**Skyline Mountain Special Services District**

**2201 Skyline Mountain Resort**

**Fairview, UT 84629**

**Minutes of the meeting of the Board of Trustees held at Skyline Mountain Resort Clubhouse. Meeting time 4 p.m. on December 3rd, 2012.**

Meeting called to order by vice chairman, Layne Lundstrom. Attending were Layne Lundstrom; Dawayne Coombs; Roy Fox; Mont Pugmire. Ed Collins was excused. Also attending were Everett Taylor (B lot); Herb Gilbert (Lot B45); Mr. Slagle (Lot B122); Mr. Guckenburg (Lot A61); Earl Seeley (B22); Max Henrie (J76); Wayne and Paula Wilcock (B52).

Minutes of previous meeting, sent to all members electronically. Moved by Dawayne Coombs with second by Roy Fox. Motion carried 4-0 in favor.

Adoption of Water Rates previously set. Discussion followed about rate structure and that the Division of Drinking Water has approved our previously published rates. The question now is when do we make those effective? Our attorney opined that we need to leave the rate structure intact and set the date for beginning said rates while here. He suggested that having the rates take effect at different times may cause undue difficulty for us in record keeping. Also discussed was the question of when the DDW will actually ask for our first payment since we are not closing on the loan, if the project proceeds, until January. Does the payment due date also push back? Mont suggested that we follow the exact language of the rate setting motion and that was to begin charging the new rates to all those who could, in fact, right now have access to water. Mont moved for the adoption of the rates as of Feb 1st with the specific notation that this affects those who have water or a water line passing their property through which water could be received right now. The additional rates for those who will be served from the new water system will be implemented at a later date to be determined as a tie in to the time frame of our actual first payment.

Question: What is the definition of those who could be served? Answer: Those who would be billed at the new rate would be those whose property has access to the present water lines.

Question: Mr. Seeley: Even though the system doesn’t have the capacity to allow those hook ups? Answer: Mont: The reality is that we haven’t had a request for water connection in more than 2 years. Could we possibly get a lot of requests all at once? Possibly, yes; likely, no. There are no building permit requests for homes before the Skyline Architectural Committee right now. It is December. If the loan is approved and if we close on the loan and proceed with the project, the likelihood that anyone will be asking for a connection before the new system was underway or complete is pretty well zero.

Question: Mr. Seeley: Then I am confused because it sounded like in the resolution that the new rates would go into effect Jan 1st, 2013.

Comment: Mr. Taylor: Where our corrective action plan regarding those who do not now have a minimum of 20 pounds per sq inch, I don’t think we would be in a position to charge a vacant property the new rate even though the existing line passes that lot because of system limitations.

Page 2……Comment: Mr. Lundstrom: I am of the opinion that we should not charge someone who could not hook on now. I recognize there could be a few requests for hook ups come to us but if we are unable to allow a connection, it would be hard to justify charging the new rate.

Comment: Mr. Pugmire: Keep in mind that the possibility still exists that we won’t be able to move forward. If we could not close on the loan and if the new system did not proceed forward, the water rates that we have set will likely be the minimum that would be necessary to charge if we had to complete any and all corrective action requirements, both now and in the future. I don’t know what those rates would be but I am of the opinion the needed water rates will be at least as much as our resolution provides or perhaps even more. Boards for a decade before us have ignored the problems and now we are faced with a situation that can no longer be avoided. It is too bad they didn’t address these issues then, when they said they were going to address them eleven years ago, but they didn’t. We are now faced with an elephant sized project where the rates, one way or the other … loan approved or not, will have to be sufficient to face the financial needs of keeping our system operating properly. Having said that, I would like to point out that we are not actually at the maximum number of connections allowable under the rules. The reality is that we have to separate out the low pressure on Spring View Drive. Now, do we have enough capacity in our present tank to legally hook a property on to the system. The answer is that we do.

Comment Mr. Taylor: We don’t. When we are using peaks of 115,000 gallons per day, we don’t.

Comment Mr. Pugmire: OK, I am going to repeat myself. According to the DDW and their rules, we do have the capacity to add a very few more connections.

Comment Mr. Taylor: That is not what I have been told.

Explanation: Mr. Pugmire: According to DDW’s own rules, our system is technically capable of handling up to 138 total connections. However we would never connect that many to it because of the nature of the Resorts ERC’s, that run at peaks during the summer months. We would reluctantly approve a few connections as long as they were able to meet the criteria of the Moratorium amendment from 2005 and that is that they 1. Are actively seeking a residential building permit and that their property has the existing lines adjacent to it. We are legally able to grant those few connections but from a practical standpoint, no one has asked for a water connection; no one is processing a building permit request so we are months away from when we would even be having to face that. Therefore we either will have closed the loan or are building or we will still have to activate the rates in the resolution to have a massive infusion of funds to start making the improvements on our own. One way or the other the rates have to be approved and they have to be approved fairly soon. I think we make a serious mistake if we differentiate from what we have already approved in our resolution. Our latitude is to live by the rates of the resolution and then to set a date for implementation. I am one of those who will be affected and for the next year and a half, will be out of the country but I will still be paying. It would really help us if we actually knew when the first loan payment is going to be required. Everyone seems to be of the opinion that the pay date will move back to be in line with the loan closing at its date which is behind its original estimation and that is probably true. The conservative in me says let’s make sure we have all the “t’s” crossed. I still have the same motion on the floor. We absolutely must follow the language of the resolution. I am open to amend my motion to another date but as it stands now, the motion is for implementation of the new rates for those who are or who could connect on to be February 1st, 2013.

Page 3…..Question: Mr. Lundstrom: How do we reconcile this with the previous moratorium on new connections?
Answer: Mr. Pugmire: The moratorium to which you refer was placed, I believe, in 2003 and was amended in 2005 to allow connections with up to five in 2005; with 5 in 2006 and subsequent years on a case by case basis. The truth of the matter is that we never did reach any of those maximums and haven’t had a request for a new water connection for about 3 years. Since 2005 we have had, I believe, 5 connection requests. That is seven years time. There is a possible situation where we might get a flood of applications. Let’s be real here and let’s not get out in to the tenth degree. We have had approx 5 connection requests in seven years; we are not likely to get 40 in the next 3 months. Therefore I leave my motion on the table with discussion from the Board as to what date you would like to select and I will amend the motion to accommodate a change in date if needed.

Comment: Mr. Lundstrom: I just believed we had allowed people to hook on even while there was a moratorium in place.

Answer: Mr. Pugmire: The moratorium was illegal because it didn’t comply with legal statutes concerning such an action. The amendment to the moratorium in 2005 corrected the errors in the first one.

Comment: Mr. Coombs: Maybe we should move the date back to February.

Information: Mr. Lundstrom: Our attorney told me that generally the loan repayment date is set at one year after the rates are set and implemented. We are scheduled to close the loan on January 19th, 2013, if we continue to proceed forward.

Amendment to the motion. If things move ahead and we do, in fact, close the loan in January to implement the rates on the first of February. This will give our collection agents time to gear up their accounting etc. Mr. Lundstrom: We have a motion to implement the new rates on 1 February 2013. Dawayne Coombs second. Motion carried 4-0 in favor.

We will have a public hearing on Dec 29th, 2012 to take comment from the public concerning our Water Conservation Plan. Our budget hearing will also be that day. Mont commented that both our public hearing and budget hearing need to be posted according to the statute. Layne stated that we have that all well in hand.

We need to have an election of new officers due to new board member, Roy Fox and the resignation of Mont Pugmire due to leaving the country for 18 months. We need a chairman; vice chair; sec-clerk and treasurer. Mont moved to suspend the rules and select Ed Collins as chairman and Layne Lunstrom as vice chair. Second by Dawayne: Motion voted 4-0 in favor. Mont moved for Roy Fox to be sec-clerk and Dawayne Coombs as the treasurer. Second by Layne. Vote was 4-0 in favor.

Mont: We need a corporate resolution removing Mont Pugmire as a signatory on the account; leaving Ed Collins as a signatory and to add Dawayne Coombs as a new signatory. Moved by Mont and second by Dawayne to execute a resolution to change the signatories on the bank account as shown in this paragraph. Voice vote: Motion carries 4-0 in favor.

Page 4….General business: Members items: Early Seeley B-22. It is my understanding that before the next meeting at the end of December that the budget figures proposed will be made available to the members of the district. Is it also possible to request the calculations that arrived at the water rates as previously passed by resolution. Mont suggested we waive the requirement for an official GRAMMA request for this information only. Mont will provide this information by mail. Mr. Slagle: there was published an amount of $68 per month. What is different in our rate proposal? Answer: Mont Pugmire: The entire District benefits from this water system due to the substantial amount of water used by Skyline Mountain Resort. Comment: Everett Taylor: We are certain that the rate structure we have adopted is sufficient. Comment: Mont Pugmire: All of this assumes the project moves forward. If it does not then all bets are off as to what the rates will be to keep our system compliant with DDW and Health rules.

Question: Do you feel these new rates will be steady? Answer: It is hard to say what costs are going to be in a few years or 10 years or whatever. If you can tell us what inflation will be in the future.

Question: What happens if someone defaults? Answer: We have a reserve fund to cover those contingencies. We have the legal right, as any Service District has to file liens or to repossess the property. We have inquired of the SMR Board as to whether they have ever taken someone’s property? The answer is, no, we and they have always worked with people to resolve those types of issues.

Question: Is the amount of $3,000,007.00 the maximum? What if the bidders offer a higher quotation? Answer: Our board has made the decision that if that were to be the case, we would not go forward with the loan. The bidder’s conference was today. There are more than 40 firms trying for this work. We anticipate very competitive quotes. That figure includes more than 10% contingency just in case. Comment: Mr. Taylor: The DDW is requiring a backup power source which will be mounted on a trailer and will be available to serve both our wells and our booster station if it becomes necessary.

Comment: Mr. Pugmire: Our present storage on peak days has to refill two to three times a day. If we move ahead with this project we will have not 55,000 gallon capacity but approximately 280,000 gallons available.

We need to have the Chairman sign a few more agreement documents. Since Mr. Taylor is our certified systems operator, we need to copy him on all business etc.

Mr. Pugmire: I have reminded the Chairman as he is preparing the budget draft, to include appropriate compensation for our systems operator.

We need to notify the county clerk of our need to post the lower area position.

Mont will get with Roy Fox and show him the cabinet storage and get him the records of this year.

Motion to adjourn by Mont with second by Dawayne. Meeting adjourned at 4:58 p.m.

Respectfully submitted,

M. LaMont Pugmire, sec-clerk

Skyline Mountain Special Services District.