained the intent of SFE reallocations provided in the ordinance. The provision of reallocating SFEs provides an owner of two properties the ability to transfer SFES between the owner's properties.

Vice President Loble said the District would like to wait for legal review, but asked Kristen Brown to give her legal analysis of the request. Brown gave her explanation of the distinction and interpretation of the LLC and corporations. The LLC is controlled by its members and Brown believes that is an important difference between an LLC and a corporation. *Brown will provide the LLC's governing documents.*

Vice President Loble read to the Board the statutes defining a limited liability company. The LLC owns the property, not the members. Director Reeves had the same concerns. Director Reeves noted that when the ordinance amendments were drafted, a lot of accommodations were made to address Scott's concern for his ability to reallocate his SFEs. Before the ink is even dry on the amendment, the board is being asked for a variance. Director Reeves said his point is that the District accommodated Scott in the ordinance amendment. Scott did not buy Tract 1A and then request a reallocation of SFEs. With the request from A2LD, LLC, Director Reeves does not see where they are complying with the letter of the ordinance. Edwards noted that one ordinance draft was to terminate the transfers upon amendment approval. Scott asked for time to transfer SFEs and the District accommodated by providing a sunset period. If Swimley comes back saying that the LLC does not meet the ordinance, the parties need to deal with that decision. Brown did not know the preferential matter of the existing landowners. Brown does not know if Tract 5 LLC would want to buy the Tract 1A. Director Reeves said that the entities could make it fit the ordinance. Secretary Fast stated that if Swimley says the entities do not fit the ordinance requirements, then that is the end of the matter. Director Reeves feels that even if Swimley says it does, he is not comfortable with the request.

President Cronin suggested that the board needs to have answered what an SFE is worth and asked Brown what Scott is getting for an SFE. Brown responded that, with all due respect, she is not aware of SFEs being publicly priced. President Cronin felt that the board should know what Scott is being paid for the reallocated SFEs. Director Wheeler reported that at Town Center, for instance, there are property price variances depending on SFEs available on each parcel. One could calculate the value of an SFE in the Town Center through these numbers.

Director Reeves said that if A2LD, LLC wants to pursue SFE reallocation, the board will want to know what the corporate arrangement is in order for the board to make a decision. Brown feels that the District already has that information. Edwards did not think that this information has been provided. Director Reeves said *an operating agreement of the LLC would have to be furnished to the District*. Brown stated that the worst case scenario would be for Swimley to say the LLC does not comply with the ordinance. She asked for the District to ask Swimley what they could do for restructuring the LLC to be in compliance with the ordinance. Brown asked if the board would then provide a conditional approval of the reallocation, with an effective date for one year. That way the LLC could proceed with development plans based on total SFEs available. Director Shropshire stated that entities have to be in compliance with the ordinance before the board can consider a reallocation of SFEs.

Edwards restated that the second question to Swimley was if the board can waive conditions of the ordinance. Director Reeves reported that the board already amended the ordinance to accommodate Scott and the reallocation of SFEs. Edwards will invite Swimley to the board's next meeting. *When Edwards receives Swimley's legal opinion, he will distribute it to the board.*

President Cronin asked if Altman has come to the District asking for development rights that would fit as allowed by land use requirements. Director Wheeler noted that this is a mechanical discussion; the request is a series of steps through doors. Edwards said that Tract A1 has 25 SFEs allocated. When the ordinance amendment was put in place, SFE development approval was softened. Director Wheeler noted that Tract A1 was part of a settlement with Westland with more SFEs originally assigned. SFEs have since been transferred from Tract A1. Director Wheeler said the board will need to look at the history of the parcel before considering allocating more SFEs based on land use. President Cronin feels that that if the request fits in the box, then the board needs to consider approving it. Director Wheeler said that this request needs to get through the first door of the entity requirement. Their first step has been to ask for a variance.

WASTEWATER FACILITIES PLAN UPDATE – CONTRACT

Edwards noted that the board packet included a draft contract with DOWL HKM for \$47,950. The money to fund the plan will come out of reserves.

Director Loble moved to approve DOWL HKM's contract to update the Wastewater Facilities Plan to not exceed \$47,950 as presented. Director Reeves seconded the motion. Motion unanimously passed.

DISTRICT ORDINANCE 14-1001: RELEASE OF 100 SFEs (First Reading)

Edwards reported that the District is down to 7.5 SFEs for permitting. Edwards recommended that the board approve Ordinance 14-1001 to release 100 SFEs for permitting.

Director Fast moved the first reading of Ordinance 14-1001 to third reading. Director Loble seconded the motion. Motion unanimously passed.

Director Reeves moved to approve Ordinance 14-1001: Release of 100 SFEs as presented. Vice President Loble seconded the motion. Motion unanimously passed.

Edwards noted that Ray Armstrong, DOWL HKM, will only be doing the wastewater study. Edwards is working on the RFP for the water rate study. With the boom in construction, Director Reeves wants the *RFP expedited for the water rate study*.

SEWER OPERATIONS

Burroughs noted that the big thing in the sewer operations report is the capacity of the ponds. The District is basically at the same position as last year. The District is trying to get Boyne to use more wastewater for irrigation. The problem is that we are manually running the golf course irrigation with only one pump. The spreadsheet in the packet shows that the District is not disposing of wastewater quickly enough. The District is responsible for the pump and the pump works fine. The control system is the problem. Changing out the booster pumps on the golf course would be an expense to the District. Edwards will ask Boyne to cover the cost of updating the computer controls. Edwards will confirm with Mike Meely that he will be here Monday to work on the system. Carl Thueson will be here July 24 to make recommendations for updating the irrigation system.

Director Reeves noted that we are losing critical days every day the system is not working. Burroughs noted that the controls from the booster station to the pumps are not functioning. Sam Woodger, Boyne, is manually running the entire golf course off one pump when the system was designed to run off two pumps. President Cronin asked if Burroughs can put pressure on Boyne to manually run the irrigation system more. Burroughs stated that he doesn't have a stick to hold over Woodger. Director Wheeler said communication is the key factor. Director Wheeler asked if the District sprays 110 million gallons a year. Burroughs reported that the golf course will not use that much wastewater this year and that will be a problem. Director Wheeler asked who is responsible to help balance the system. Burroughs reported that Woodger has all the control of what amount of wastewater is used on the golf course. Director Wheeler asked if a working computer system was in place would it quickly help with the disposal problem. Edwards responded yes. *Director Wheeler wants a written summary of the problems, causes, and solutions identified.* Director Reeves said that we have short-term and long-term problems. Right now we need to get someone out there manually operating the irrigation system as we are losing ground every day. President Cronin asked, "Does someone need to be hired to manually operate the system?" Director Wheeler would like the steps and costs itemized for fixing the problems. Edwards estimated that the booster pump would cost \$50-60,000, software could be around \$50,000. (*Director Daniels left at 10:00 am*). Edwards reported that software computer systems are only usable for about 7 years, where a pump may last 30 years. The golf course computer system needs to be updated. Everything has changed. Director Reeves asked if there is a clean delineation of what the District pays for and what the District pays for. Edwards noted that the irrigation agreement stipulates who pays for what. Edwards noted that the District does not have any oversight on Boyne. Without the District having control over how the irrigation system is operated, the District's ability to dispose of wastewater is compromised. President Cronin asked if the person showing up next week can get the system running. Edwards thinks he can. If parts are needed, and if the parts are even available, this would cause a delay. President Cronin said that we could potentially lose ground for the next three weeks.

Director Wheeler said that Boyne wants to get the facts in writing. He asked the District to *identify the problems with a brief history, list the items needing to be corrected immediately with their costs, and then list the long term items and their costs.* Again, Director Wheeler wants it in writing.

President Cronin said that the important thing is that the District needs to get the system operating. Director Wheeler agreed that there is urgency on the need for irrigation. Director Wheeler said the District needs to hit the 110 million gallons of disposal and Boyne needs to facilitate what needs to be done to meet that. Edwards reported that he has met with Taylor Middleton and informed him what Boyne will need to do. Burroughs will contact Sam Woodger today and ask for his cooperation in manually operating the irrigation system more. *Director Wheeler asked for a one-page summary with what needs to be done now.* Director Wheeler reported that Taylor Middleton is Woodger's boss. With other board members in agreement, Director Reeves *directed Edwards and Burroughs to meet with Middleton to get action now.* Director Wheeler said the *responsibilities need to identified and included in the one-page summary.* *Director Fast asked Edwards to email the board in the next day to inform them of what is going on.*

Burroughs reported that the summer flows have increased. Director Wheeler noted that the Resort's numbers show that they are having record weeks. For instance, the Resort has filled the Mountain Lodge and Golden Eagle for employee housing. This is lodging they have never filled in the summer.

Regarding the collection system, the operators are working on regularly scheduled maintenance. The Morning Sun Condominium project is moving along. The hospital extension is complete with only a final walk through needing to be done.

The memo from Lynne Anderson, The Country Store, outlines the problem the District has seen in the line for the past 20 years. Next week the District will set a new manhole at the rear of the store. Burroughs then hopes he will be able to TV the line and find out what their problem has been. Burroughs believes that the line is crushed, or broken. Because additional apartments being built on the second level of this building are coming online through this existing line, the line needs to be fixed.

WATER OPERATIONS

Muscat reported that the boom is back and the only thing keeping us from running out of water is running the pumps 24/7. With irrigation use up, the tank levels are falling. Muscat stated that the fire danger is a serious issue. Leak detection has been done and only one small leak has been found and fixed. Director Reeves asked if the District will have to go to Stage 3 water restrictions. Muscat reported that we only have 9 feet of water in the 30 foot tank. Edwards reported that YC starts out the season with Level 2 irrigation restrictions. YC is pulling as much water as we will allow and their tank is low, too. The District does not know how much water YC is actually pulling off the mountain as the meter on their line is broken. It will be several weeks before the meter is replaced.

Director Reeves asked if there was a stage point for instituting Level 3 restrictions. Edwards said we could turn on mountain wells 5 and 6. It will be a consumer problem because of the sulphur smell. However, sulphur is not a drinking water hazard. Muscat said the sulphur can be managed, it will be less than perfect, but we can use the water. Muscat said the District needs to start using this water source that is approx. 400-500 gpm. Ultimately, the District needs to look at treating this water. Muscat reported that wells 5 and 6 will be turned on immediately if there is a fire emergency. By next summer, Muscat wants the treatment in place for mountain wells 5 and 6.

Director Wheeler asked if there is a benchmark to start wells 5 and 6, i.e. at 5 feet tank level, or whatever the level. Director Wheeler remarked that he remembers when the wells 5 and 6 were used and, personally, he didn't think the sulphur was that bad. Muscat said that the District needs to be able to flip the lever to put these wells in use next summer. Muscat feels that even if two months a year our water tastes funny, we still need to use the water source. We don't have any choice at this point.

Muscat doesn't want to get into choosing what kind of treatment at this meeting; he just wants the board to know he wants the water online. Muscat noted that 7 or 8 years ago the mountain was a ghost town in the summer and the District relied on the mountain water for the meadow water supply in the summer. With the increase in water demand on the mountain, the District can no longer rely on this water supply. The good news is that the District does have a water supply; we just need to get wells 5 and 6 on line.

Director Reeves said the District needs to get a priority plan in place. Muscat agreed. Edwards said the District has done this moving water around practice for years, but he doesn't think we can continue to operate in that way. Edwards said that *the District can start out with Level 2 irrigation restrictions on June 1 next year*. Director Fast asked if the District can go onto personal property and adjust the irrigation clocks. Muscat is already assisting homeowners with adjusting their irrigation clocks.

Muscat feels that irrigation users are not paying enough to discourage the high use. Through rates, Muscat wants to reward the people who use less water. Director Reeves suggested that billing once a month in the summer would give customers the current cost of their irrigation. Edwards said that the District's billing framework is in place with the fourth tier rate. Edwards said that if the rates are going to be increased significantly, then we should bill monthly. Muscat feels that the high water use comes from approximately 20% of the customers. Vice President Loble noted that Big Sky Landscaping has gone to all of their customers and reviewed the irrigation hours to adjust timers to be in compliance with the restrictions. Vice President Loble noted that a rain sensor for his irrigation system was \$180 and it shuts off the irrigation when it rains. Director Wheeler noted that when he lived in Bozeman the water rates in Bozeman were \$275 a month to water a yard. Director Wheeler said that he gets about 4 months of irrigation for about \$275 here in Big Sky. That isn't enough to discourage high use. An irrigation bill around \$200 a month would encourage people to rethink their landscaping and water use. Director Reeves said we need to do something now, i.e. more supply, less usage, and monthly billing. Edwards said the tiered rates can be reviewed and changed. Director Reeves said a comprehensive plan is needed, including treating mountain wells 5 and 6, billing monthly, and changing rates. *President Cronin asked that this issue be on all future agendas until it is resolved*. The board told Muscat that it was at his discretion if he needs to use wells 5 and 6.

Spanish Peaks (SP): Muscat reported that the two Spanish Peaks wells are not producing what they should be. Jon Olsen is going to check the filters. Spanish Peaks will be able to bring two new wells online.

President Cronin noted that the agreement with Spanish Peaks runs for another 10 months, ending in May 2015. Edwards noted that the District has been meeting with SP routinely. Muscat has made improvements to their chlorination system. President Cronin stated that the District needs to communicate with Spanish Peaks the conditions under which the District would accept the SP system. The board discussed the \$1.3 million needed in depreciation that has been discussed at previous meetings. Edwards said that the demand items should be clear so that SP can consider them. President Cronin wants the District to send SP a list of demands of the terms the District wants. If SP does not intend to agree to the District's terms, then SP needs to be able to prepare for taking over the operations of their water system. The demands need to be given to SP in writing. *The board directed Edwards to get something in writing to SP.* Director Wheeler feels that depreciation is the number one topic.

Wastewater Irrigation Update: Director Wheeler updated the board on the irrigation issue. During this meeting, he informed Taylor Middleton of the urgency on repairing and updating the irrigation system. Middleton wants to know if the District's maintenance man can get to Big Sky earlier. Edwards is to let Director Wheeler know if he can assist further.

BSOA POND PROJECT UPDATE

Edwards reported that he has not talked to the District's water attorney, Mike Cusick. Cusick needs quantitative questions answered by Carl Uhlig. Suzan Scott reported that Uhlig is working on getting that information. Edwards asked that Suzan Scott and Edwards make a conference call with Cusick and Uhlig.

WATER SOURCE CAPACITY STUDY

Edwards sent a letter to Mark Cunnane, Western Groundwater Resources, requesting a proposal to update the Source Capacity Study with a completion date of January 1, 2015. Cunnane did the original study for the District in 2008. Cunnane emailed that he will submit his proposal to the District by the end of the month. This study is separate from what the Bureau of Mines and CrossHarbor are doing. The Water Source Capacity Study for the District will look at water rights, demand, growth rates and meeting projected demands. Cunnane will get Edwards a contract by the end of the month. Edwards asked the board to let him know if additional information is needed in the scope.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

South Fork Subdivision-Phases 5, 6, & 7: Edwards and President Cronin reported that preliminary plat approval was granted by the county. Main construction work is to begin in a couple of weeks.

RESORT TAX APPLICATION FY 2014-2015

Edwards reported that he signed a new contract for the \$18,000 in resort tax funds appropriated in June by the Big Sky Resort Area District board. The funding is for an antenna for telemetry.

SEWER & WATER PERMITS

Edwards reported that 1 permit was issued. Kennedy noted that 7 new permit applications have been received.

CAPITAL IMPROVEMENTS PLAN

Edwards reported that a capital improvements plan will be done for both water and sewer. He would like to deal with one entity for both plans, but it is possible that two separate firms could be hired. An impact fee will be looked at for water. Director Reeves asked if the District's tiered water rates could be included in the water capital improvement plan. Edwards will be working on the statement of qualifications to be ready for the next board packet.

GENERAL CORRESPONDENCE

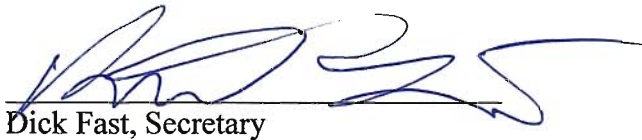
There was no general correspondence requiring board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, August 19, 2013, at 8:30 am.

ADJOURNMENT

Director Reeves moved to adjourn the meeting at 11:00 am. Director Loble seconded the motion. Motion unanimously passed.


Dick Fast, Secretary

7-17-14. min (Board Approved 8/19/14)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – August 19, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, August 19, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice-President Les Loble, Secretary Dick Fast and Directors Jeff Daniels (left meeting at 10:10 am), Tom Reeves, Brian Wheeler (left meeting at 10:45 am) and William Shropshire. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, Peter Bedell and Grant Burroughs. Others present were District's water rights legal counsel Mike Cusick, District's general legal counsel Susan Swimley, A2LD LLC representatives Scott Altman and their legal counsel Kristen Brown, Tract 5 and Gallatin Partners representative Jerry Scott, Spanish Peaks representative Jon Olsen, Big Sky Chamber of Commerce representative Kitty Clemens, Lone Mountain Ranch's architect Janet Storey, District property owners Bob Shanks and Paul F. Cronin, Lone Peak Lookout reporter Laura Bell, and strategic planning consultant Buz Davis.

PUBLIC FORUM

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

MEETING MINUTES

Director Shropshire moved to approve the minutes of July 17, 2014, as written. Vice President Loble seconded the motion. Motion unanimously passed.

FINANCIALS

Smith reported that only the accounts receivables summary was in the board packet. The complete July financials will be available at the end of next week.

2014 Mill Rate Levy Certification for General Obligation Bond Debt: Smith reported that the final Taxable Value Certificates were received from Madison and Gallatin Counties. The final mill levy is .37 mills below last year's mill levy. The mills requested total 49.22. Smith asked the board to approve the mill rates at 24.01 for water and 25.21 for sewer. Repaying the sewer bond debt includes using \$300,000 from the plant investment charge (PIC) funds. Edwards noted that the use of PIC money is discretionary on the part of the board. If PIC funds are not used, the sewer bond mill rate would go up to offset the \$300,000. Edwards explained that the PIC is designed to recover costs of plant improvements. Historically, the board has been using the PIC funds to pay down the sewer bonds. Edwards explained the jurisdictional areas and taxable values, noting that the taxable values have gone up a little since last year.

Director Shropshire moved to approve the 2014 General Obligation Bond Debt mill rates at 24.01 for water and 25.21 for sewer as presented. Director Reeves seconded the motion. Motion unanimously passed.

SEWER OPERATIONS

Burroughs discussed the capacity in the storage ponds. As compared to last year, the District is about a foot behind in disposal. If Boyne keeps up with irrigation, the District should be okay going into the winter. Burroughs does not know if the Yellowstone Club (YC) has emptied its pond. Bedell reported that he has heard that the YC pond will be fixed this fall.

Burroughs reported that the Country Market sewer line has been an ongoing problem for years, but it is now fixed. It appeared that the sewer service line was broken when other utility lines were installed. About 50% of the repair cost will be billed to the Country Market. The District will pay for the man hole. Edwards said the Country Market is a lessee of the building and the owner will probably get the bill.

Regarding golf course irrigation problems reported at the July meeting, the control representatives were able to get everything repaired and running. The District's goal is to replace the booster station on the golf course and upgrade the control system before the next irrigation season. On September 3rd, Boyne will bring in its golf course irrigation specialists. Ray Armstrong, DOWL HKM Engineering, will also be here. The District will pay for the booster station and Boyne will be responsible for the costs in upgrading the control system. There is also one pump that is leaking. Director Wheeler noted that the agreement is clear as to who is responsible for what.

WATER OPERATIONS

Muscat reported that the District will make its water supply sufficient for the summer. Yellowstone Club is using all the water it can pump. Muscat noted that using Cascade well 6 means the District is able to meet demand and to keep the water tank levels stable. By putting well 6 in use, the tank levels recovered in two days. Well 6 produces 500 gallons a minute, which is more than all the other wells combined. Muscat reported that well 6 water is being mixed 50/50 with the other wells to mitigate sulphur odor. There have been very few complaints about the sulphur smell. Muscat explained that H₂S is hard to measure accurately as it is so volatile. The District recently hired a company with high grade equipment to measure the H₂S, but Muscat has not yet received the results. Director Reeves reported that the Aspen Groves system has had no problem with the H₂S. Edwards noted that H₂S is not a health issue.

BSOA POND RESTORATION PROJECT

Edwards introduced the District's water rights legal counsel, Mike Cusick. Edwards feels that we are ready to start filing water rights applications. Cusick distributed a memo he sent Edwards in June. He explained what he will be doing for the District going forward. Cusick advised that the first item for the District to do is to get its water rights degreed in the water court. Cusick prepared an affidavit to be signed by Mike Rota, a water resources consulting engineer formerly employed with PBS&J Engineering. PBS&J originally surveyed the BSOA pond in 2006 for sediment removal. Rota's affidavit should be signed next week and it will confirm the pond's volume and dimensions.

Cusick reported that there is a requirement to publish a notice to correct the water rights. This will create an opportunity for other parties to contest the water rights. In Cusick's opinion, he does not think there are any legitimate objections but that doesn't mean someone will not object. President Cronin asked what happens if the District loses an objection. Cusick explained that if the pond and diversion site receive an adverse court decision, then the pond project would need a permit. The alternative is that the District could withdraw the application and the process stops. President Cronin clarified that the biggest risk is that someone comes in with a valid argument, the District could withdraw its application. Vice President Loble asked if DNRC can file an objection. Cusick reported that DNRC generally does not file an objection, but they could. The most likely candidate to file an objection would be the Fish, Wildlife and Parks (FWP). Cusick

recommended that the District run its application through FWP in order to learn if FWP will agree before the application is filed with the water court. Ditch companies in the Gallatin Valley could file an objection just to allow them time to look at the application to see what the District is doing. That is their usual procedure to provide them time to determine if there is any impact to them. If there is no impact, then they withdraw their objection. The notice will be published in the next couple of weeks. Cusick reminded the board that this application is only to correct the water right. Cusick reiterated that the District can, at any time, withdraw its motion to amend the water rights.

Moving forward, Cusick will focus on plan A in his memo. Once the decree is corrected describing the Little Coyote Pond in the water right, then Cusick will proceed with plan B. Plan B will also have to be noticed. It will not adversely affect others' water rights. The strategy is to get everything corrected in the water courts. Once the application is filed it becomes a case of adverse effect. By taking a large pond and making it smaller, Cusick believes no adverse effect will be caused by the reconfigured pond.

Responding to Vice President Loble's inquiry as to timelines, Cusick reported the first notice requires a 3-week notice period. The objection period is 45 days from the last advertisement. After that, if there is objection, a settlement period could be 60 days to 6 months. Cusick thinks that it will be the beginning of 2015 to obtain a decision from the water court. In the spring of 2015, the District will file the water right change application with DNRC. That process takes a minimum of 6 months. Cusick reported that some applications have taken years if they are contested. Optimistically, it will be a year from now to have both plan A and plan B completed.

Edwards noted that the District has an interest in this project as the District needs to protect its point of diversion that is in the existing pond. Edwards asked Cusick if the amount of water rights has been quantified. Cusick reported that Carl Uhlig will be providing that number. Edwards explained that the BSOA came to the District asking for water rights to mitigate evaporative water loss. Cusick doesn't feel that evaporative loss would be less with a smaller pond but doesn't feel making up evaporated loss is an issue. Cusick said that is something to explore with DNRC and he will pose those questions with them early on. Cusick said that, at both levels, the District could withdraw its application if there are any adverse effects to the District. *The next WSD board meeting packet will include Cusick's water court paperwork.* If there are any objections filed, the board will have to decide what course the District will take.

SFE REALLOCATION APPLICATION (A2LD)

Edwards reported that Susan Swimley's legal opinion regarding the application for reallocation of SFEs from Meadow Village Tract 5 to Sweetgrass Hills Tract A-1 was included in the board packet. Tract 5, LLC submitted the application for reallocation of 25-30 SFEs to A2LD, LLC's property. Swimley reviewed her memo and explained the history of the transferring of SFEs. Swimley suggested the board consider starting with the maximum of 30 SFEs for transferring. Edwards reported that there are 100 SFEs on the books for permitting. Tract 5 has 44.25 SFEs, but Edwards does not know what the full build out needs of Tract 5 will be. Jerry Scott stated that Edwards needs to tell them what they have left after Edwards reviews their development plans. Edwards estimates transferring 30 SFEs off Tract 5 is too much to complete The 19th Condominiums development. Scott believes they need between 26-27 SFEs for build out. Swimley recommended the board consider the transfer of 30 SFEs and then let the developer transfer what it wants.

The next point of discussion for Swimley was the effective date of March 24, 2015, which is one year after A2LD, LLC acquired ownership of Sweetgrass Hills Tract A-1. A2LD, LLC wants pre-approval so that it can proceed with planning. Swimley feels that if the owners remain the same then the transfer date would not be a problem.

Swimley sees the entities (LLCs) being the same person even though the board raised concern regarding the entities and their membership. Referencing Swimley's August 14 letter, Director Shropshire asked about the LLC definition. He feels that LLCs are corporations taxed on a partnership. That makes them two separate entities. Unless the LLCs want to merge, Director Shropshire said that he could not support the application. Vice President Loble said that members of an LLC have no interest in the property of the LLC. A member is not an owner of the property. There is a statutory barrier between the LLC and its members. The law states the LLC and its members are different entities. Director Shropshire asked why they are not proposing a merger. Scott responded that they are doing what they thought they could do to transfer SFEs. Scott thought that the District created the ability for them to recover the financial interest they have in the SFEs on Tract 5 by allowing the transferring the SFEs. Scott felt that the District could have denied previous SFE reallocation requests submitted by other entities. Edwards and Vice President Loble explained the history of the reallocation process and why the ordinance was amended. Director Shropshire said the issue under the Ordinance is in the definition of the "person" owning the land. As written, the District cannot approve the transfer of SFEs pursuant to this reallocation request without amending its ordinance. Swimley said it is the board's decision to approve, or deny the application. Kristen Brown noted that the distinction is the LLCs are corporate entities with pass through taxation. Director Shropshire said that the state recognizes them as separate individuals and they choose to be taxed as a partnership. The ordinance says any "person" and the two LLCs are two separate persons. The reallocation request is not consistent with the requirements of the District ordinance. Director Shropshire asked if the District would want to change the ordinance to accommodate this request for reallocation. Director Wheeler stated that, in his reading of Swimley's legal summary, he doesn't look at the request as a violation of the ordinance. Director Shropshire said that if the LLCs want to merge then he would not have an objection as they would become a single person. The way the application has been submitted the LLCs are two persons as the LLCs are two different LLCs. Tract 5, LLC has no interest in the A2LD, LLC property once they transfer SFEs. President Cronin noted that he is against a split vote and asked what could be done to accommodate the transfer of SFEs. If the corporate entities were merged under one LLC, that is one option. Swimley pointed out that the board is singling out the word "person" and it needs to decide how it interprets "person."

Swimley's example of ownership was discussed. Director Shropshire feels that Swimley's example is not applicable in this situation. Vice President Loble referred to the statute where the interests are not considered the same. The only alternative to approve the reallocation as submitted is to amend the ordinance. Director Wheeler stated that he is not in favor of changing the ordinance. Director Shropshire explained that he completely respects the District's desire to get an opinion from legal counsel, but that the board is free to accept or reject that opinion.

Director Reeves believes the intent of the ordinance is to allow "one person" to transfer SFEs from one property to another property they own. Director Shropshire feels it is the board's obligation to either accept or reject the application. Swimley stated that if the board is going to stop at the word "person," the board does not have to offer any solutions. Beyond that, the applicant may have questions if they come up with other solutions. Edwards reiterated that the provisions of ownership were changed with the ordinance amendment to end trading of SFEs.

Scott Altman stated that restructuring the LLCs would be possible, but the timeline may be a problem. They may want a waiver on the timeline. Director Wheeler does not want this reallocation request to be a variance procedure. Altman reported that they originally met with Swimley and Edwards to make sure they were working within the rules. Scott understands the concerns that were expressed by the board and would be happy to resolve the issue with ownership. Scott, however, would like the board to consider a waiver on the timeline. President Cronin asked if the board would be willing to consider adjusting the timeline if the application fits in the box. Director Shropshire reported that the applicants have until December 2014 to get in compliance. Altman stated that he wants the SFEs available next spring. The one-year ownership requirement would be a problem with their timeline. President Cronin expressed his concern over being asked to pre-approve the transfer of SFEs. Edwards felt that a contingent approval may make sense if the same entities go forward. Edwards would want assurances that the parcel cannot be sold for higher value because of the additional SFEs.

Brown asked if the name Tract 5, LLC is on both deeds would it matter if A2LD, LLC is only on one of the deeds. Directors Shropshire and Reeves and Vice-President Loble all felt that it that is not the intent of the ordinance. For the reallocation application to proceed they believe that the LLCs should merge to meet the requirements of the ordinance. Director Shropshire stated that the March waiver is a separate issue. The applicants have to deal with the ownership issue before asking for a waiver of the one-year ownership requirement. Scott asked if the issue could be tabled until the next board meeting. The board was in agreement with Scott that the applicants may come to a future meeting. President Cronin stated that the applicants have a clear message that their application has to comply with the ordinance. The board will not facilitate reallocation applications. (*Daniels left at 10:10 am.*)

WATER SYSTEM SOURCE CAPACITY STUDY

Edwards asked the board to approved Mark Cunnane's, Western Groundwater Services, contract for the District's Water Source Capacity Study totaling \$16,600.

Director Loble moved to approve Mark Cunnane's contract for the Water Source Capacity Study to not exceed \$16,600 as presented. Director Reeves seconded the motion. Motion unanimously passed.

MEADOW VILLAGE WELL 4 & 5 ENGINEERING DESIGN CONTRACT

Edwards asked the board to approve a contract with Eric Blanksma, Morrison Maierle, not to exceed \$74,074 for the design phase of a UV disinfection system for meadow wells 4 and 5.

Director Loble moved to approve Morrison Maierle's contract to not exceed \$74,074 for the UV disinfection system for meadow wells 4 and 5 subject to legal counsel review. Director Shropshire seconded the motion. President Cronin called for discussion. Director Reeves asked about the pipeline to the tank. Edwards noted that a capital improvements study will cover that. The cost to use UV was about \$5,000,000 more than to use a chlorination system. President Cronin noted that the District, by choosing to use UV on these wells, is moving away from chlorination. Edwards reported that the engineering will be done to allow expansion of the UV disinfection system. Director Reeves noted that, with the mountain well, the District may need to chlorinate to alleviate H2S. Motion unanimously passed.

SPANISH PEAKS (SP) WATER SYSTEM

Edwards reported that he continues to meet regularly with Jon Olson. Edwards asked the board to review and comment on the draft Spanish Peaks Water System Transfer Requirement document provided in the board packet. The big issues are charging for golf course irrigation and asset depreciation. The draft proposes starting charging for golf course irrigation. At the current rate and with estimated use, Edwards thought the charge would be about \$190,000 a season. The table provided on asset depreciation showed that SP would have to fund \$1.4 million if the District is to take over the system.

Director Reeves feels that if there was a definitive agreement on building a pond with the use of wastewater the District could consider delaying a water use charge for one year. Edwards suggested using the charge for water to offset the asset depreciation fund. President Cronin asked why the cost of potable water would be put toward asset depreciation. President Cronin feels that SP should be motivated to build the pond so that they are not paying for potable water. President Cronin suggested that the District charge for water until SP builds its pond. Director Reeves noted there is no revenue from SP's irrigation now. President Cronin said that, as a developer, SP needs to bear the cost and that District rate payers should not subsidize its development. Muscat feels that whether SP continues to use the potable water is its choice, but thinks that depreciation is a big issue. By taking \$1.4 million and accepting the SP system the District is assuming the risk of major repairs and meeting future water demands. Muscat feels that the District has to determine if the SP water system has enough water to meet its build out needs and also serve its golf course irrigation needs.

Jon Olson reported that SP is moving forward with the pond and the geotech work is currently being done. Once the geotech work is completed, Ray Armstrong will work on the pond design. Edwards reported that the Big Sky Golf Course is our first priority for wastewater availability. Edwards informed the board that there are design numbers for irrigation needs, but they are based on the wettest year in 10. Director Wheeler believes it is a question of managing the system as the golf course could use much more water if the system was operating properly. Director Wheeler said the District also needs to factor in using water from the fresh water pond. Director Reeves noted that, according to Edwards, the District cannot guarantee wastewater to SP. Secretary Fast asked if the District, SP, YC and Boyne should revise the Boyne agreement in regards to percentage of wastewater that would be used.

President Cronin made it clear that he does not want the District to negotiate on depreciation values for SP's system and SP also needs to buy potable water at the rate we sell to all other customers. Edwards noted that the monthly meetings with Jon Olsen concern operations. They have not covered any negotiations. Director Reeves was in agreement with using the draft document. Smith reported that the District has spent about \$40,000 for repairs of SP's system that were not completed according to District specifications. Smith is concerned that there may be other costly problems in the future, like land movement and improper installation of existing lines. If the SP water system is transferred to the District, Smith would like the system to be a sub district so that if something does happen the costs are born by the SP owners. Director Shropshire feels that Smith is right, in that the deferred maintenance needs to be included in the document. Director Reeves reported that he has seen what SP is doing to stabilize land and feels that there is a big risk to the District. Edwards said that the District needs to revisit what is covered under its earthquake insurance. Vice President Loble feels that Smith's comments solidify the two main non-negotiable issues. If SP agrees to the transfer requirements, there may be more issues to discuss. Edwards reported that SP is already annexed into the District.

Director Reeves moved to submit the letter to SP with the two requirements as nonnegotiable. Director Fast seconded the motion. President Cronin called for discussion. Director Wheeler asked if the draft letter could be finalized and reviewed by the board before being sent to SP. Edwards said his letter will say the two points are nonnegotiable. Director Reeves wants the letter as a starting point with the two items as nonnegotiable and then be able to negotiate on other issues. Motion unanimously passed. (Director Daniels was not present).

Olsen said he will take the information back to SP for them to decide what the next step is. (Director Wheeler left the meeting at 10:45.)

BIG SKY COMMUNITY CORPORATION (BSCC) IRRIGATION AGREEMENT

The board packet included a draft Irrigation Agreement with BSCC. The draft agreement was a revision of the original agreement. Swimley reviewed the draft and provided additional revisions. The agreement is for one year.

Vice President Loble moved to approve the agreement between the District and BSCC. Director Shropshire seconded the motion. President Cronin called for discussion. The agreement was changed to one year with an automatic renewal. The water will continue to be wastewater reuse without a charge. Vice President Loble said the term should say "annual" renewal. The agreement does not commit to an amount of wastewater. Edwards explained that we do not know how much wastewater is going where at this point. The District is adding meters and will be able to get better numbers of where the water is going. The use of wastewater is a non-revenue source. The golf course, church, park, district office, and YC use wastewater for irrigation. Edwards reported that the Town Center is also looking at trying to use wastewater for their open space. Director Reeves suggested that someday the District needs to start charging for its wastewater as it is a commodity. Director Reeves stated that with YC having a problem with their potable water supply this year, they may need to start using more wastewater. Edwards noted that YC potable water problem is only their ridge properties. Motion unanimously passed.

PROPOSED DEVELOPMENTS AND SUBDIVISIONS

Edwards reported that new water and sewer mains are being installed in South Fork Phases 5, 6, and 7. The contractor is DLM from Bozeman.

NEW DEVELOPMENTS AND SUBDIVISIONS

Town Center, 4 story, 114 room hotel: Edwards reported that email communication has started with an engineer for a 4-story, 114 room hotel, in the Town Center. It would be west of the new grocery store. Staff are looking at the preliminary request, but will not spend a lot of time looking at engineering specification. Staff are referring the engineer to Montana Public Works Standards and District Specifications Standards. There will be a preconstruction meeting with TD&H Engineering later this week.

Hill Condominiums Lot 5A: Edwards reported that Scott Altman is involved with the Hill Condominium Owners Association and they are exploring development of Lot 5A. The property was omitted from the District's late 1990s long-term plans and no SFEs were allocated to this lot. Edwards has asked Charity Fletcher, Madison County Planning, to research if there was ever anything recorded showing that this was unbuildable. Edwards noted that there is no zoning in Madison County. The District has used density guidelines on other parcels and that same guidelines can be used. President Cronin reported that Hill Condominium owners and tenants use this parcel for parking and suggested that the District be cautious on approving development plans. President Cronin asked if the District is setting itself up for determining development capacity. President Cronin asked if it is Madison County's job to decide on development capacity. Vice President Loble noted that legal counsel has already stated that the District has a legal obligation to serve property in its District. Edwards reported that *Altman is waiting for the District's response.*

SEWER & WATER PERMITS

Edwards reported that Big Sky Ranch Partners submitted a sewer permit application for .55 SFEs for a new laundry facility building at Lone Mountain Guest Ranch (LMR). Edwards felt that the application required board action as LMR has historically been shown as "built-out" according to the District's table of commitments. Architect Janet Storey is working with the LMR on this project. Storey explained this is basically an application to move the existing laundry in the lodge to a new laundry facility building and reuse the lower level of the lodge. Edwards feels that this is an approvable application. Edwards and Storey feel that the developers need to be informed that a master plan is needed. Unlimited development will not be permitted. By recognizing this application it opens the door for requests from others for additional SFEs. Edwards explained that the District's amended ordinance permits some additional development at LMR. Storey believes that the owners are just now sorting out what they want to do with the property. She feels that the owners were unaware that they were considered built out by the District. Storey will explain that LMR is considered built out and the importance of master planning with the owners. Storey would like the District to send a letter to the owners letting them know that master planning is needed. President Cronin feels that by not carving in stone what SFEs are available, it makes sense to approve this type of small request for SFEs. Edwards said this a little different as it does not have SFEs, but the request fits the amended ordinance. After board discussion, Edwards did not feel that board action was needed for staff to approve the .55 SFEs.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, September 16, 2014, at 8:30 am.

ADJOURNMENT

Director Reeves moved to adjourn the meeting at 11:15 am. Director Shropshire seconded the motion. Motion unanimously passed.



Dick Fast, Secretary



8-19-14. min (Board Approved 9/16/14)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – September 16, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, September 16, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice-President Les Loble, Secretary Dick Fast and Directors Jeff Daniels, Tom Reeves, Brian Wheeler and William Shropshire. Director Tom Reeves was not present. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Grant Burroughs. Others present were BSOA representative Suzan Scott, Spanish Peaks representative Jon Olsen, district property owner Robert Shanks and water resources engineer and district property owner Peter Manka.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:33 am.

MEETING MINUTES

Director Shropshire moved to approve the minutes of August 19, 2014, as written. Vice President Loble seconded the motion. Motion unanimously passed.

FINANCIALS

Smith reported that, through August, the District is operating in the black. From a revenue standpoint, the District is in the best quarter of the year. With an increase in permitting activity, there is over \$100,000 in plant investment funds reported. Tax receipts are coming in to pay off the debt service. As budgeted, the District purchased two trucks at the end of August.

Vice President Loble moved to approve the August financials as presented. Director Shropshire seconded the motion. Motion unanimously passed.

Smith reported that of the approximately 2,500 customer accounts, 32 delinquent accounts were turned over to the counties for collection.

WATER OPERATIONS

Muscat stated that there were no issues outside of his written report. In addition to the use of mountain well 6, the August rains insured the District had an adequate water supply for the summer season. Muscat did not need to operate mountain well 5 for additional water supply. Well 6 was used without treatment and the H₂S was not a problem this year. The meadow's production numbers are down which is to be expected as we go into off season. The Level 2 irrigation restriction is no longer in effect. Muscat reported that the Yellowstone Club (YC) struggled to keep up with its water demand. They were pumping 24/7 and their tank stayed low even through August. YC has leaks that they are working on. Muscat anticipates that YC will need additional water in the future from the District. President Cronin asked if the District will have a sufficient water supply system for another year if it relies on mountain well 6. Muscat felt the District would. Well 6 is now set in an automatic mode to pump when the tank reaches a set level. President Cronin agreed that the District needs to use this water supply on the first day the need arises even if the water is not treated for H₂S. The question President Cronin had was, "Where are we going?" President Cronin feels the District should continue to improve its water resources. President Cronin asked if the District will hit that critical point of supply and demand. Will the District be able to stay ahead of demand? Muscat advised against the District entering into any agreements for providing water. For as long as Muscat has been working for the

District, the District has operated on a deficit water supply in the summer season. The District needs to determine its total demand when Big Sky is built out. President Cronin stated his concerns about increased demand for water created by continued development. Muscat feels that the District has a sustainable water supply if mountain wells 5 and 6 are added into its water system. The District needs to improve its pumping capacity and storage. Director Wheeler reported that the water study being conducted by the Montana Bureau of Mines and Geology is impressive. He feels that they will be able to confirm the District's estimates of water supply. Muscat stated that the Lone Moose build-out forecast could be a problem for providing a sustainable water supply for that area. President Cronin asked if the District can be confident that it can meet water demands next summer by using well 6 along with having water restrictions. Muscat stated that the District needs to be cautious. If we have a dry summer, the supply and demand could be back to a tough situation.

SEWER OPERATIONS

Burroughs noted that the flows are over 200,000 as shown on his report. He feels that the District can get the big pond nearly emptied before winter if Sam Woodger, Boyne Golf Course employee, keeps up with their pumping. Burroughs reported that the District probably will need to pump to YC in late fall. YC has been informed of this. Burroughs prefers to have all the pumping to YC done in the fall. Burroughs thought that YC will have its pond empty so that the pond liner can be repaired this fall. The District is currently working on re-piping of the pump station. A couple of months ago, Burroughs noticed that the diffusers were not working properly. The replacement fine bubble diffusers that supply oxygen to the sequencing batch reactor (SBR) have been received. Once the installation instructions are received from the supplier, Aqua-Aerobics Systems, District staff will install the diffusers. Responding to board inquiry on what work is being done in the Ousel Falls area, Jon Olsen reported that Spanish Peaks is working on its wells.

BSOA POND RESTORATION PROJECT

Edwards reported that Mike Cusick has drafted a motion to amend the decree of water right on two claims to accurately reflect the historical changes in the rights. The board packet included a copy of the draft decree. As Cusick outlined at the August meeting, amending the decree will take about a year. The District is requesting the water court to amend the point of diversion, means of diversion, period of diversion, and to add a reservoir record to the decree of the two claims. Once amended the decree will also give the District more latitude of when the water can be used. Use will be year round instead of seasonal. Cusick has sent a courtesy copy of the draft motion to Fish, Wildlife and Parks and to Trout Unlimited. Thus far, Cusick has reported that the response has been favorable. Since the board has no objections, Edwards will instruct Cusick to submit the motion to the water court this week.

SPANISH PEAKS WATER SYSTEM TRANSFER

Edwards reported that he sent a letter to Jon Olsen regarding the Spanish Peaks (SP) water system transfer. The letter describes the two non-negotiable requirements necessary for a transfer to the District. Edwards said he will continue to have monthly operational meetings with Olsen. Edwards read Olsen's emailed response. SP is in the process of evaluating its options. SP asked the District for a financial detailed summary of Spanish Peaks' income and expenses tracked by the District. Olsen said it will take some time to evaluate the best route for SP. SP hopes to have a determination in the next couple of months. Olsen asked if there is a problem with SP being in the sewer service boundary and not in the water boundary. Edwards reported that was not a problem. That situation is similar to sewer service only to Lone Mountain Ranch.

MEADOW VILLAGE UV DISINFECTION PROJECT

Edwards reported that a copy of the contract with Morrison-Maierle, Inc. for the meadow village UV disinfection system was included in the board packet. Edwards has walked the site with Eric Blanksma of Morrison-Maierle, Inc. Blanksma drafted a preliminary layout for the 20 x 20 building and piping that Edwards distributed. The building will be located next to the existing pump house on Spotted Elk Road. Every well in the meadow village would be picked up. Not all four UV treatment lines will be online all the time. The timeline is to have the preliminary design submitted to Montana Department of Environmental Quality (DEQ) within two weeks. The goal to have a biddable design this winter. The project is estimated to be around \$500,000 with financing to come from existing water reserve funds. Edwards feels that the project could have an early spring start with the system running in July. Edwards is happy with the way the preliminary design is progressing. To install all four UV units the cost is estimated around \$750,000. Better cost estimates will be available after the design is near completion. Wells 4 and 5 have to be treated. UV will treat 400,000 gallons a minute. Wells 1-3 do not have to be treated. Secretary Fast asked if there is a mechanism to bypass the treatment for wells 1-3. Edwards reported that if the UV is running, all water will be treated. Vice President Loble asked about the existing 6" and 8" main lines and if the proposed line is big enough. Edwards said it was.

WASTEWATER FACILITIES PLAN PROJECT

Edwards reported that District staff, facilities engineers, and Boyne representatives met to discuss the irrigation system and upgrades that need to be made to the 18-year old system. The board packet included draft recommendations. Engineers Ray Armstrong and Carl Thuesen will work together to engineer the replacement pump package for the golf course booster station. The replacement system will have expansion capability when the golf course irrigation is expanded. The District will consult with DEQ about the possibility of expanding District irrigation to private property abutting the golf course. The purpose of the meeting was to analyze the existing system and upgrade it. Edwards reviewed the work list provided in his manager's report. GPS coordinates of the system will be mapped before winter. This mapping will provide a very accurate drawing which will aid in future engineering. As far as the intake pipe on the middle fork, Armstrong does not have any answer at this time to make it a better system. Using the intake for irrigation brings in debris and clogs up the irrigation heads. Edwards would like improvements to the intake done when the BSOA dredges its pond. Director Shropshire asked if state approval is required. Edwards explained that the state does not have to review the upgrade of equipment to the existing system. State approval is needed if peripheral areas are served. Edwards would like to use more treated wastewater by serving peripheral areas. Ray Armstrong has been given updated flow data for use in his review of the facility plan.

WATER SYSTEM SOURCE CAPACITY PROJECT

Edwards reported that an executed copy of the contract was in the board packet. Mark Cunnane will start on the project in October. Source capacity will be examined regarding how much water the District has going forward.

PROPOSED DEVELOPMENTS AND SUBDIVISIONS

Meadow Village Tract 9: The extension work is done on Tract 9. Edwards prepared an Agreement for Conveyance of Sewer and Water Extensions for Meadow Village Subdivision Tract 9, Morning Sun Condominiums. This conveyance is required when new extensions are taken into the District. The date of the conveyance starts the beginning of the one-year warranty. A bond is required based on 10% of the value of the system. The conveyance will be recorded.

South Fork: A conveyance will be required on this extension work.

Town Center: A conveyance will also be required on the extension work in the Town Center.

Town Center Hotel Project: Edwards reported that he has not received any additional inquiries regarding the hotel project. It is located west of the new grocery store.

BUREAU OF MINES GROUNDWATER STUDY

Edwards reported that the District originally asked the Montana Bureau of Mines and Geology (BOM) to consider the Big Sky area for a study. The general manager's report included a map of the test wells the BOM will be drilling in October. The wells will be drilled to bedrock. Data loggers will be installed with BOM evaluating the data. The wells will be pump tested for 24 hours. Edwards stated that it would be helpful to maintain some of the test wells for future monitoring. From a liability standpoint, BOM will probably want to abandon the wells. Director Wheeler said the challenge to leaving some of the test wells is the liability and access. Director Wheeler reported that he has been working with BOM representatives. The agreement for the monitoring wells provides for this single study. Easements are not included. Edwards reported that Boyne has been very helpful by allowing access. Suzan Scott reported that the BOM has not yet contacted BSOA. BOM has profiled other properties in Big Sky to evaluate the effects of those existing wells which are outside of the District. Edwards requested a couple of well locations because the District wants to know the extent of the alluvial aquifer. He would like to know if the District could drill a well in those areas in the future. Muscat said that the data from the monitoring wells will alleviate a lot of test work for expanding the District's water sources. Director Wheeler stated that the BOM will be able to create a 3-dimensional model with these test wells. Edwards had hoped that the BOM would include test wells in the Madison region, but they are not going to do that area. Peter Manka reported that he has connected BOM with land owners in the Madison region. Those owners are willing to have BOM test their wells. Next spring, Edwards will invite Bureau of Mines to a board meeting to do a presentation on their data. This will be an interesting project to follow.

NEW DEVELOPMENTS AND SUBDIVISIONS

Meadow Village Tract 4 and Teton Condominiums: Edwards reported that he has received several emails regarding development possibilities on this tract. It currently has three units built. He has been asked about SFEs available. Some development may occur on that tract. The entire tract remains and the development rights are sold. A mortgage survey covers the buildings that are there. Director Wheeler explained that a mortgage survey is a tool to secure property that you don't want to necessarily subdivide. It may be a part of a mechanism for foreclosure that would avoid the subdivision process. Edwards thinks this is the last empty tract in the meadow. Wheeler asked the *staff to check District records and settlement records to see if the Boyne surcharge is applicable to the Tract*. President Cronin asked if the surcharge was prepaid. Director Wheeler stated that the surcharge was not prepaid on any of Boyne properties at the time of settlement.

SEWER & WATER PERMITS

Edwards reported that permitting is slowing down. The Fairways Condominiums project started again under new ownership. The Anderson project is located in South Fork IV. The remaining 89 SFEs should take the District through the winter. The manager's report included a table showing growth rates over time since 1990. Edwards reported that development is increasing. We are seeing the growth rate we saw 2002.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action.

Easement Releases: Edwards reported that an easement release was recorded on lot 10. Other easement releases have been prepared and mailed. Once signed, the documents will be recorded.

Big Sky Community Corporation: Edwards sent the irrigation agreement for the community park to Jessie Wiese for signing. Once it is signed it will be recorded.

Tract A1: Scott Altman sent an email on September 12 stating that he would not be attending this meeting. Edwards anticipates that Tract A1 will be on the agenda at the next meeting. Edwards was not aware of any proposed development and has not received any building plans. Altman is evaluating boring under the Middlefork of the Gallatin to get sewer service to the tract.

Olsen Property: Edwards does not know why Bob Olsen's land is now being used to store two log cabins. Edwards said that he has received a call inquiring if Olsen's 4-acre parcel can be annexed into the District. After his conversation with the realtor, Edwards thought that the realtor would probably market the parcel without public water and sewer.

Liston's Development: Edwards noted that the Mountain Lake development is in the District. Liston has not drilled the required well for the District's approval of their future development. After conversations with Liston last winter, Edwards thought that he would be building two new buildings this year. Edwards reported that he has not heard from Liston in months.

TEDD/TIF: Edwards reported that a community group was formed to look at funding infrastructure with Tax Increment Financing (TIF) through the creation of a Targeted Economic Development District (TEDD). TIF tax revenue is set aside for infrastructure. Director Wheeler reported that the number one topic discussed at its meeting was water and sewer service for the canyon. Community housing and transportation were also top issues discussed. Edwards stated that he explained to the group the challenges that the District faces with water and sewer expansion. He also outlined some of the trials of serving our District. Edwards said the approval process for creating a TEDD/TIF district is lengthy. Edwards and Vice President Loble discussed the difficulty of obtaining approval from both counties to authorize a TEDD for Big Sky. Edwards reported that he has given the community group's consultants copies of the District's facilities plan. Director Wheeler stated that blight was discussed in certain areas of Bozeman and Big Sky for the program. The community group suggested 600 units of employee housing. It will need to identify where the housing will be built. According to Edwards, the canyon cannot handle that density without central water and sewer. Director Wheeler feels that there are unintended consequences if property is annexed for public water and sewer. Annexation will increase the property's value. Then it may not be financially feasible to acquire the property for employee housing. President Cronin commented that he hopes that the community TEDD/TIF group is not planning what the District's future water and sewer service capabilities are. Director Fast cautioned about hidden agendas sometimes being the reason for creating this type of district.

BSOA & BSAC Election Results: Unofficially, Director Wheeler reported who won the seats for the BSOA and the BSAC elections. Bob Shanks stated that the BSOA will formally announce the election results at their next meeting.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, October 21, 2014, at 8:30 am.

ADJOURNMENT

Director Fast moved to adjourn the meeting at 9:52 am. President Cronin seconded the motion. Motion unanimously passed.

A handwritten signature in blue ink, appearing to read 'Dick Fast', written over a horizontal line.

Dick Fast, Secretary

9-16-14. min (Board Approved 11/18/2014)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – November 18, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, November 18, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice-President Les Loble and Directors Jeff Daniels (*arrived at 2:22 pm*), Tom Reeves, and Brian Wheeler. Secretary Dick Fast (*2:45 pm to 4:37 pm*) and Director William Shropshire (*left at 3:25*) participated via conference call. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, Peter Bedell, and Grant Burroughs. Others present were Holmes and Turner auditor Sydni Tangaro, Mountain Lakes representative Leonard Liston, A2LD LLC representatives Scott Altman and Kristen Brown, Town Center representative Ryan Hamilton, Big Sky Chamber of Commerce representative Kitty Clemens, Big Sky Fire Department Chief William Farhat, Spanish Peaks representative John Olsen, Lone Mountain Land Company and TEDD/TIF representative Kevin Germain, Yellowstone Club representative Mike Duccanois, and Big Sky Community Corporation representative Steve Johnson.

PUBLIC FORUM

With no public comment President Cronin called the meeting to order at 2:04 am.

MEETING MINUTES

Vice President Loble moved to approve the minutes of September 16, 2014, as written. Director Wheeler seconded the motion. Motion unanimously passed.

FINANCIALS

In Smith's summary, he noted that the first quarter of the fiscal year is where the District does most of its repair and maintenance projects.

Director Loble moved to approve the October financials as presented. Director Reeves seconded the motion. Motion unanimously passed.

FY 2013-2014 Draft Annual Audit Report: Sydni Tangaro, auditor from Holmes & Turner, distributed and reviewed a brief summary of the District's clean audit report. Tangaro reported that they had no difficulties in performing the audit. Tangaro said the audit was a clean opinion. There were no significant deficiencies in internal control and compliance. Tangaro noted that management is responsible for the District's accounting policies. For this type of organization, Tangaro said the operating profit after depreciation is good. One posted journal entry was corrected. Taxes receivable were not recorded as a year-end adjustment and management deemed it as immaterial. The reduction of the net position was caused by switching to Governmental Accounting Standards Board (GASB) financial reporting. The board expressed their appreciation to Tangaro for the audit summary. Tangaro will mail the audit to the Department of Commerce tomorrow. Smith reported that the annual audit service will go out to bid next year. Board members have been pleased with Holmes & Turner and told Tangaro they hope the firm will bid on the District's audit service again.

Farmhouse Partners: Smith reported Farmhouse Partners paid the full payment on principal and late fees on the promissory note. Their water and sewer fees put on the tax rolls have been paid to Madison County.

Director Daniels arrived at 2:22 pm

SEWER OPERATIONS

Burroughs reviewed the flow reports. The flows have been down during the off season, which is normal. With the start of ski season, the flows are starting to come up. Director Reeves questioned the comparison of flows going to the golf course as compared what is coming into the plant. Burroughs and Edwards explained that the mag meters in the pit get a lot of noise coming through them, which could cause the numbers to be skewed. The pump station piping work to Yellowstone Club (YC) is done. When the station was started up, there was a seal failure on the new pump and a bearing failure on an old pump. Once the new pump is fixed, it will be installed in the YC pump station. Edwards reported that the District will now have 3 new pumps in the pump stations. We lost 3 out of 4 pumps. Burroughs has been talking to DOWL HKM engineer Ray Armstrong about the pump failures. Burroughs does not want to run the pump stations until he is told the system has been reviewed and that the system is can be operated without pump failure. Bedell reported that the YC liner was fixed. However, YC found another leak and that will be fixed next year. A record 175 million gallons irrigated the Boyne golf course and horse pasture this year. Director Wheeler noted that the horse pasture irrigation was being run 24/7. Edwards reported that to draw down the ponds going into winter, the District must irrigate with as much treated wastewater as possible. Edwards is exploring the possibility of irrigating properties adjacent to the golf course with treated wastewater.

WATER OPERATIONS

Muscat reported that the production flows are down now that irrigation has ceased. Two big leaks that were fixed are reflected in the reduced flow. The District has been working with Micro-Comm to put meadow wells 4 and 5 on its telemetry monitoring system. These wells are now ready for the UV treatment system. Spanish Peaks wells 3 and 4 are also connected into the Micro-Comm telemetry system and are online.

South Fork/Westfork Water Hammer: Regarding the water hammer incident on September 30, 2014, in South Fork, Edwards reported that the District is still in communication with DLM Contracting's insurance company. Damage occurred, but it could have been much worse. Thus far, the insurance company has been responsive to the claims from District customers.

Mountain Wells: The White Otter well is now being used for snow making. Muscat reported that the mountain wells were used July and August for potable water. Using well 6 prevented the District from running out of water. Muscat reported that the H₂S in well 6 was not a problem this year.

SFE REALLOCATION – TRACT 5, LLC & A2LD, LLC

Edwards summarized that Tract 5, LLC is requesting 30 SFEs be approved for reallocation from Meadow Village (MV) Tract 5 to Sweetgrass Hills Tract 1 (the land below the wastewater ponds). The application included a copy of a Quit Claim Deed dated October 24, 2014, that transfers Tract A-1 from A2LD, LLC to Tract 5, LLC. The intent of the ownership transfer was to comply with the District's requirement of ownership for transferring SFEs. Edwards feels that the ownership issue is now satisfied. The \$3,500 per SFE development surcharge applies to the 30 SFEs from MV Tract 5 requested for reallocation. If the transfer of 30 SFEs is approved, Tract A-1 will have 55 SFEs with the original 25 SFEs exempt from the plant investment charge. The issue for the application is the effective date for the SFE transfer as this application was backdated to March 25, 2014. Scott Altman reported that they filled out this application with the date of their original application. Since the board required their application for reallocation of SFEs to "fit in the box" they used the date of their original application. Unless the board changes the ownership requirements, Director Reeves stated that the ownership date is October 24, 2014. This is the date of the Quit Claim Deed showing both parcels are owned by the same entity. Edwards reported that the board needs to be aware that Tract A1 is from Westland TM's development. When Westland TM owned properties were split up, Tract A1 was left with 25 SFEs. Tract 5 was an original Boyne property with SFEs subject to the development surcharge, making the permit fees total \$7,000 per SFE. President Cronin said that the District has to differentiate the different SFEs (the SFEs that pay connection charges only and the SFEs that pay \$7,000 per SFE). Edwards said the District relies on the permit applicant as to what SFEs they are using first. Edwards noted that the connection charge could change over the years. President Cronin said the timing is the issue as the applicant is asking the District to shorten the effective date. President Cronin said District legal counsel opined that the board could waive the time requirements. Director Reeves suggested that the board look at the request like a zoning variance. If there is a hardship, then he would consider waiving the timing requirement. Director Wheeler stated that if there is a way the board could satisfy Altman's need for subdivision platting, he would like the board to consider it. Altman explained that it was their intention to have their original reallocation application submitted correctly. Altman suggested June 18 as a compromise since they had Edwards and the District's legal counsel review their original reallocation application to make sure it complied with the District's requirements. Having an earlier effective date would make it easier for them to move forward with final plans. Director Shropshire questioned why the Quit Claim Deed of October 24 would not be the effective date. The District needs to use the evidence of ownership, which is the Quit Claim Deed dated October 24, 2014. Even with the use of the Quit Claim's date, Altman will be within the 12-month ownership requirement before the District's transfer policy expires. Director Shropshire does not understand why the board should grant a variance to this owner. Altman stated that the only difference in the dates is that he will be able to plan. They would not connect any sooner. The board wants a presentation from Altman if he wants to shorten the effective date time frame. *(Via conference call, Director Fast joined the meeting at 2:45pm.)*

Director Reeves moved to approve the reallocation of 30 SFEs from Meadow Village Tract 5 to Tract 1A as presented with the effective date of October 24, 2015. Vice President Loble seconded the motion. Motion unanimously passed.

TEDD/TIF DISTRICT PRESENTATION

Edwards provided a brief background on the TEDD District and introduced the people in attendance involved in the creation of a District. Kevin Germain gave a brief overview and definition of a TEDD/TIF district. TIF is a reallocation of existing taxes; it is not a new tax. Germain said it is not the intent of the group to take any money from the existing tax districts such as school, fire, water and sewer, etc. Edwards noted that the Water & Sewer District (WSD) has bond debts. Kitty Clemens said the TIF increment is only going to happen when the highest potential of development and the special districts are held harmless. Vice President Loble stated that unless the WSD and other Big Sky Districts are carved out, they will be capped at the existing tax value. Germain said it is not their intent to harm the special districts. Director Reeves noted that Big Sky is a golden goose for the counties. He questioned why the counties would ever cut off their source of income when they have not shown an interest in helping Big Sky. Clemens said they are asking the Water & Sewer District for its support. Germain said the big challenge is creating a win-win for a public/private sector. On the Gallatin County side, Big Sky contributes 10-12% to the county budget. On the Madison County side, Big Sky contributes over 40%. Edwards reported that Gallatin County Commissioners have not agreed to the TEDD/TIF. Mike Duccanois stated that the key component is water and sewer infrastructure to the canyon. Germain said the top issue on his list is community housing. Steve Johnson feels that the group's interest is to have sewage treatment in the canyon to allow affordable housing in the canyon. (*Director Shropshire left meeting at 3:25 pm.*) President Cronin noted that current WSD customers have paid their way to get their water and sewer service. This group is talking about funding development in the canyon. Edwards asked if any projections have been made for what the group is talking about in regards to dollars. Clemens stated that it is hard to make projections without knowing the boundaries. President Cronin wanted to know who will benefit from creating this TEDD/TIF district. Edwards said there is no pressure on the canyon to do anything, and they will not voluntarily vote for bonding to make any changes in the canyon. Bill Farhat stated that his current and future employees would benefit from a TEDD/TIF by the creation of affordable housing. President Cronin feels that canyon land owners would also benefit. Edwards noted that the District cannot meet full build out 50 years from now so it could potentially benefit, too. Germain feels that TEDD/TIF dollars generated in Madison County can be used in Gallatin County. Clemens reported that a TEDD/TIF district would be governed by a committee that operates as a unit of local government. President Cronin commented that Big Sky is still struggling over how it spends its resort tax money. Johnson feels that the big concern is, that without a local government, allocation of the funds is decided by a board. Germain reported that they met with the Department of Revenue in December. Based on that outcome they will decide how to proceed with the next steps. The group's goal is to create a TEDD/TIF by June 2015. Director Wheeler feels the one issue that the community of Big Sky needs to work on is community housing. The TEDD/TIF could be a great component for exploring it. President Cronin said that the board needs to recognize that by agreeing to the creation of a TEDD/TIF district, the WSD would have to provide sewer to the canyon. This will change Big Sky from what it is today. President Cronin stated that he will not readily agree to the TEDD/TIF creation as this sewer expansion will require a permit to discharge to the Gallatin River. Germain feels that there are other alternatives. Director Daniels asked how much money the group is estimating that the TIF would generate. Germane stated that there are many factors that have to be resolved, i.e. boundary; before estimates can be calculated.

MOUNTAIN LAKE CONDOMINIUMS

Edwards reviewed the history of annexing Mountain Lakes into the District. One building has been built. Its plans have changed the number of buildings, not the number of units. The agreement provides 52.5 SFEs (calculated under the District's previous SFE formula that was based on the bedrooms and bathrooms). Mountain Lakes has reviewed its current floor plans and will need 60.5 SFEs for build out. Edwards said the board needs to decide how this project will go forward. Leonard Liston outlined the history of the project. The project plans were altered to have 3 buildings with each building having 10 units. Under the amended ordinance, SFEs are determined by the square footage. With this method, Mountain Lakes needs 60.5 SFEs. Liston noted that they must pay \$10,000 per SFE to get into the District. Their plans are to start the project in May, 2015. Edwards noted that Mountain Lakes has not paid any permit fees as it is not connected to the sewer system. Edwards reported that the agreement states 52.5 SFEs. The board needs to acknowledge that the District would approve the new plan with 60.5 SFEs. Director Wheeler asked if the aggregate square footage is the same as the original plan. Liston said it was within a few feet. Edwards asked Liston if the project will need to be re-platted with the changes. Liston reported that Summit View HOA reviewed the plan. Director Wheeler said that Liston should get approval from Madison County. President Cronin said that the board has been taking the position if a request fits the zoning, the District does not deny permits over a few SFEs. This request is not a giant change from the original development plans. President Cronin thinks that Liston's argument for additional SFEs would be enhanced with square footage documentation. President Cronin would like the original and proposed square footage numbers.

Vice President Loble moved to approve an additional 8 SFEs for Mountain Lake Condominiums for a total of 60.5 SFEs. Director Wheeler seconded the motion. Motion passed. Secretary Fast abstained as he said could not hear the entire discussion via the conference call.

BSOA POND RESTORATION & WATER RIGHTS PROJECT UPDATE

Edwards reported that Mike Cussick amended the District's motion asking the judge to reconsider his original requirement to send public notices to the 600 water rights owners downstream from Big Sky. Edwards distributed the amended motion. Cussick feels that the judge may approve the amended motion and should have a decision by the next board meeting. The public notification was not a challenge originally identified when the District decided to proceed with amending its water right. The District can withdraw its application if it needs to.

WASTEWATER FACILITIES PLAN PROJECT UPDATE

Edwards reported that Ray Armstrong is updating the wastewater facilities plan. Every feature on the course and driving range has been mapped by GPS. Everything is accurate and the information will be used for planning, engineering numbers, and engineering. This will maximize the amount of wastewater reuse. Director Reeves would like numbers on what is being used for irrigation.

MEADOW VILLAGE UV DISINFECTION PROJECT

The manager's report provided an update on the UV disinfection project.

WATER SYSTEM SOURCE CAPACITY UPDATE PROJECT

Edwards reported that Mark Cunnane has a goal to have a draft by the end of January 2015.

PROPOSED DEVELOPMENTS AND SUBDIVISIONS

Edwards reported that the Tract 9 conveyance has been completed. The extension completed in the Town Center area will be conveyed in the next month.

BUREAU OF MINES GROUNDWATER STUDY

Edwards reported that the newspaper ran a story on the Bureau of Mines monitoring wells drilling project. Edwards will have the Bureau of Mines give the board a project update in the spring.

2014-15 RESORT TAX PROGRESS REPORT

Edwards reported that the Recon Dynamics system purchased with resort tax funds is being used. The new receiver is located in the White Butte booster station.

WASTEWATER REUSE REQUEST

Edwards reported that the District received a letter from the Town Center's engineer, Keith Waring from TD&H. The Town Center would like to use treated wastewater for irrigating their park and open space land. Ryan Hamilton and Edwards have met over the last year to discuss this possibility. Edwards said the Town Center correspondence is timely. Using treated wastewater reduces storage requirements going into winter. Edwards would also like land owners adjacent to the golf course to have the treated wastewater available for irrigation. One problem is getting the pipeline to the properties. Another issue is getting an amendment from the Montana Department of Environment Quality (DEQ) to use treated wastewater outside of the golf course. The District currently does not charge for the use of treated wastewater, but it needs to reserve the right to charge for it in the future. Edwards said that the District gives the Boyne golf course water without charge. Director Reeves noted that if we don't charge for the treated wastewater, that is a loss of revenue to the District. President Cronin said that we need to find out if we have other customers for treated wastewater. Director Wheeler said that there has to be a business model as this is a business decision. The District needs to explore every opportunity to use treated wastewater. Director Wheeler said the District needs to make commitments so that entities such as the Town Center and Spanish Peaks build the infrastructure with some assurance for a supply of treated wastewater. Jon Olson stated that he feels that the WSD board is pushing SP to build a pond and infrastructure. Director Wheeler said that the District has enough historical background to know what is needed on the Boyne golf course. Director Reeves wants the District to figure out its whole matrix before it makes any commitments. The District needs to start with the first right and commitment to the Boyne golf course and go from there to determine what is available for other entities. Director Wheeler reported that the golf course irrigation infrastructure has to be upgraded. The irrigation system was installed in the 90s and is no longer efficient. Olson reported that Spanish Peaks uses 30-35 million gallons of water on its golf course. Olson does not know if the SP pond area will be as big as they originally planned. (*Fast left at 4:37 pm*). Olson reported that they want to have their infrastructure in next year. Hamilton stated that they are asking for a commitment today as they are preparing to pave parking lots in the Town Center.

Olson updated the board on SP's water operations management. Olson said SP is working through the scenarios of transferring the water system, or creating its own water district. They understand the time constraints. Olson said the issue is water for the golf course.

SEWER & WATER PERMITS

Edwards reported that we have permitted 131 SFEs this year.

GENERAL CORRESPONDENCE

There was no general correspondence requiring board action.

Boyne Pool: Edwards explained that Boyne asked for a concession on the quarterly sewer charge on the Huntley pool and the Summit pool due to water leaks because they have not increased sewer flows. They are currently fixing their pools. Boyne has been credited on their sewer charges as requested.

BSCC: Edwards reported that President Cronin needs to sign the agreement with BSCC. Director Reeves noted that the District needs to calculate the water revenue loss created through making such commitments for treated wastewater use. With the loss of revenue, Director Reeves wants to know what the District is going to do in the future.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, December 16, 2013, at 8:30 am.

ADJOURNMENT

Director Reeves moved to adjourn the meeting at 4:50 pm. Director Daniels seconded the motion. Motion unanimously passed.



Dick Fast, Secretary

11-18-14. min (Board Approved 1/20/15)

BIG SKY WATER & SEWER DISTRICT NO. 363
Regular Meeting Minutes – December 16, 2014
WSD Community Room

The Big Sky County Water & Sewer District No. 363 held a regular meeting on Tuesday, December 16, 2014, in the WSD Community Room. President Packy Cronin called the meeting to order with the following board members present: Vice-President Les Loble, Secretary Dick Fast and Directors Jeff Daniels, Tom Reeves, and Brian Wheeler. Director William Shropshire participated via conference call. WSD staff present were Ron Edwards, Marlene Kennedy, Terry Smith, Jim Muscat, and Peter Bedell. Others present were District property owners Peter Manka and Robert Shanks.

PUBLIC FORUM

With no public comment, President Cronin called the meeting to order at 8:34 am.

MEETING MINUTES

Approval of the November minutes was tabled until the next board meeting. A clean copy of the edited November minutes will be in the next board packet.

FINANCIALS

Smith stated that the November financials are in the 2nd quarter of the fiscal year. There were no unusual items to report. State Revolving Fund (SRF) loan payments of approximately \$670,000 will be made on January 2, 2015. The official audit report is available from Smith.

Director Reeves moved to approve the November financials as presented. Vice President Loble seconded the motion. Motion unanimously passed.

SEWER OPERATIONS

Burroughs was not in attendance to give his report.

Edwards reported that he sends an annual letter to the Montana Department of Environmental Quality (DEQ) that recaps the amount of treated wastewater used to irrigate the golf course, Big Sky Chapel, and the community park. Edwards stated that he did not have a good answer for the discrepancy in the numbers going into the plant and what is being irrigated. He is having DOWL HKM engineer Ray Armstrong review these numbers. This discrepancy may draw some attention from DEQ. A record 175 million gallons were irrigated this year. Another 4 million gallons were sent to the Yellowstone Club (YC). There was no effluent used for snowmaking at the Yellowstone Club. The one-year pilot project is concluded. This project was a labor-intensive effort to make a million gallons. There has been no attempt to expand the pilot project. In comparison, Director Wheeler reported that the snowmaking guns on the resort's ski terrain can make a million gallons in one day. Edwards said the nitrogen and phosphorus levels were high enough that snowmaking would probably require a DEQ discharge permit, or a containment area built around the snow to allow the snow to melt and percolate into the ground. Director Wheeler noted that there is a stigma associated with using treated wastewater for ski terrain. Boyne does make snow with treated wastewater at another resort, but it is not on its ski terrain.

Vice President Loble suggested all reports should be included in the board packet, not handed out at the meeting. Additionally, any staff members submitting reports should attend the meeting to give their report.

WATER OPERATIONS

Muscat distributed his water production report. During the month of November the system transitioned to the new telemetry system. Muscat reported that data was lost when the system was transferred. Even though those numbers will not be recoverable, Muscat is confident that the numbers are consistent to previous reporting periods with the December flows reflecting this consistency. With the leaks fixed on the mountain, these production numbers have decreased. One leak fixed was a Boyne pool that was losing 35,000 gallons a day. YC's actual flow data is not available for June, July, and August as their meter was broken during that period. Muscat estimated YC's use over that period. The YC meter is back on line and their flows are up. District customers average approximately 200 gallons per day while YC customers average 800 gallons per day. Muscat feels that YC has leaks in its system. YC is working on getting leaks fixed. Muscat reported that YC's system had high use numbers even when it did not have many houses connected. The Lone Moose system still has a leak that District operators are trying to find. Director Daniels noted that the *spreadsheet totals* are in error. It was explained that a calculation error was caused by the use of an asterisk in a number field. This *will be corrected on following reports*. Muscat reported that, overall, the flows are good.

BSOA POND RESTORATION & WATER RIGHTS PROJECT UPDATE

Edwards reported that the Water Court has not ruled on the District's motion for reconsideration on the noticing requirement. If Mike Cusick has not heard from the court by the end of the year, he will contact the court.

WASTEWATER FACILITIES PLAN PROJECT UPDATE

Edwards distributed a summary report prepared by Ray Armstrong, DOWL HKM Engineering. Armstrong has reviewed all of the permitting data and flows. Armstrong is examining the flows per single family equivalent (SFE). Armstrong is also analyzing the District's ability to dispose of wastewater if the District expands irrigation beyond the golf course. Engineers are looking at the Jack Creek area for disposal. This option would require a 14-mile pipeline over the mountain to Madison Valley. It would be costly, but it is still an option. Director Wheeler asked if the engineers are looking at the *feasibility of a treatment site on the mountain*. *Edwards will ask the engineers if this is included in their facilities plan*. Armstrong is modeling plant performance. Through this, the District could possibly operate the plant more efficiently by changing how the wastewater is run through the plant. According to Edwards, Armstrong will have the Wastewater Facilities Plan about 75% done by the January meeting. Armstrong will be at the meeting to answer questions.

Edwards noted that he participated in a Big Sky community wastewater planning meeting yesterday. The group is looking at projections to accommodate growth which will assist in planning Big Sky's future wastewater treatment and storage needs. The developers feel that build out numbers are about double of what the District's build out numbers are. Director Wheeler noted that the group calculated the average home at 2.7 SFEs, which is the average SFEs for a home in Spanish Peaks, not the average SFEs for a typical home in Big Sky. The group needs to use a consistent unit of measurement and know the average occupancy to calculate water and sewer capacity. President Cronin reported that some people in the community feel that we will need to discharge to the river. Director Wheeler stated that some members of the wastewater group feel that Tax Increment Financing (TIF) funds will be used to correct the infrastructure deficiencies. Director Reeves feels the group's proposal implies that the WSD board would need to agree to be a part of the Targeted Economic Development District

(TEDD). Director Reeves expressed his concern about doubling the size of Big Sky in just the terms of traffic in the canyon. President Cronin stated his reservations about supporting a TEDD/TIF district. Edwards feels that through TIF funding, expansion of wastewater service could happen. Director Wheeler said that proving Big Sky's infrastructure deficiency is a big challenge. The details of what TIF funding could be used for needs to be defined. Director Wheeler feels the creation of a TEDD may affect the WSD District and board given expanded boundaries in the canyon. Director Reeves feels that the community probably needs to readdress incorporation instead of creating a TEDD. Edwards reported that the Big Sky Chamber is considering lobbying the legislature to raise the resort tax to 4%. Smith reported that Representative White is willing to take the resort tax increase to the legislator for approval if the community wants it increased. Director Reeves reported that the legislature is generally anti-tax. Vice President Loble cautioned that there may be unintended consequences by taking issues to the legislature. Director Wheeler noted the community is already taxed 10% with the 7% bed tax plus the 3% resort tax. Secretary Fast would like to know what increment of the TIF funds would stay in the Big Sky area.

MEADOW VILLAGE UV DISINFECTION PROJECT

Edwards reported that, on December 5, 2014, Eric Blanksma submitted the Ultra Violet (UV) Disinfection Project to the Montana Department of Environmental Quality for review and approval. The estimated review period is 120 days. Edwards believes the project will be bid this winter. The Spotted Elk pump house building will be expanded to house the new UV treatment system. Edwards does not foresee any issues in having the building expansion approved by the BSOA architectural committee. Edwards said the UV system is designed to treat the two new wells, but that water from all five wells could be treated if needed. The system's capacity will be sufficient in case the state requires all wells be treated in the future. Edwards reported that the building would diminish any potential noise problems with the system.

WATER SYSTEM SOURCE CAPACITY PROJECT UPDATE

Edwards reported that Mark Cunnane has extended the Water System Source Capacity project to April 2015 due to his work schedule. Edwards recommended staying with Cunnane at this point. *Vice President Loble asked Edwards to relay to Cunnane that the board would like to see progress on the project.*

WASTEWATER REUSE REQUEST

Edwards reported that the Town Center's engineer, Keith Waring from TD&H Engineering, is discussing with Boyne about obtaining an irrigation pipeline easement from the meadow golf course to the Town Center's park and open space property. Director Wheeler confirmed that Boyne is talking with Ryan Hamilton about this. Boyne will support the pipeline if that is what the District wants. President Cronin said the board needs to carefully consider who will be offered treated wastewater. The District should not create false expectations about receiving treated wastewater. Director Wheeler stated that as entities plan for building infrastructure, they want a commitment for the wastewater source. Edwards noted that the District's only commitment for treated wastewater is to irrigate Boyne's golf course. Director Reeves asked if there is a volume commitment to Boyne's golf course. Director Wheeler stated that the flexibility in Boyne's golf course irrigation needs and the District disposal needs has been a win for the District in its ability to get rid of treated wastewater. Director Wheeler said it is time to create irrigation commitments. Boyne should have a preferred basis for some of the treated wastewater. Director Reeves said the District cannot commit to serving the Town Center until the District's commitment to Boyne is defined. Edwards said that Ray Armstrong will discuss

this issue at the next meeting. President Cronin feels that it may take two years to determine the amount of treated wastewater the District can offer for irrigation. Director Reeves said the District needs to create its own matrix. President Cronin feels the District does not currently have a surplus of treated wastewater. Secretary Fast suggested that the District consider committing to percentages instead of gallons. Then, if there is a shortage, everyone can still be served on a pro rata basis. Director Wheeler stated that, with the upgrades Boyne has made to its golf course irrigation system, next year will be a good test year for obtaining irrigation numbers. President Cronin said the District should learn if Spanish Peaks wants the treated wastewater. Edwards said that Spanish Peaks knows it does not have a commitment from the District. If engineering studies support it, Spanish Peaks will build approximately 30 million gallons of storage. Any storage that Spanish Peaks creates is to help YC fulfill its total storage obligation of 130 million gallons per the District's agreement with YC. Director Reeves said the math discrepancies on the flow reports must be corrected before the District can make commitments. Director Reeves wants the District to continue determining its storage capacity and potential irrigation commitments. Edwards said the existing golf course irrigation system is being expanded to use more treated wastewater. So, it may not be necessary to irrigate the horse pasture 24/7 to draw down the ponds.

PROPOSED DEVELOPMENTS & SUBDIVISIONS

Edwards reported that he is working on the water and sewer extension conveyance agreements for South Fork Phases 5-7 and Town Center North.

SEWER & WATER PERMITS

Edwards reported that one new permit was issued in Spanish Peaks for 2.66 SFEs. One permit in Spanish Peaks was also voided. The District has approximately 82 SFEs available for permitting. Director Wheeler reported that the number of submittals for BSOA architectural review and approval has declined.

ANNUAL DINNER

Edwards said that By Word of Mouth can accommodate private functions such as the District's annual dinner. Edwards will check the availability for Friday, January 16, 2015.

GENERAL CORRESPONDENCE

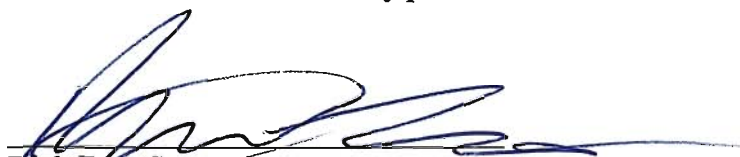
There was no general correspondence requiring board action.

NEXT MEETING

The next Board meeting is tentatively scheduled for Tuesday, January 20, 2015, at 8:30 am.

ADJOURNMENT

Vice President Loble moved to adjourn the meeting at 9:50 am. Director Reeves seconded the motion. Motion unanimously passed.



Dick Fast, Secretary