Skyline Mountain Resort Special Services District

2201 Skyline Mountain Resort

Fairview, UT 84629

Minutes of the Public Hearing concerning the Environmental Report and Monthly Meeting of the Board of Trustees.

Sept 27, 2012 at the Old SMR Clubhouse at 7:00 p.m.

Welcome by Chairman, Ed Collins.

Present from the Board were Ed Collins; Roy Fox; and Layne Lundstrom. Excused were Dawayne Coombs and Mont Pugmire.

1: Introduction of Roy Fox, newest member of the Board of Trustees having been appointed by Sanpete County Commission to fill the vacancy that existed. We also welcome Everett Taylor, Max Henrie and Rick Madrigal of the Skyline Mountain Resort Board of Trustees. We appreciate Joseph Hanks, General Manager of Skyline Mountain Resort. Also in attendance is Richard Noble, of Hansen, Allen and Luce Engineers.

2: Minutes of previous meeting presented for approval. These were previously sent to you electronically for your review. Are there any corrections or additions? Hearing none I will call for a motion to approve. Motion made by Layne Lundstrom with second by Roy Fox. Motion carried 3-0.

3: Environmental Report concerning our proposed water system. We will take comment on this report. In addition, I will also accept comments or questions concerning the proposed system. We will begin by having Mr. Noble present the background of why such a report is needed and what is contained therein.

An environmental study, as required by the Division of Drinking Water, was completed by Hansen, Allen and Luce Engineers. After review by the DDW and other State Agencies, a finding of no significant impact, commonly called FONSI was issued. I will give you a brief overview of what is in the report. The National Environmental Quality Act of 1968 requires that when there is any significant use of Federal Funds a study should be completed to assess any environmental impact. The report considers the proposed water system and three possible alternatives. Those three alternatives are no action; connecting to Fairview City; and the third was a District wide system that would serve all of Skyline Mountain Resort. The report considers impact on farm land, wetlands, biological threats such as elk and deer, water quality issues such as potential damage by septic systems, storm water drainage etc. We did solicit comments from various State and Federal Agencies and received 9 comment letters back which acknowledged that there would be some very temporary impact but with proper safeguards by us and the general contractor, it was deemed that those could be mitigated and would cause no long term damage.

Ed Collins: Are there any comments or questions concerning the environmental report? (This question was asked 3 times). Hearing none, I declare the public hearing on this item is closed. We will now proceed with the agenda for our regular monthly board of trustees meeting.

4: Consider the operating agreement between Skyline Special Services District and Skyline Mountain Resort. It should be clear that the boundaries of the District are the boundaries of Skyline Mountain Resort. It seems to me that what we can do here is to indicate our approval, subject to final review by the legal staff of the DDW. Question to the SMR Board: Are there any additional changes your board sees may be needed. Answer from President, Everett Taylor was no. Motion to accept the agreement subject to review by the DDW was made by Layne Lundstrom and seconded by Roy Fox. Motion carried 3-0 in favor.

Page: 2…… 5. Fee schedule increase: The purpose of this resolution is to consider when the new rate schedule should be implemented. Mont has indicated that he feels they should be implemented sooner rather than later and his reason is to make certain we have sufficient time to generate the funds needed to make the first payment in October of 2013. Ed: I don’t necessarily disagree with that but I would like to share my opinion as to where and when applied. (Ed) I will use myself as an example. I have a home in the C section and no pipeline is available to me to connect to yet. The rates as they were adopted were based on connected users, and non-connected properties which have the pipe going past the in my case, I have neither so I am in a limbo state between two options. We need to understand better the timing of the issuance of the revenue bond, the construction and the timing of the first loan payment. Because the project has been pushed back some from the original timeframe, there may be a change in the due date of the first payment, now scheduled to be in Oct 2013. We are studying where that line or timeline is.

Question: (name unintelligible) Will we be paying $58 per month more than we pay now or will it be a total of $58? Answer: It will be a total, not an additional amount per month. In a perfect world, we would go from not having a full system to having a full system. The reality is different. The project will be constructed over a period of time. We now will have to figure out when is the right time to fully begin collecting the new rates.

Question to Mr. Noble: What do you believe is the timeline for construction? Answer: It would seem that the loan closing is probably another 6 weeks out so major construction will probably not begin until March of next year. However, there is much that can be done such as well test drilling etc. If major construction begins in spring, we would expect completion to be by about this time next year.

Comment: Steve Anderson B55: I am a part time resident. Will my rate be $58 per month all year? Answer: Yes. Comment: I realize the water is available to me year round, and I can understand that, but I just think the full time residents are getting a lot better deal than I am.

6. Consideration of a resolution to adopt billing and collection procedures. Our legal staff has recommended that we adopt this to further solidify our position. Is there any discussion on the motion? Hearing none I will accept a motion to adopt. Motion was made by Roy Fox and second by Layne Lundstrom. Motion carried 3-0 in favor.

7. Update on well location: Ed: I don’t think we need more discussion because we have already had it and we are all agreed to locate the well at the prime site for best insurance of finding adequate water. For those of you that are here, there has been a lot of discussion about where the best place would be to drill the second well. The change order had a typographical error indicating East instead of West although the location was correctly indicated on the maps provided. Further review has shown that a better location will be at a location in the golf course driving range. Mr. Noble: I have had conversations with appropriate agencies and they have indicated that we could proceed on test drilling but that a permanent operating permit could not be issued until the change application is completed and approved. Ed: What concerns do the geologists and the engineers have concerning proximity of the new well to the existing well? Mr. Noble: With the amount of water needed from that secondary source, we feel the concerns are minimal.

8. Other business: Mike C section: I am concerned about two things: Will the $58 ever go up and what about those who never come to their property. Are they going to be willing to pay $35 per month? If not, will the Resort pick that up? Answer: Ever is such a long time. There is no question that someday, the rate will go up but when and how much no one can know what the future holds. What about your neighbors who are part time and their willingness to pay year around. All we can tell you now is that there will be more review in the future as we have more experience.

Comment: Jesse Baker GC lot: When the water goes past my lot then I will be asked to pay $58 or $35? Answer: Until you connect, it will be $35.

Page 3……..Question: Orson Stilson B 67, 68: How do we know if it is $58 or $35? Answer: Ed: The $58 is for those connected and the $35 is for those who have access to the water but are not connected. What we have to determine is the timing of the application of those rates as it relates to construction and loan repayment schedules. Orson: So Mont’s comments were based on making sure we have enough reserve to pay the payments when they are due. Answer: Ed: Yes, that is exactly what he was saying, as have some others. Let me be clear on this: If for some reason we did not proceed with the project as proposed, there are still major improvements needed in the system so the need for the rates to provide revenue would still be required. How that is collected then would have to be determined.

Comments: Bert Beddoes ½ of C72: What are you going to do about those who don’t pay? Is the District going to take your property if you are not paying your fees? Answer: ED: You know from having been here in the past how much I love ‘what if’ questions. OK, I’ll try one more time. What happens now if you don’t pay your dues Max? Answer: We can lien the property and if necessary collect on the lien. Question to Max Henrie, SMR Board treasurer: When was the last time the Resort had to foreclose on a property? Answer: In the 12 years I have been on the Board, never. Answer: Joe Hanks, General Manager: We never have had to do that. Ed: We have spent so much time on this issue with such an extremely unlikely probability of happening. It may happen but it is very unlikely and I am not sure it is an issue that deserves as much attention as we have given it in these many meetings. Comment: Everett Taylor: When we set the rate structure, we built in a 25% reserve for this very type of contingency. Comment: Doreen Kelly? B 34-35 and 36: What will be my bill? If you are not connected to the system, each lot will be $35 per month. Comment: Joe Hanks, General Manager: In 27 years we have never foreclosed on a lot. We have re-sold a few with the proceeds going to pay the past due amounts and the balance to the previous owner.

Question: Will we have a backup power source? Answer: Mr. Noble: There is not a provision in the plan at this time to have back up power but that is why we have the large storage reserves, to help get through those times.

Question: Roy Guckenburg A 51: Why was hooking on to Fairview’s system not considered more strongly? Answer: Mr. Noble: There was no real cost advantage to do that. Fairview does not have the capacity at present so they also would have to drill another well plus the cost of building the pipeline uphill to our storage tank and you would have additional line costs to link into the city system. It would take more facility at a higher cost. It could happen but it would be more complicated and more costly.

9: Time of next meeting will be determined by our completion rate on our checklist. The checklist has 38 items needed to close the loan. These are being looked at on a priority basis. The environmental report and this hearing are two that are being “checked off” tonight.

Ed: One more item. Mont and Sherry Pugmire are expecting a call to serve a mission for the LDS Church in the very near future. His position on the Board representing the Lower area, or Area 1 will become vacant as they depart. If any of you are interested in serving, please watch for the postings and we will appreciate you stepping up to fill that position at that time.

Ed: It is necessary for us to have a closed session for a few minutes so thank you all for coming and for your comments.

We have emerged from our closed session with no action items remaining for a vote. Is there a motion to adjourn? Motion was made by Roy Fox with second by Layne Lundstrom. Motion to adjourn carried 3-0.

Respectfully submitted,

M. LaMont Pugmire, secretary treasurer, Skyline Mountain Special Services District.