

BOARD OF MADISON COUNTY COMMISSIONERS
October 24, 2016, Meeting Minutes

On Monday, October 24, 2016, a meeting of the Board of Madison County Commissioners came to order at 10:05 a.m. in the Commissioners' Conference Room of the Administrative Office Building in Virginia City, Montana, with Commissioners David Schulz, Chairman, Ron Nye, and Jim Hart present. Laurie Buyan, Commissioners' Assistant, was present to take minutes.

Those people in attendance at the meeting were Amanda Averill, Micah Chambers, Representative Ray Shaw; Senator Jeff Welborn; Brian Ohs, Mark Aagenes, Nathan Korb, Rick Waltrup, Keith Johnson, Shelly Burke, Chad Johnson, Carolyn Henry, Jim Muskovich, Denny Lueck, Kacey Smart, Guy Buyan, Jeremy Olson, John Claypool, Melissa Brummell, Pete Novich, Ellis Thompson, and Charity Fechter.

Dan Allhands, District 1 Commissioner Candidate, was present to observe the meeting.

Approval of Minutes: Jim Hart moved to approve the October 3, 2016, meeting minutes as presented. Ron Nye seconded the motion. All voted aye and the motion carried. Ron Nye moved to approve the October 17, 2016, meeting minutes as presented. Jim Hart seconded the motion. All voted aye and the motion carried.

Ruby River Access/Land and Water Conservation Funding (At Ruby Reservoir): Amanda Averill, Legislative Assistant, and Micah Chambers, Legislative Director with Congressman Zinke's office; State Representative Ray Shaw; State Senator Jeff Welborn; Brian Ohs, Trout Unlimited; Mark Aagenes and Nathan Korb, Nature Conservancy; Rick Waltrup and Keith Johnson, BLM; Dan Allhands, District 1 Commission Candidate, and the Board met at the Ruby Reservoir to discuss the possible purchase of property at the Reservoir to create a public access at the site. Those present reviewed maps and boundary points of BLM and private property and discussed the access history. It was noted that the owner is willing to sell the property. Further discussion included the BLM procedure for purchasing property, contacting the landowner's realtor for a purchase price, and who might draw up the paperwork for the proposed purchase.

NW Energy Settlement with DOR/Recertification of Taxable Values: Shelly Burke, Treasurer, met with the Board to discuss the Northwest Energy tax settlement with the Department of Revenue. Chad Johnson, Twin Bridges Superintendent of Schools, was also present for this portion of the meeting. Shelly stated that the topic needed to be on the agenda so that everyone is on the same page. She further stated that the taxes have been sent out, and some have already been paid. She described what would need to happen if the Board chose to recertify the taxes, stating that it would be a nightmare. David Schulz stated that he has discussed the effects this would have on each district with Shelly, noting that it would be moderate for each district. Chad Johnson stated that he understood that not much could be done about the loss of revenue but that they went through a similar issue a few years ago and it was very disappointing. Shelly noted that all of the schools have reserves and that Pam Birkland, Superintendent of Schools, will travel to each school and discuss the impacts with them. Shelly requested that the letter of explanation from Northwest Energy and one from the Department of Revenue be attached to the minutes. Following discussion, Jim Hart moved to acknowledge the change in taxing district valuations as provided by the Department of Revenue, dated October 17, 2016, as a result of the Northwest Energy tax settlement. Ron Nye seconded the motion. All voted aye and the motion carried.

Claims: The Board approved claims.

Airports: Following review, Jim Hart moved to approve Pay Request #1 for Big Sky (Ennis) Airport Improvements, AIP 3-30-0090-017-2016, in the amount of \$75,446.55, for services provided by Robert Peccia and Associates. Ron Nye seconded the motion. All voted aye and the motion carried.

Barriers at Solid Waste Sites: Jim Muskovich, MACo Loss Control Specialist, and Carolyn Henry, Madison County Safety Coordinator, met with the Board to discuss inspections they have completed at the

County Solid Waste sites. Denny Lueck, Solid Waste Foreman, Kacey Smart, Sanitarian/Solid Waste Clerk, and Guy Buyan, Solid Waste Driver, were present for this portion of the meeting. Mr. Muskovich explained that MACo has had some significant losses related to accidents at transfer sites in other counties in recent years and is looking at ways of mitigating these losses. One recommendation was to install a railing system that is at least 42 inches high with two bars, one at mid-level and one at the top of the railing, covered with a material that does not allow for penetration with a maximum open area of 4 inch squares. There was discussion related to fencing each site to control access and establishing access times for each site to allow for staffing when the site is open. Mr. Muskovich stated that controlled access to sites would help stop illegal dumping, ensure that items are deposited in the proper location, and increase safety to citizens and employees. He noted that MACo will be providing guidelines on this issue. There was further discussion related to the proposed rail system and fencing options. Other topics discussed included proper signage, more aggressive recycling, and the possibility of using webcams at the sites. Following much discussion, it was determined that Denny and Guy will look at gate and fencing options and Jim Muskovich will be scheduled to present this information at the next Solid Waste Board meeting.

2017 RID Maintenance Projects: Jeremy Olson, Gaston Engineering, met with the Board to discuss big ticket maintenance projects, over and above the normal pothole and shoulder repairs, that need to be addressed in Big Sky. Jeremy provided and reviewed RID inspection summaries for each of the five RIDs in the Mountain Village of Big Sky. Jeremy noted that RID 80 is back on track with sufficient funds and recommended that work on Turkey Leg Road be continued. He also recommended work on Beehive Basin Road but stated that there might not be enough funding and suggested putting bids out to see how they compared to the available funding. He noted that if the same general contractor got both bids, he might be willing to do both jobs at a reduced rate. Jeremy also discussed the status of the other RIDs in the Big Sky area and brought up the possibility of combining them. David Schulz asked Jeremy to get him the amount of funds in all of the RIDs. Following discussion, Jim Hart moved to encourage Jeremy to move forward with the bid process for pulverization and re-paving of Turkey Leg Road within RID 80 and a complete overlay of Beehive Basin Road in RID 00-02, noting that the Board will reconsider the request when the bids come in. Ron Nye seconded the motion. All voted aye and the motion carried.

State Highway Flooding Issue in Ennis: John Claypool, Ennis Business Owner, met with the Board to discuss flooding around his business in Ennis. John stated that he has been in this building for thirty-three years and that this is the first time he's had this problem. He went on to say that water is now coming off the highway and surrounding his building like a moat. John explained that about two to three months ago he saw men working out there and he noticed that a berm had been constructed, which was making it impossible for the water to get back to the ditch. John stated after talking to the state, it was determined that it was the County road crew that created the berm. After much discussion, it was decided that Jim Hart and Roy Hill, District 3 Road Foreman, would meet John at the property to look at the problem and come up with a solution. John also presented an invoice from Christensen Rentals in the amount of \$85 for gravel that he put around the building to protect it from the water.

Heat in Back Stairway of Administrative Building: There was no discussion on this topic. It was rescheduled for the next regular meeting.

Design of Ventilation System in Crawlspace and Air Quality of Administrative Building: There was no discussion on this topic. It was rescheduled for the next regular meeting.

County Christmas Parties: Per request from Darcel Cook, Madison Valley Manor Administrator, Jim Hart moved to approve \$15.00 per employee for this year's Christmas parties for both nursing homes. Ron Nye seconded the motion. All voted aye and the motion carried.

Madison Valley Manor Parking Lot: There was no discussion on this topic.

Fair Board Bylaws and Job Descriptions: The Board reviewed a recommendation from the Fair Board that no action be taken on the Fair Board Bylaws or the Fair Job Descriptions until a joint meeting could be scheduled between the Fair Board and the Board of Commissioners. The Board agreed with this request and a meeting will be scheduled.

Public Discussion: Melissa Brummell, Public Health Nurse, stopped in at the meeting to discuss submitting a grant application to fund a quarter to half time asthma specialist. The Board requested that she put this topic on the agenda for the next regular Commission meeting.

Insurance List Reconciliation: Pete Novich, Novich Insurance, met with the Board to review insurance lists for buildings and equipment. Pete noted that there were Fair Buildings and Airport Buildings that weren't on the MACo list. He presented a spreadsheet of buildings and discussed the discrepancies on the list. Pete explained that the Shirley Hangar in Twin Bridges that stores the snow removal truck is insured at \$54,630, with no contents, and the same building in Ennis is insured at \$123,600 with \$20,600 in contents. He also discussed discrepancies in the pilot shacks at each airport. He will set both of these buildings at \$20,000 with no contents. There was also discussion regarding Solid Waste buildings in both Ennis and Twin Bridges. Pete then reviewed items on the equipment list that are on the County list but not on the MACo list and vice-versa. Pete will make the corrections to the MACo list. Pete noted that he is still working on the vehicle list and will reconcile it with the County list when he has completed his entries. Pete informed the Board that he recently attended an OSHA 30 class and that he is now qualified to help Carolyn Henry, Safety Coordinator, with inspections. He also requested that the County send a letter to MACo requesting an increase in the percentage that Novich Insurance receives for their services. This topic will be added to the agenda for the next regular Commission meeting. On a final note, Pete suggested that the Board consider requesting an attorney to be present with any employee who has to do a deposition for the County.

Public Discussion: Ellis Thompson, Road Review Committee Member, stopped in at the meeting to inform the Board that there would be a Road Review Committee meeting the next day and asked that one of the Commissioners stop in if available.

Emergency Operations Plan – Evacuation Annex G: The Board reviewed revisions to the Emergency Operations Plan. David Schulz noted that the plan originally had five steps which have now been reduced to three as a result of Dustin Tetrault, Director of Emergency Management, working with the Sheriff and other agencies to refine it. He also noted that right now we have one FEMA approved emergency shelter and Dustin is working to expand the number of shelters. Following discussion, Ron Nye moved to approve the revisions to G2. Concept of Operations in the Madison County Emergency Operations Plan, dated December 2010. Jim Hart seconded the motion. All voted aye and the motion carried.

Vehicle Purchase for Planning Office: Charity Fechter, Planning Director, met with the Board to discuss the purchase of a vehicle for the Planning Office. Charity discussed vehicles that she is interested in, noting that she needs one that will hold at least five people. The Board asked several questions including how many times a week she would need a vehicle, if she could use the vehicle that is available for employee use, if there is funding in the Planning budget for a vehicle. Charity responded that she travels to other towns in the County on a regular basis and anticipates more trips to Big Sky in the future. She further stated that there are times that she needs a vehicle when the extra County vehicle is not available which then requires her to use her own vehicle, and some of these times she does not charge mileage to the County. She also noted that there is \$20,000 in the Planning Budget for a vehicle. Following discussion, Jim Hart moved to allow Charity to continue to find a vehicle with 50,000 to 70,000 miles on it at a price range of \$15,000 to \$20,000. Ron Nye seconded the motion. All voted aye and the motion carried.

Madison Valley Cemetery Board Resignation: Following discussion, Jim Hart moved, with appreciation for his long and dedicated service to accept the resignation of Lester Klatt from the Madison Valley Cemetery Board and to advertise the vacancy. Ron Nye seconded the motion. All voted aye and the motion carried. Jim stated that he has talked to a couple people who might be interested in the position.

CRS Inmate Excess Medical Insurance Renewal: Following review and per recommendation of the Sheriff, Ron Nye moved to approve the Policy Year 2016-2017 MACo/CRS Inmate Excess Medical Insurance Program Renewal from the Montana Association of Counties with no rate increase, effective November 1, 2016, to October 31, 2017. Jim Hart seconded the motion. All voted aye and the motion carried.

Knife River Pay Request for Ousel Falls RID Maintenance: Following review, Jim Hart moved to approve Application #4 requesting payment to Knife River in the amount of \$17,283.35 for the Ousel Falls Overlay – Chip Seal Project. Ron Nye seconded the motion. All voted aye and the motion carried.

Calendars: The Board reviewed calendars.

With no further business, the meeting was adjourned at 4:00 p.m.

Next meeting: The next regular Commission meeting will be held on Monday, October 31, 2016, beginning at 9:30 a.m. in the Commissioners' Conference Room of the Administrative Office Building in Virginia City, Montana.

David Schulz, Chairman
Board of Madison County Commissioners

Date Approved: October 31, 2016

Minutes prepared by:

Laurie Buyan, Administrative Assistant

Attest: _____
Kathleen Mumme, Clerk and Recorder, Madison County

NorthWestern Energy's Montana property tax bill will **increase 10% for 2016** over 2015, and **35% over 2014**. Local taxing authorities will receive larger checks from NorthWestern than did just last year, and much larger than the year before. NorthWestern already **paid about 34% of all centrally assessed property taxes** in Montana. That percent will likely increase.

NorthWestern's tax payments are important to local governments. At the same time, property taxes are a much larger part of our Montana customers' bills than is true for our customers in South Dakota or Nebraska, and larger than for customers of most other utilities as well. Indeed, the Montana PSC has directed that we specifically disclose to our customers the amount of property taxes included in bills.

NorthWestern Energy invests significantly in critical electric and natural gas infrastructure dedicated by law to serving our customers across Montana. As a result of our ongoing investment in Montana, we understand that our property taxes will increase. However, the rate of the increase and the level of taxes proposed places an increasing burden on our customers and limits our ability to spend those funds on maintaining and improving safe, reliable and affordable service for our customers.

Under the Montana Department of Revenue's initial valuation, NorthWestern's centrally assessed Montana tax bill would have increased from \$121.9 million paid in 2015 by 34% to \$163.4 million for 2016. This would have been a dramatic impact on our customers and on our ability to invest in serving them. While working diligently with MDOR to avoid protests has been our practice for almost a decade, we were prepared to do so had we been unsuccessful in our negotiations. We agreed to a \$134 million bill, about a 10 percent increase over the \$122 million we paid last year and a 35% increase over 2014.

Every business (and governments, nonprofits and families too) has to operate according to a budget that reflects all income, investments and expenses. As a regulated utility, the prices we charge are limited to the cost of providing service. Therefore, we have worked to manage our tax burden for the benefit of our customers. Here's why:

- As our Montana tax bill has increased, the portion of our customers' bills representing property taxes has also increased. **It is currently 11.5 percent, among the highest in the region.** In contrast, property taxes represent about 2 percent of a South Dakota bill.
- NorthWestern's 2015 property taxes as a percentage of utility plant were **the highest** among our utility peer group at 3.9 percent.
- NorthWestern's 2015 property taxes as a percentage of employee salary and wages were **the highest** among our utility peer group at 97.1 percent. Given the MDOR's initial valuation, they would be nearly 2.6 times the 2015 peer average (113.8 percent as compared to peer average of 43.3 percent).
- Like every business, taxes are included in the cost of goods sold to customers. Between regulatory rate reviews, only 60% of incremental property tax increases are included in customer bills. Since 2010, the company has absorbed about \$21 million in higher property taxes through careful budgeting and offsetting other expenditures.
- Because NorthWestern is responsible for operating and maintaining the critical energy infrastructure across Montana, we are **the largest** centrally assessed property tax payer in Montana. NorthWestern paid \$122 million in Montana property taxes for 2015. This was **34 percent of all centrally assessed taxes paid**. The second largest was BNSF's \$27 million, which was 7 percent.

We value our partnership with schools and local government agencies. They serve the same people we do. Our employees live in our communities, send their children to school and contribute to healthy communities. The property taxes we pay are a significant part of the funding for our schools, fire departments, law enforcement agencies and many other vital services. While we regret the fact that the timing of these discussions often present a budgeting issue for these services, we are pleased to have avoided a protest this year. However, we hope that in the future we can find solutions that provide a more stable, predictable and fair valuation methodology.



Mike Kadas
Director

Montana Department of Revenue



Steve Bullock
Governor

MEMORANDUM

To: County Commissioners
County Treasurers
County Clerk and Recorders
City Finance Officers
County Superintendents of Schools

From: Mike Kadas, Director

Date: October 21, 2016

Subject: Recertification Due to the NorthWestern Energy Settlement

The following is additional information pertaining to recertification:

Deadline

The department encourages counties to submit completed recertification requests as soon as possible to ensure the timely issuance of tax bills. Thus far, the department has processed recertification requests from five counties and we are aware of several counties who have chosen not to request recertification.

Due to the varying delivery dates of the Change in Value forms, the department has extended the recertification request deadline to the end of business on Wednesday, October 26, 2016.

Decisions not to recertify or rescind request to recertify

The taxing jurisdictions that choose not to recertify do not need to return the Change in Value form.

Taxing jurisdiction officials who wish to rescind a recertification request previously submitted to the department, are required to write "withdrawn" on the Change in Value form, sign and date the form, and resubmit it to the local revenue office. We have received verbal requests for withdrawal however a written confirmation is required to ensure that we respond accurately.

Recertify single or all taxing jurisdictions

Questions have arisen as to whether all taxing jurisdictions must be recertified if only one taxing jurisdiction is significantly impacted. Single taxing jurisdictions may be

recertified without recertifying all. A jurisdiction may recertify and choose whether or not to adjust its mills.

Taxing jurisdictions within a Tax Increment Finance District (TIFD)

Please be advised, that if any taxing jurisdiction within a TIFD requests recertification the TIFD increment amount for all jurisdictions within that TIFD should reflect the change in the recertified jurisdiction.

Because the change in value is attributed to newly taxable value, TIFDs will experience all or a vast majority of the short-term loss.

Estimating impact

To calculate the estimate for determining impacts, subtract the change in the value from the original certified taxable value and from the original newly taxable amount.

Thank you

We understand this has been a new and complicated process for many of you. We appreciated your patience and willingness to work together for the benefit of Montana and your communities.