

**COPY OF TRANSCRIPT**  
**TIMBER LAKES WATER SPECIAL SERVICE DISTRICT**  
**PUBLIC HEARING ON FEE INCREASE**  
**AND**  
**FUNDING OPTIONS FOR IMPROVING INFRASTRUCTURE,**  
**WATER SOURCES AND STORAGE, AND WATER DELIVERY SYSTEM**  
**OCTOBER 16, 2007**  
**6:32 P.M.**  
**WASATCH MOUNTAIN JR. HIGH SCHOOL**

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**PRESENT WERE:**

Board Members: David Hansen - Chair  
Ralph Lewis  
Leno Franco  
Steve Farrell  
Mike Wheelwright  
Adam Hagen

Staff: Jody Defa  
Duane Moss  
Carol

**ALSO PRESENT:**

John Zachary  
Brad Robinson  
Carolyn Anderton  
Neil Anderton  
Barbara Meyerhoffer  
Jerry Hartshorn  
Nate Swensen  
Jeff Meyerhoffer  
Other unidentified attendees



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1 MR. HANSEN: Thank you for coming. By the  
2 raise of hands -- I know you were here for the last  
3 hearing. By the raise of hands, how many were here  
4 the last time?

5 Okay. You four have not, nor you in the  
6 back? Okay.

7 UNIDENTIFIED SPEAKER: I was here.

8 MR. HANSEN: Pardon?

9 UNIDENTIFIED SPEAKER: I was here.

10 MR. HANSEN: I think in the interest --  
11 and I'd like to hear those of you who were here last  
12 time -- in the interest of those who were not here  
13 and any that may come in here in the next minute or  
14 two, let's run through the presentation that I gave  
15 last time and make very, very minor modifications to  
16 focusing on where we are headed and that would give  
17 the information to those that were not able to be  
18 here last time and give them an opportunity to see  
19 and have that input.

20 Is that okay with everybody that's been  
21 here?

22 Okay. If I can take a big breath and go  
23 through this. Quite frankly, I was expecting more  
24 people to be here tonight with the advertisement that  
25 we did. I'm surprised that we don't have any more

1 than we do.

2 I'm going to go through this and try to go  
3 through just perhaps a little faster than we did last  
4 time, but we'll go through the exact same information  
5 that was presented.

6 We know that there are advantages to  
7 living in Timber Lakes, but there are also  
8 disadvantages for the volunteer board. I feel like I  
9 have a target on my chest. Mike asked me if I wanted  
10 to bring a coat in tonight, and I said, "No, I don't  
11 want holes in it when I leave."

12 So just to let you know, the system was  
13 purchased from Veigh Cummings in 1995. There was 637  
14 acre feet of water rights. We paid \$1.6 million for  
15 that water.

16 The water system was transferred for \$10,  
17 and that's about what it was worth. What we  
18 inherited was a cabin retreat -- a summer home water  
19 system. We had indoor water rights for 637 acre feet  
20 for 1,415 cabins at the state allocated 4.5 acre feet  
21 per cabin or per residence.

22 The summer home water system was then  
23 serving 380 connections. We have three developed  
24 springs, two storage tanks, and 33 miles of water  
25 lines that were to two to six inches in diameter and

1 buried two to three feet deep. We had fire hydrants  
2 that were also inadequately spaced and inadequately  
3 maintained and water connections to the existing  
4 cabins.

5 I'm going to have a hard time tonight  
6 because I've got to turn and look at the screen, but  
7 I want to talk to you. If I show it here, it screws  
8 the screen up and you can't see all of it. So I'm  
9 going to need your patience a little bit.

10 What we now face, though, is we inherited  
11 a working system, but it did not -- it came with  
12 problems. And part of those problems is that we have  
13 both present and long-term build-out issues. The  
14 system was built for summer recreational use,  
15 essentially, when it was originally conceived and  
16 developed, but it now provides year-round water and  
17 the water system, water delivery, has never been  
18 guaranteed. There was never a guarantee on any  
19 system that water can be delivered. We do our best,  
20 but that can't be a guarantee, and it's especially  
21 difficult in high-mountain environments where there  
22 are freezing conditions.

23 We have three springs that supply our  
24 current needs, but they are inadequate to meet the  
25 build-out demands. We are in the process of

1 resolving that. We have water storage to meet the  
2 present needs. But, again, they are inadequate to  
3 meet the build-out demands.

4 We have small water lines adequate to meet  
5 our indoor needs, but they are inadequate to meet  
6 fire demands. Some of the fire flows are woefully  
7 underrated. We have many buried pipe lines that are  
8 protected against the surface environment, but they  
9 are not protected against winter freeze problems and  
10 we will see that glaringly here in a couple of  
11 minutes.

12 We have grown from 380 connections to 745  
13 in 2007. It's almost a 20 percent growth. And this  
14 year, there were 40 current lots that are now being  
15 developed. So we take the 745 -- we are now at 785,  
16 790 homes.

17 From the springs -- we share our spring  
18 sources with the LDS Church. There are approximately  
19 three more springs that are in the Lone Pine area  
20 that are now being developed or now have been  
21 developed. There is still, I believe, one more in  
22 that area that we are looking to develop, but we'll  
23 now have to wait until next year. We've been  
24 weathered out of the area.

25 They must be developed to preserve our

1 water rights. And when we develop them, we had made  
2 an agreement with the Church that they would develop  
3 half, we will develop half, and we will pay up to  
4 \$75,000 to do that, and we get half the water that is  
5 developed.

6 When Veigh Cummings sold the water rights  
7 to us, he sold water rights to the Church and they  
8 had the same points of diversion. If we don't go in  
9 and work with the Church and develop these springs  
10 with them, they could go in and develop them on their  
11 own and they would get 100 percent of the water. If  
12 they beat us to developing it, they could get  
13 100 percent of the water out of the springs. So it's  
14 critical that we work with them and we work together  
15 to jointly develop those waters.

16 And, Jody, the springs that have been  
17 developed this year -- 40 gpm -- is that what it's  
18 called?

19 MR. DEFA: Yes.

20 MR. HANSEN: And that was like in August.  
21 So we're getting about 40 additional gallons per  
22 minute out of those springs that were developed this  
23 spring.

24 We've spent about \$30,000 installing  
25 spring-flow metering devices so that we can more

1 accurately know what those springs are flowing. Our  
2 spring sources include Lookout Mountain, Cove  
3 Springs, and -- let me see if I can make this thing  
4 work -- and the Lone Pine springs, here.

5           These were the ones that were developed  
6 this summer. We also have another spring in the Lone  
7 Pine area, as well as another spring over in the Cove  
8 Springs area that can be developed.

9           Our storage -- we have a 400,000 and an  
10 100,008 gallon tank in the Lone Pine area, and we  
11 have a 200,000 gallon tank down -- we call it the  
12 west tank.

13           Additional master planned storage is --  
14 we've got 150,000 gallons we need at Lookout  
15 Mountain. We need another 150 at Cove, and we need  
16 another 280,000 gallon tank at Lone Pine. These are  
17 volumes that have been determined based on an  
18 engineered master plan showing, with the spring flow  
19 and our demands, how much we need to be able to meet  
20 those daily fluctuations.

21           Our water line sizes -- the majority of  
22 the water lines we inherited were two to four inches  
23 in size. The master plan shows the proper sizes for  
24 main distribution lines are eight inches, and that  
25 the lateral lines are six inches -- the short little

1 lines that are going to meet some of the end needs.

2 Burial depth -- when it was developed, we  
3 were intended to be a summer recreational property,  
4 not a year-round property development. As I've  
5 indicated, water lines were two to three feet deep.  
6 And for freeze protection, we need a six to seven  
7 foot depth for burial and our line sizes should be  
8 six to eight inches. And you can see the disparity  
9 between what was actually constructed versus what was  
10 on -- what we really need.

11 Now, this particular slide shows by year  
12 the improvements that have been made since 1996. And  
13 if you look at these slides as they come up, you will  
14 see that we have been able to complete a significant  
15 portion -- not the majority -- but we have done a lot  
16 of work over the years. This included up through  
17 2006. And out of those lines, all of these lines  
18 have been replaced to try to eliminate the problems  
19 that we have every single year on the mountain.

20 The capital cost of expenditures through  
21 that period of time -- cumulative total, we've spent  
22 about \$2.8 million to date, and those have been paid  
23 with the bonds as well as the monthly fees that have  
24 been charged for the water.

25 Additional water line freezes and



1 bursts -- in 2006 and 2007, we had a 600-foot  
2 section, a 1,400-foot section down on the west side  
3 up near Pamalot. We had a 450-foot section. We had  
4 a 300-foot section up in the top on Hawk Lane. That  
5 one, actually, we did not have to fix. It thawed  
6 gracefully, but we did end up with a leak that Jody  
7 has just fixed within the last couple of weeks.

8 We also had a section here -- 450 feet --  
9 that was apparently never installed. We thought it  
10 was. We thought it was there. It was supposed to be  
11 there, but it was never installed, so we had to put  
12 that in this year because there was residences within  
13 that area that were being built and needed to get the  
14 water hooked up.

15 We had a 600-foot section down here. This  
16 year, we were looking at 2,000 feet down on Boxwood  
17 Lane that we now have. That line had never been put  
18 in on Boxwood Lane. We have a commitment now with  
19 those property owners. They paid up their fees.  
20 They are continuing to pay. All we're waiting for is  
21 a land easement and the land issues to be resolved,  
22 and we have to put that 2,000 feet in there to feed  
23 the Boxwood Lane properties that have never been fed  
24 since the development began. Lines remaining to be  
25 upgraded. We have about 60 percent of the system

1 left to go.

2 Now, when I say, "upgraded," somebody  
3 might say, "Why do we need to do all that?"

4 It's because we have undersized lines, we  
5 can't deliver the flow in the event of a fire, and  
6 every year we end up with freeze problems. This last  
7 year was a hard year. The year before was actually  
8 pretty good. The year before that was horrible, if I  
9 remember right. We spent many hundreds of thousands  
10 of dollars fixing -- do you remember how many lines  
11 you had to fix that year?

12 MR. DEFA: Over a hundred.

13 MR. HANSEN: Over a hundred freezes on the  
14 system.

15 Jody has done a good job with feeding the  
16 water to the fire hydrants to resolve a lot of those  
17 issues.

18 The work remaining to be done -- this list  
19 is the estimated cost for each one of these segments  
20 that we just showed in red -- what work that has to  
21 be done on the system. We have taken the master plan  
22 costs that were developed in 2002 and we've updated  
23 those to 2007 costs. We've made our best attempt to  
24 adjust those. In some instances, I'm not sure these  
25 costs are even underestimated. We don't know what's

1 going to happen in the next year with construction,  
2 but, for example, about eight years ago, we bid wells  
3 in the Salt Lake area that were costing \$300,000'ish  
4 for a 20-inch diameter steel well, a thousand feet  
5 deep. Four years ago, those wells ended up costing  
6 \$450,000 to \$500,000 for the exact same thing. Two  
7 years ago, those wells were rebid at \$800,000 to  
8 \$900,000. Construction costs are ignoring the cost  
9 of inflation. They are much, much, much higher than  
10 cost of inflation. They are ignoring it. They are  
11 far outpacing us.

12 If you take a look at those costs, the  
13 remaining work to be done, that's not all. We have a  
14 lot of work that is left to be done within the  
15 system. An engineering cost estimate in 2002  
16 estimated \$5.1 million. If we take a ten percent  
17 inflation for construction, which may be low, we are  
18 looking at 2007 costs of \$8.3 million.

19 The greatest impact that has been had on  
20 piping is the cost of pipe because of oil, because of  
21 gas prices, and costs of materials. And labor has  
22 gone up substantially. The cost of materials has far  
23 outstripped that.

24 So in 2007, we see an \$8.3 million cost.  
25 That cost does not include the cost of spring

1 development -- which we've estimated at \$235,000 --  
2 tank construction for the three remaining tanks,  
3 engineering, and system O & M. What the engineering  
4 cost is, that's 15 percent of those costs -- seven  
5 and a half percent for design, seven and half percent  
6 for construction. Those costs may end up being a  
7 little high but they are typical.

8 We expect actually when we bid it that the  
9 costs for those will likely come down. We'll get  
10 those lowered, but those are typical costs that are  
11 used in engineering.

12 System O & M -- that varies. It depends  
13 on how hard the winter is. Right now, we are  
14 scraping the barrel to get by on system O & M right  
15 now.

16 If you take a look at the costs going back  
17 to the 2002 data and look at the different percents  
18 of inflation, in 2007, you would see that at ten  
19 percent, what cost us a little over \$5 million is  
20 estimated now to be \$8.5 million. At ten percent  
21 inflation, if we wait three more years, we are going  
22 to be looking at over \$11 million for the exact same  
23 thing. Between '02 and '10, those costs are  
24 projected to at least double in that time period.

25 The total cost -- if we look at the total

1 cost, including the engineering and the springs and  
2 other items, what would have been estimated to have  
3 cost \$7.5 to \$8 million is now estimated at being  
4 about a little over \$12 million. And if we wait  
5 until 2010, we're looking at about a \$17 million  
6 figure.

7           What are our available funds to do this?  
8 Right now, our income is on the order of \$780,000 a  
9 year. We have expenses on the order of \$682,000,  
10 giving us an approximate \$100,000 income a year to be  
11 able to deal with any capital improvements --  
12 repairs, improvements, everything in addition to  
13 salary and maintenance of the building and keeping  
14 the lights on and paying the existing bonds. We have  
15 about \$100,000 to deal with.

16           So how do we do it? How are we going to  
17 do this and what are the solutions? We came up with  
18 three alternatives.

19           Number one is, we maintain the system  
20 status quo. What that means is, we don't solve the  
21 problems but we would require a rate increase just to  
22 keep the system operating. We haven't had a rate  
23 increase for five or six years. We have got to raise  
24 the rates enough to keep up with inflation and salary  
25 adjustments and the cost of the system O & M.

1           The second option is, we build a fund and  
2   replace over time. What this means is that we focus  
3   on the high priority problems and we would expect  
4   that to occur over several years. In this estimate  
5   that I'll show you in a minute, we estimated a  
6   15-year turnaround. That we raise the rates enough  
7   so that we can do what needs to be done over a  
8   15-year period of time and in so doing, we simply get  
9   the funds in and build things as fast as we can with  
10  whatever funds we have available. That also would  
11  require a rate increase to accomplish that.

12           The third alternative that we've been able  
13  to come up with is, we overhaul the system now.  
14  Number one, that resolves the system deficiencies.  
15  That gets us out of the freeze issues and the major  
16  struggles that we have every year. It provides our  
17  fire flow. It puts the entire system on equal  
18  footing, but it too will require a rate increase to  
19  accomplish that goal.

20           Let's take a look at maintaining the  
21  status quo. The system needs at least another  
22  \$100,000 a year of income so that we can continue to  
23  maintain the system we have. Over the last five  
24  years, as salaries and cost of materials and costs of  
25  repairs have gone up, our ability to do that work is

1 rapidly dwindling. So we would need to have at least  
2 \$100,000 in income per year to make up for that. In  
3 2007, if we had 750 connections, that's a cost of  
4 about \$11 per month as a minimum that we would have  
5 to look at.

6 Without the system improvements, we will  
7 continue to have line freezes and system  
8 interruptions, and the future building will be  
9 limited by both water, source, and storage. The  
10 bottom line is, the haves will have, the have-nots  
11 will have not. That's really the bottom line.

12 And in the earlier presentation that we  
13 gave a month and a half ago, roughly, I made this  
14 statement: As a board member and a lot owner in  
15 Timber Lakes, I do not want to be a Robert Redford.  
16 I like Robert Redford, his acting capability, but his  
17 statement where he goes in and he builds Sundance,  
18 and then he doesn't want anybody else to come in is  
19 kind of two-sided.

20 We could easily come and say, "Well, this  
21 is one way to limit development. I keep my view."  
22 But that's pretty unfair to the people who have built  
23 the lot, just like all of us have and want to build  
24 on it, to limit them and prohibit them from building  
25 on their property as we have had the opportunity to

1 build ourselves.

2           The second option -- building a fund and  
3 replacing over time. We've assumed 15 years to  
4 complete with a ten percent construction inflation  
5 factor -- which may be low -- pipe improvements on  
6 the order of 8.3 million. These other costs for  
7 spring and tank -- a ten percent contingency, three  
8 percent administration for the staff to deal with all  
9 of the issues that have to be dealt with, and the  
10 legal costs -- we come up -- and then engineering at  
11 15 percent. Our total estimated cost is  
12 \$12.1 million.

13           If you divide that directly into a 15-year  
14 period, that translates to we need \$1.4 million of  
15 income a year. And remember the number I gave  
16 earlier. We have \$100,000 available.

17           Alternative two makes a significant  
18 impact, and if you look at the estimated increase per  
19 lot by doing that, we are coming up with about \$8,500  
20 per month per lot.

21           UNIDENTIFIED SPEAKER: Increase?

22           MR. HANSEN: This is an increase.

23           And if you will notice, these numbers that  
24 we are showing here are additional costs that the  
25 system needs to get everybody on an equal footing and



1 resolve the problem.

2           You will notice, we used every lot. This  
3 isn't just those that are full-time. It's not just  
4 those that are part-time. It's every single lot,  
5 whether there is a building on it or not.

6           The third alternative. If we take a look  
7 at the lump-sum repairs, we've made an assumption  
8 that the design can be completed, the construction  
9 costs could be let, and that the contractor could  
10 build the system, repair the lines -- upgrade the  
11 lines -- over a two-year period.

12           There are a significant length of pipes  
13 that need to be replaced. It's a major problem.  
14 It's not just getting a backhoe up there and digging  
15 these pipes. In order to do this project, we are  
16 going to need three or four crews up there  
17 concurrently working on this for a building  
18 construction period during the summer in order to get  
19 this type job done. We are not dealing with Mr. Joe  
20 Backhoe down in the valley being able to come do  
21 this. We've got to have some serious help to get  
22 this project underway.

23           So we've assumed a two-year period. If we  
24 assume that \$12 million cost, which is the inflated  
25 cost from the master plan, the springs, the tanks,

1 all of those issues together, if we take that and  
2 assume a 5.5 percent, 20-year bond -- we've talked to  
3 the bank and that is the current rate that we can get  
4 the bond for -- over that period of time, we are  
5 dealing with a \$60 per month increase per lot to make  
6 this happen.

7 If you look at that and estimate a lump  
8 sum in today's dollars, that's \$8,644 a lot. And I  
9 think it's appropriate that I make a comment here.

10 We have added to this items that were not  
11 considered five years ago when Gil Horox was standing  
12 where I'm standing. He was looking at that time and  
13 did not identify the tank repairs, the spring  
14 developments, and those items that we have shown in  
15 these costs. Back at that time, if I remember right,  
16 he estimated a lump-sum cost per lot of \$3,500.

17 The costs of the springs and the tanks are  
18 not the major costs that we are dealing with here.  
19 It's the pipes in the ground that are the major  
20 portion.

21 In the time that we have delayed -- five  
22 years ago, there was some very, very, very  
23 significant opposition to an increase. We have gone  
24 from a \$3,500 or \$4,000 commitment per lot to an  
25 \$8,600 commitment per lot by waiting five years.

1 That's the hard, cold reality of what we've done to  
2 ourselves in the last five years.

3           If you look at the cost -- this is a  
4 two-percent bond. I did not update this to a  
5 five-and-a-half. This is only for reference  
6 purposes. If you look at that cost right now at ten  
7 percent inflation, you are looking at roughly \$60 per  
8 lot. If we delay that three years with what we are  
9 seeing today, in three years if we don't do this, we  
10 are going to be looking at an \$80-per-lot impact.

11           There are some other issues that we also  
12 looked at. We've also considered a rate increase on  
13 the water usage. We've heard multiple comments and  
14 we've tried to listen to and incorporate them all.  
15 Some of those comments are: "Well, raise the rates."

16           "Let those that are using the water help  
17 pay for the water."

18           "Okay, I don't have a home on my lot."

19           "Let's put all this onto the homeowners  
20 that have a cabin or a home on their lot. They are  
21 the ones who are using the water."

22           We've heard all of those options. We've  
23 considered them. If we raise the rates, doubled the  
24 rates for everything above 2,000-gallon usage -- this  
25 is our current structure. If we doubled everything

1 above the base and leave the base where it is, we  
2 estimate that that income will only make a difference  
3 of about \$30,000 a year. That's only a dent in the  
4 bucket.

5 What we are proposing -- and we have  
6 thought long and hard about this -- we are proposing  
7 to get the problem solved now before it costs us more  
8 money. We are proposing to raise the rates \$60 a  
9 month per lot, and we are also proposing to increase  
10 the water usage rates, as I showed on the previous  
11 graph, for two reasons:

12 The \$60-a-month rate will help us to get  
13 the system repaired and get us out of the black hole  
14 we've been in. The rate increase on the actual water  
15 usage will help us to deal with the costs that we  
16 have already gone through in salaries and material  
17 increase over the last five years to help us with the  
18 O & M issue.

19 As a board, there isn't one -- I can't say  
20 there isn't one. We have one board member that does  
21 not have a vested interest in everything we are  
22 talking about here. Adam Hagen has two lots. Mike  
23 is a part-time resident. I'm a part-time resident.  
24 Ralph is a full-time resident. And Leno used to be a  
25 full-time resident and is now part-time.

1           We have to deal with all of these issues  
2           in the exact same way, and we have struggled with  
3           this now for six months, and this is the best  
4           solution that we could come up with. And that is the  
5           proposal and that is where the board's position is  
6           now, that we need to get this resolved now before it  
7           ends up digging our pockets later.

8           And with that, let me first ask the board  
9           if they have any additional comments they'd like to  
10          make, and then we'll open it for comment and  
11          discussion.

12                    Any comments from any of the board?  
13          Duane, do you have any comments?

14                    MR. MOSS: No.

15                    MR. HANSEN: Okay. Let's just open it up  
16          for discussion.

17                    MS. ANDERTON: My name is Carolyn  
18          Anderton. Just before coming down tonight, I was  
19          listening to the news. They just announced that oil  
20          went up to \$87 a barrel and that we would be paying  
21          probably double for propane this winter. And they  
22          also announced that housing costs are going to drop  
23          significantly, and they are wondering if it's going  
24          to put us into a recession. They've reviewed where  
25          they thought housing was and said it's a lot worse

1 off.

2 Now, with that said, I know that Ralph had  
3 an idea that at least through the winter that we only  
4 increase this \$25 a month until you actually started  
5 working in the spring. Is that feasible to get us  
6 through this propane cost and this other dilemma?  
7 And maybe our prices are going go down because there  
8 isn't going to be building and things going on.

9 MR. HANSEN: It's a good question. Ralph,  
10 do you want to discuss that?

11 MR. LEWIS: The \$25 was just something off  
12 the top of my head, but as we got into it and worked  
13 with it, we find that a \$25 increase will not solve  
14 the problem.

15 MS. ANDERTON: Will it solve it through  
16 the winter?

17 MR. LEWIS: We have to have time for  
18 engineering, and we want to pay for the engineering  
19 with this increase so that we can get to work and get  
20 it done. It's four or five months of engineering,  
21 and so we want to start now to get the engineering  
22 done and then we can go out to bid and have hard  
23 figures and knowing what it's going to cost us.

24 MR. HANSEN: And that's correct. Let me  
25 clarify a couple of points. We have a master plan,

1 but we don't have any hard design on any of this  
2 system. In the numbers I've used here, we have  
3 assumed engineering is going to cost on the order of  
4 \$750,000. I don't believe it will cost that much. I  
5 think it can be done for less, maybe \$500,000 to  
6 \$600,000 for what needs to be done.

7 But remember, the engineering has to  
8 include the design of three springs, and it also has  
9 to include the design of three tanks as part of it.

10 The engineering costs, if they are on the  
11 order of \$600,000 -- if the engineering starts in  
12 November or December and we give them four to five  
13 months to complete so that we can get the project bid  
14 and get a contractor in in the summer, we are going  
15 to be incurring a \$600,000 bill by May or June of  
16 '08. The \$25 a month will not give us what we need  
17 within that time frame. We have to be able to get  
18 enough income to physically get the system designed.

19 If we raise the rates to what we are  
20 proposing, \$60, that will allow us to pay for the  
21 engineering within that time frame. We would then  
22 have the engineering done, we'd have the project bid,  
23 get it bid -- hopefully as we take a look, I'm hoping  
24 construction costs may taper a bit in the spring --  
25 that they will be more hungry because the home

1 building has dropped off. And if we get it bid in  
2 the spring and we turn around and get this bid and  
3 find out that it's not \$12.2 million that it's going  
4 to cost us, it's something less, it's much easier on  
5 all of us if we back off that rate.

6 But we need to be able to charge the \$60 a  
7 month between now and the time May hits so that we  
8 can physically get an engineer, so that can we can  
9 start to get the design, or get the construction  
10 started, for the 2008 construction period so we don't  
11 lose that additional year of time.

12 MR. ANDERTON: If I followed you  
13 correctly, that \$60 increase would make it \$105  
14 before (inaudible). Am I correct?

15 MR. HANSEN: Correct.

16 MR. ANDERTON: It's \$45 now and then if  
17 you add \$60 onto it, it would be \$105 before we get  
18 any water at all. And then increasing the -- we use  
19 on an average of five to seven thousand a month  
20 except in the summer months when our kids are all  
21 here, and then it goes up to 10 or 12. But you  
22 talked about \$7 per thousand, so the average home --  
23 you know, I'm using myself as an average home --  
24 you're probably talking about close to \$150 a month,  
25 are we not?



1                   MR. HANSEN: I have not calculated those,  
2 but I couldn't just --

3                   MR. ANDERTON: It's something like that.

4                   MR. HANSEN: We know that a lot that isn't  
5 even connected will be \$85 a month.

6                   MR. ANDERTON: That's \$85 right there.  
7 And I'm wondering about the people -- I mean, I'm  
8 still working and still doing things and have income.  
9 I'm wondering about the folks who are on a fixed  
10 income up there. That's one concern. The second  
11 thing is about the bond. Am I correct in saying that  
12 there are two bonds out or are there three?

13                   MR. HANSEN: I think it's two.

14                   MR. ANDERTON: I think there are two.

15                   MR. HANSEN: The original one that we had  
16 to buy the system, and then the one that was two or  
17 three years ago when we did the massive construction.

18                   MR. ANDERTON: Would we be able to retire  
19 those two bonds and fold that into this? I know over  
20 at the County we do that occasionally.

21                   MR. HANSEN: We've thought about that, and  
22 Ralph actually brought that up in our last board  
23 meeting. One of the bonds we have is at two percent,  
24 and I think that's the latest one, am I correct?

25                   MR. DEFA: No. The 2004 is the 1.76.

1           MR. HANSEN: The 2004 is 1.76 percent.  
2           That bond is much, much less than we can get a  
3           current loan for, so we are best to keep that one.  
4           And the other one is at 5.5 percent anyway.

5           MR. ANDERTON: So according to the  
6           banker -- and I'm assuming you're talking to John  
7           Bronson, and maybe it's someone else -- will we be  
8           able to get an additional bond?

9           MR. HANSEN: Yes, we can, because they  
10          have checked it and we can get a third bond. Because  
11          of the interest rates, it's not going to pay for us  
12          to roll these other bonds into the current one for  
13          two reasons: Number one, we are at the same rate or  
14          even better rate than we can get now.

15          The second reason is, we've got until 2017  
16          for the payoff of the first bond. If we roll that  
17          in, we don't want to stretch that out to 2027. We  
18          want to get that paid off and off our backs as soon  
19          as possible.

20          So we have considered that, but because of  
21          the way they are structured and timing, we don't see  
22          it as an advantage.

23          MR. ANDERTON: Well, interest rate and  
24          time factor, those are two important points.

25          MS. ANDERTON: I have a question. I

1 thought we weren't going to do a bond. I thought you  
2 were just assessing each property owner to get the  
3 money you wanted. Am I wrong in that? And if that's  
4 the case, why would there be an interest rate?

5 MR. HANSEN: What's the physical  
6 terminology of what we're trying to do?

7 MR. MOSS: A special assessment.

8 MR. HANSEN: A special assessment.

9 MS. ANDERTON: But you are trying to get  
10 the money from them at what interest rate, and then  
11 have us pay it back?

12 MR. HANSEN: Five and a half percent is  
13 what they've told us.

14 MS. ANDERTON: There isn't enough money if  
15 you increase it that much to just have the assessment  
16 pay for the --

17 MR. HANSEN: The repairs and maintenance?

18 MS. ANDERTON: Yeah.

19 MR. HANSEN: That was option two that I  
20 gave you. In order to do that, because of the  
21 construction -- the construction costs more each  
22 year. If we did it in a 15-year time frame, it would  
23 end up actually costing us about \$20-plus more a  
24 month to accomplish the same thing. And the reason  
25 for that is the cost of construction that we've seen.

1 The cost of the construction is far outstripping the  
2 cost of inflation. Now, if those came back in line,  
3 then it wouldn't matter when we did it. But cost of  
4 the construction has been far, far ahead of inflation  
5 costs.

6 MS. MEYERHOFFER: How long do you project  
7 it will be, the increase of \$60 a month?

8 MR. HANSEN: Twenty years. We're looking  
9 at a 20-year payoff on this increase. And as we  
10 showed earlier -- and I can try backing up to that --  
11 the current cost for what we're looking at is \$8,644  
12 per lot. That is the depth that would be placed on  
13 every lot.

14 Now there are some individuals who may  
15 come in and say, "You know, I'd just rather get this  
16 off my back. Here is a check for \$8,600," and be  
17 done with it.

18 That's an option we can look at. If  
19 somebody was interested in paying a lump-sum amount,  
20 we could consider that as an alternative. But this  
21 is looking at 20-year payoff.

22 MR. HARTSHORN: My question is, I know  
23 there are quite a few lots and houses, for that  
24 matter, that have not paid their water bills and  
25 consequently, the water company has put a lien

1       against those lots or those houses.

2                       What has been done to take action to sell  
3 those lots and make money on the thing to reduce the  
4 costs? Have you thought about that?

5                       MR. HANSEN: Do you have an answer to that  
6 or does any other member of the board want to address  
7 that issue?

8                       MR. DEFA: What happens is, each year in  
9 October, we go through a list of people that are in  
10 default that owe money to the company. We have tried  
11 throughout the year to send them bills, send them  
12 notice. If they are connected, we give them  
13 termination notices. If they are not connected, we  
14 take those amounts and we turn them over to the  
15 County. The County, in turn, liens their property.  
16 When they come and pay their taxes, the County writes  
17 us a check for those past due amounts.

18                       We have one gentleman here tonight that is  
19 in a position to pay us some of those back fees  
20 because the County has a lien on his property.

21                       Now, there is some negotiation because  
22 it's been over ten years since there has been a  
23 payment made on these lots in particular. But I  
24 think that we don't want to be in the real estate  
25 business. From what I understand, I think it's

1 better to let the County handle it and they do the  
2 collections and they give us a check when the money  
3 comes.

4 And so I don't know that there is any more  
5 that we could do or any way to become more aggressive  
6 than to put a lien on their property that pays us  
7 when they pay their taxes.

8 MR. MOSS: I think there was a period when  
9 you were actually taking those to small claims court.

10 MR. DEFA: There was a period when there  
11 was a statute. The state statute changed where we  
12 could only collect up to a certain amount. And so  
13 essentially what it did is turn us into a collection  
14 agency, in my estimation, because if anybody got in  
15 to us over a certain amount, we had to take them to  
16 court before our collection costs, before our  
17 attorney fees got to a certain amount, or by legal  
18 description, we could not collect the money. And so  
19 the State has recently changed that statute. I'm not  
20 familiar with what they have done. Duane is. But  
21 from my understanding, we can once against lien with  
22 the County.

23 MR. HANSEN: And we were finding out when  
24 that occurred that the legal fees to go through the  
25 process were costing us as much or more than we were

1       losing by nonpayment.

2                       So Jerry, the bottom line is we are trying  
3       to get collections of those that are delinquent, but  
4       we are trying to do that through the lien process on  
5       the property and in this type of a case, to recover  
6       it when something happens to that property with the  
7       new owner.

8                       MR. HARTSHORN: Is there any way we can  
9       push that a bit?

10                      MR. HANSEN: We can certainly try. We are  
11       trying.

12                      MR. HARTSHORN: Because that would be  
13       ready dollars in your pocket ahead of time that was  
14       owed from the past. If you can push it down, now is  
15       the time to grab it. It's going to be harder later.

16                      MR. HANSEN: Let me mention something else  
17       we're doing that really isn't part of this  
18       presentation. We are going to consider in the next  
19       two months -- next month or two months -- actual  
20       increases to see if we can't increase our impact fees  
21       for new construction. What we would intend to do is  
22       to take all those impact fees and immediately  
23       dedicate them towards paying off this loan. So we  
24       would try to pay off the bond faster with those types  
25       of fees. So we are looking at that doing -- when the

1 properties sell like this, be able to bring those  
2 monies and apply it directly and try and get it off  
3 the principal and knock this down as fast as we can.

4 MR. HARTSHORN: Have you any idea how many  
5 lots or homes are in this position?

6 MR. HANSEN: We've looked at that number  
7 in the past, and I'm trying to remember. Carol or  
8 Jody, do you remember at all? My gut tells me 50,  
9 but I don't recall the hard number.

10 MS. CAROL: I think it's less than 50.

11 MR. DEFA: I think we turned about 20 over  
12 this year. And some of those lots are quote,  
13 unquote, "unbuildable." And you know, likelihood on  
14 some of the slide areas of collecting the monies are  
15 limited. And selling the property on an unbuildable  
16 lot is even less likely.

17 MR. HANSEN: Take a look at the reality.  
18 I've got an unbuildable lot next to me, one option is  
19 for me to buy it so nobody could ever build on it,  
20 but if it's unbuildable, I get the same thing for  
21 free anyway. I mean that's the hard reality.

22 What other comments do you have?

23 MR. ZACHARY: Operating and maintenance  
24 costs, have they been included on the calculation on  
25 the 15-year projection as well as the two-year? Is



1 there an offset that we have by not having as much  
2 from the freezing and the other effects that  
3 occurred?

4 MR. HANSEN: We don't know exactly what's  
5 going to happen to O & M with all of this. We  
6 know -- Jody spent all summer doing two things:  
7 Trying to get the spring developed, and repairing  
8 water lines.

9 We fully anticipate that if we can get  
10 those improvements made, our freezes will be down to  
11 minimal. And so in the spring, we are going to have  
12 to spend much less time and effort maintaining the  
13 system, whether in the future if we can reduce  
14 manpower to do that, we would be looking at that and  
15 Jody will be looking at that, rather than have people  
16 -- we're not UDOT. So rather than having people sit  
17 in their trucks with their hands -- now, if anybody  
18 is here with UDOT -- sometimes I put my foot in my  
19 mouth.

20 But we will look at that. Jody doesn't  
21 have any desire of having any more people on staff  
22 than we have to have.

23 MR. ZACHARY: What is the current total  
24 operating maintenance for just the maintenance side?  
25 Do we know that?

1 MR. HANSEN: Are you talking --

2 MR. ZACHARY: Repairs and maintenance.

3 MR. HANSEN: Repairs and things?

4 MR. DEFA: With total, with administration  
5 with everything, I believe it's between \$198,000 and  
6 \$224,000. And that money is generated from the \$20 a  
7 month that the connected customers pay to the water  
8 company.

9 MR. HANSEN: Let me mention the other  
10 costs that we have that I really didn't go into, and  
11 that is a building.

12 In years past, there have been some  
13 individuals -- Mike Camper was one of them, as well  
14 as Jerry -- that we had used their physical  
15 facilities during the winter and the summer period.  
16 We don't have anywhere to go. This winter, our crews  
17 are going to be in the cabs of their trucks. They  
18 don't have a bathroom to go to the bathroom in,  
19 unless there is anybody that wants to leave their key  
20 out on the tree for them to use, let me know. But  
21 they don't have a home.

22 We have committed to the homeowners  
23 association, we are joining with them to build a  
24 building. We will join with them and build a  
25 building together. They will be separate areas,

1 separate compartments. They will have three bays.  
2 We will have four so that we have a small office area  
3 that they can go to work, as well as restroom and  
4 maintenance facilities.

5 We have made that commitment. And that  
6 building, in reality, is the number one priority  
7 after freezes. We will not be putting in anything,  
8 regardless of what happens, until that building is in  
9 other than pipe breaks and fixing the system because  
10 we have to have a home for our crews. We don't  
11 expect anybody to be out in the cold all winter long.  
12 That is number one priority.

13 So we've made that commitment. We have  
14 that to go through this next year, and that  
15 commitment will likely end up costing about  
16 \$125,000 -- it could be up to \$150,000 to get that  
17 building in place.

18 MS. MEYERHOFFER: You may have already  
19 addressed this, but are there any federal funds that  
20 are available for special service districts like we  
21 have -- that we inherited this inferior system that  
22 needs so much capital improvement. Is there any  
23 federal funds that are available for our situation?

24 MR. HANSEN: We have tried to look for  
25 funding that is available. And as a matter of fact,

1 you said there is a system in Midway that is worse  
2 off than we are, didn't you?

3 We have looked into that, but we are not  
4 aware of anything that would fit our need. There are  
5 some low interest loans through the State. Our last  
6 loan we took out was in that category. But their  
7 loan amount is very, very close to what we can get  
8 commercially right now. So we have tried to find  
9 out and see if there are grants available, as well as  
10 low interest loans. And we just don't see anything  
11 there.

12 I would love to petition the County for a  
13 hardship to say, "Let some of our taxes go to help  
14 us."

15 We can't count on that right now, but  
16 we'll pursue that and see if there is anything that  
17 comes of it.

18 MR. HARTSHORN: We are part of the County,  
19 right?

20 MR. HANSEN: We are.

21 MR. HARTSHORN: Then why can't they help  
22 us?

23 MR. HANSEN: The County has not -- correct  
24 me if I'm wrong, Steve -- or do you want to address  
25 that?

1                   MR. FARRELL: We're not collecting enough  
2 on the taxes because of the expenses we're incurring  
3 now.

4                   MR. HARTSHORN: I mean, our \$1,500 a year  
5 isn't enough?

6                   MR. FARRELL: You need to recognize where  
7 that \$1,500 goes.

8                   MR. HARTSHORN: I know where it doesn't  
9 go -- the police department to take care of the  
10 speeders and --

11                   MR. FARRELL: The County gets a very small  
12 portion of that \$1,500. The majority of it goes to  
13 the schools.

14                   MR. HARTSHORN: We don't have any kids in  
15 school.

16                   MS. ANDERTON: Since the water is a  
17 necessity, isn't there some -- I know why the State  
18 won't loan you more money because you've reached your  
19 limit on what you can borrow. Isn't there some kind  
20 of a ceiling on what you are allowed to charge people  
21 for their drinking water?

22                   MR. HANSEN: No.

23                   MS. ANDERTON: There is no limit?

24                   MR. HANSEN: No. The cost of water -- as  
25 a matter of fact, do you want to address that? He

1 just came from Florida.

2 MR. HAGEN: From my experience, just from  
3 where I came from in Florida -- I've been here four  
4 years now -- I had a 1,200-square-foot home, and I  
5 never paid less than \$150 a month for water.

6 MS. ANDERTON: Was that to have your  
7 outside water too?

8 MR. HAGEN: No. That was just inside.  
9 Outside was reclaimed water, which is substantially  
10 less at \$30 a month. But just every day -- now, we  
11 had sewer involved in that too, but you were looking  
12 at substantially much more than we pay here. And I  
13 know I have relatives in California and Texas who  
14 also do. So it's relevant to where you live. But I  
15 don't believe here in Utah that there is any cap on  
16 what you can or cannot charge.

17 Water is a major issue in Florida.

18 MR. HANSEN: With that, I want to make a  
19 comment just make sure everybody understands this.  
20 Adam has two lots. He's on the board. He has voted  
21 for this, even though it will affect him by \$120 per  
22 month because he owns two lots. Those who have  
23 combined their lots would only pay the \$60. He owns  
24 two lots. He's going to be hit double with this  
25 compared to others of us who have one lot.

1                   MR. HAGEN: And I'm a school teacher, so  
2 I'm not a rich person.

3                   MS. MEYERHOFFER: How is it if you combine  
4 your lots? Because right now, you just pay your  
5 standard -- what is it called? Just a hookup fee or  
6 standby fee or whatever. You are not saying it's an  
7 additional \$60 on that lot.

8                   MR. HANSEN: When we do this, the general  
9 assessment bond has to be applied to the numbers of  
10 lots that are then current. We can't go back and  
11 break lots apart because they've been legally formed  
12 into one. So if you've got a combined lot, you would  
13 only be charged once. If you don't, this will be per  
14 lot, whether it's .71 acres or whether it's 1.4  
15 acres.

16                   MS. MEYERHOFFER: I do have a combined  
17 lot, and I pay \$20 on one and --

18                   MR. HANSEN: \$25 on the other.

19                   MS. MEYERHOFFER: -- whatever -- plus your  
20 water on the other.

21                   MR. HANSEN: That's right. So if you've  
22 got a combined lot, this will only increase you \$60,  
23 not \$120.

24                   MS. MEYERHOFFER: Then I'll vote "yes."

25                   MR. HANSEN: You are happy now.

1 MS. MEYERHOFFER: No, actually, I think  
2 it's shocking.

3 MR. HANSEN: Well, we all are. We all  
4 are.

5 MS. MEYERHOFFER: It's pretty hard  
6 financially.

7 MR. HANSEN: That's the status of the  
8 building.

9 MR. ZACHARY: There are a lot of rumors  
10 going around. I'd like get some of them cleared up.

11 MR. HANSEN: I've not been in charge of  
12 the building, but this is the best of my information.  
13 They were trying to get the building in before the  
14 snow hit hard. They purchased the building. They  
15 identified the lot. They've done a lot of work on  
16 the lot, but apparently there were some legal issues  
17 the homeowners association didn't go through to get  
18 the permit, one of which is notification to  
19 individuals around that building what was happening.

20 So my understanding is that notices either  
21 have or are going out to those within a certain  
22 distance of the building site for comment. Those  
23 comments will be received. The County will hold a  
24 hearing to listen to those comments. And then the  
25 County would be able to make a decision whether to



1 approve the building or not. Is that correct?

2 MR. FARRELL: That's correct.

3 MR. ZACHARY: One of the other things I  
4 heard is that it was being built on common ground.

5 MR. HANSEN: It is being built on common  
6 ground.

7 MR. HARTSHORN: That's a violation of the  
8 ordinance.

9 MR. HANSEN: We don't think so. I saw  
10 something on this today, and I don't want to get into  
11 a legal issue for two reasons: Number one, we are  
12 here to talk water. Number two, it's really the  
13 homeowners who are doing it. But I'll try to answer  
14 it quickly.

15 My understanding is that the common ground  
16 is for the common good of the association, for the  
17 common use. Whether it's the homeowners association  
18 or the water district, this building is for the  
19 common good of everybody involved and, therefore,  
20 meets the requirements. That's what I've heard from  
21 the legal terms -- not from you, but from the  
22 homeowner's side.

23 MR. MOSS: Essentially, the homeowners  
24 association can vote to use common property to green  
25 light a facility, swimming pool, whatever they want

1 to do.

2 MR. ZACHARY: Does that have to be passed  
3 by a majority or just the board?

4 MR. MOSS: It depends on the CC&Rs that  
5 are established. Typically, those kinds of decisions  
6 are left up to the board to decide. Sometimes it may  
7 require a vote. It depends on the CC&Rs.

8 MR. HANSEN: The bottom line is each of  
9 the lot owners is going to have an opportunity to  
10 meet with the County and to express any concerns in  
11 favor or against that we have that building. And  
12 then once that input is received, then the County  
13 would take that and make a decision.

14 MR. FARRELL: We looked at that, and due  
15 to the size of the building and the nature of it, it  
16 requires a conditional-use permit. And the planning  
17 staff could issue that conditional-use permit if  
18 there is no protest to the building. So that's why  
19 everybody within 500 feet was notified of the  
20 building.

21 We got a considerable number of protests,  
22 so now it's going to have to go through the process  
23 and have the public hearings.

24 MS. ANDERTON: Don't we have our own lots  
25 that that building could be put on so it isn't put on

1 common ground? I mean, Timber Lakes has always taken  
2 somebody's lot for --

3 MR. HANSEN: The problem is, the building  
4 would require at least two lots together. We  
5 acquired two lots on what is it, the east side of  
6 Wit's Lake on the back side. We acquired two lots  
7 there. Jerry, you were around when we did this. And  
8 we considered putting the building over there. The  
9 problem is, there is a very, very significant  
10 landslide on the properties that created their  
11 availability. And so we're concerned about putting  
12 it there because of landslide issues. But we need at  
13 least two lots, and we don't have two lots together.  
14 And in reality, if we can find a decent area, a  
15 common area -- if we have to purchase a couple of  
16 lots to do this, well, guess what? Somebody has got  
17 to pay for it.

18 MR. SWENSEN: My name is Nate Swenson. I  
19 wanted to add to the building issue. November 8th,  
20 there is a meeting with the planning commission for  
21 the conditional use permit. It would be advisable  
22 that any residents be there.

23 MR. HANSEN: Okay. That's at 7:00.

24 MR. SWENSEN: I believe so.

25 MR. HANSEN: I think I saw an e-mail on it

1 this morning.

2 MR. SWENSEN: I just went and talked to  
3 Doug Smith this morning.

4 MR. FARRELL: It will be in the county  
5 council room if it's before the planning commission.

6 MR. HANSEN: That's on the 8th at 7:00.

7 Now, I don't know what the feelings are of  
8 people here in this room, but let me give you my  
9 personal perspective. This is not the board. This  
10 is my personal perspective.

11 We have crews that have to have a home.  
12 And if we don't get them a home, we can't expect our  
13 people to live in those conditions. We have to do  
14 something. Veigh Cummings did not dedicate a plot  
15 for a building. As cold as it may sound, he built  
16 the lots to get as much money out of this as he  
17 could. He didn't give us room. We need help to get  
18 compromise to get this thing done. We have got to  
19 get a home for our people.

20 UNIDENTIFIED SPEAKER: Yeah, but do you  
21 want to look at a seven-bay building out of your  
22 windows?

23 MR. HANSEN: I don't know what alternative  
24 we have. And we've even considered putting it at the  
25 bottom. But what do you do at the bottom? If we

1 have a track hoe, we can't drive the track hoe up the  
2 asphalt all the way to the top. If we put it at the  
3 bottom, now we've got to buy a dump truck to haul it  
4 and a big trailer. We increase our maintenance costs  
5 and our operating costs because now we have to put it  
6 on the truck to carry it. There are impacts to every  
7 decision that we have to make.

8 MR. ANDERTON: If you put chains on the  
9 grader and go up that asphalt, you'll tear it up.  
10 That's the problem with that.

11 MR. HANSEN: And in the middle, where we  
12 are proposing to put it is really ideal. It's kind  
13 of in the middle of the mountain. We can go both  
14 directions to get to where we need to go. But I  
15 understand what you are saying, but I don't know what  
16 else to do.

17 MS. ANDERTON: I mean, one of the reasons  
18 I think those people are protesting is they have seen  
19 what a big mess they have made around Duck Lake.  
20 Everywhere you guys have left your pipes and garbage.  
21 And it's taken down the value of the property in that  
22 area. And they are saying, "Hey, we don't want you  
23 here because we won't have any value to our property  
24 if you bring all your garbage."

25 So it's actually a problem that you have

1 kind of created for yourself by not being a little  
2 more careful.

3 MR. HANSEN: I understand that. And at  
4 same time, if you don't have a home -- if you don't  
5 have a place to put stuff, it's -- you know, if there  
6 is a place to put it, you can put it there. And you  
7 can actually fence around it to hide some of it. But  
8 if there is no place to put it, it's out and it looks  
9 like piles. So it's got two sides.

10 MR. HAGEN: The reality we'll be facing  
11 this winter is we're going to have our crew up there  
12 working in 30 and 20 degree weather, working on a  
13 broken water line, getting wet, and down in the  
14 ditch, and now they are coming out. They have no  
15 place to go or dry off or go to the bathroom, eat  
16 their lunch, change out of their wet clothes. I  
17 mean, that's the reality of our situation right now.

18 MS. ANDERTON: You can come to my house  
19 and just don't charge me the \$60 a month. Use the  
20 bathroom and eat lunch. Shower.

21 MR. HANSEN: I hope you can see our  
22 dilemma.

23 MS. MEYERHOFFER: How do you propose that  
24 this moves forward? I mean, does there have to be a  
25 vote?

1                   MR. HANSEN: Yes, what would happen is,  
2 following this hearing, the County would send out a  
3 notice of the increase --

4                   MR. FARRELL: A notice of intent.

5                   MR. HANSEN: Yes. Notice of intent of the  
6 increase, and it would solicit responses back from  
7 every property owner yea or nay. Depending on how  
8 that came back would allow the County to go ahead or  
9 it could kill it.

10                  MR. ANDERTON: That's for the next two  
11 weeks.

12                  MR. FARRELL: Well, I think from the time  
13 we issue the notice of intent.

14                  MS. ANDERTON: What happens if they vote  
15 "no"?

16                  MR. HANSEN: Well, you count up the  
17 numbers of "no" votes you receive, and there has to  
18 be a percent of the "no" votes you receive. If there  
19 are more "no" votes, then it's pretty much a done  
20 deal that the answer is "no."

21                  But if you receive less than that quantity  
22 of "no" votes, then the County can go ahead and  
23 impose the fee.

24                  MS. ANDERTON: But what I'm saying,  
25 though, is what happens to you and your whole project

1 if it -- Ralph said maybe you'd go bankrupt.

2 MR. HANSEN: You mean if we get a "no"  
3 vote and we can't proceed?

4 MS. ANDERTON: Yeah.

5 MR. HANSEN: The haves will have and the  
6 have nots will have not.

7 MS. ANDERTON: And if you do go bankrupt  
8 then what happens?

9 MR. HANSEN: We won't go bankrupt. We  
10 will increase fees to stay alive. We will have to do  
11 that, but it means we won't be able -- I don't know  
12 who in here has what waterlines in their system. I'm  
13 up on Eagle Drive. My waterline is four feet deep.  
14 It's four feet deep. I've frozen up a couple of  
15 times in the last couple of years, but for the most  
16 part, Jody has been able to keep the water flowing.  
17 But I don't know what my fire flows are. There are  
18 some fire hydrants that wouldn't put out a fire. I  
19 hate to say that. And if you look at your homeowners  
20 insurance, your fire insurance, we have got to get  
21 this problem resolved to get water throughout the  
22 system so we can deal with a fire. A fire up here at  
23 one home could be disastrous for the entire  
24 development, let alone all the other issues --  
25 ignoring the freeze issues.



1                   And I'll tell you, if you see anybody  
2 letting off full-fledged fireworks in July, kick  
3 their butts. I've seen it. And one went up and I  
4 couldn't get to them before they were gone.

5                   MS. ANDERTON: A guy was shooting guns and  
6 the police didn't do anything about him.

7                   MR. HANSEN: Well, there are many issues  
8 we have to deal with.

9                   MR. MOSS: Just one clarification. On  
10 raising the rate, the board actually has the power to  
11 raise the rate right now up to the \$60. What we're  
12 really requiring now is a special assessment area to  
13 be designated by the County. And that's what you are  
14 talking about. The board here will make a decision,  
15 "Yes, we endorse this."

16                   It goes to the County. They put out the  
17 notices, and then there are hearings held to create  
18 an assessment area for the assessment bond.

19                   MS. ANDERTON: What does that mean? You  
20 can assess it to the \$60, but you can't --

21                   MR. MOSS: The fees that are used for  
22 whatever purposes the board -- the water has, can be  
23 raised to whatever makes sense. That's what this  
24 hearing is for as well. He can go ahead and raise --  
25 the board can raise the fees \$60 now for whatever

1 purposes, like the engineering, studies, and those  
2 kinds of things.

3 What we're now talking about is the full  
4 \$12 million, we have to do through a special  
5 assessment. That's what will go to the County.

6 MR. HAGEN: To buy the bond.

7 MR. HANSEN: And that is what we are  
8 proposing. We are proposing, within two months of  
9 raising the rates to the \$60 -- raising the \$60 so  
10 that we can get going on the engineering and  
11 hopefully get this thing designed in a decent bid  
12 next year to proceed.

13 MR. ROBINSON: What was the cost on  
14 engineering?

15 MR. HANSEN: The engineering design -- we  
16 don't have a hard cost. I'm an engineer. My gut  
17 tells me it will be in the \$600,000 range.

18 MR. ROBINSON: You are thinking that the  
19 \$60 a month is going to do it before May?

20 MR. HANSEN: Yes.

21 (Multiple speakers.)

22 MR. HANSEN: Sixty times -- 1,415 times  
23 six months is \$509,000.

24 MR. ROBINSON: So even those that don't  
25 have built will get the \$60?

1                   MR. HANSEN: Yes. Every single lot.  
2 Every single lot in the development.

3                   And the comment has been, "Gee, is that  
4 fair? The people that are hooked up ought to pay for  
5 this."

6                   MR. ROBINSON: So are they going to  
7 benefit from it?

8                   MR. HANSEN: That is exactly the point.  
9 Every lot benefits from this. Every lot receives the  
10 same benefit in getting the water for flow and for  
11 fire and for all of the other issues.

12                   And I don't know how much you all paid for  
13 your lots. I paid \$27,000 for mine seven or eight  
14 years ago. The original lots were what?  
15 \$10,000'ish? And now they are up to \$85,000 or  
16 \$140,000 depending on where you are? There is  
17 substantially increase in value in the lots.

18                   And quite frankly, we don't see any other  
19 alternatives to this. We have racked our brains to  
20 find some alternative to make this happen cheaper,  
21 more efficiently, more effectively. And this is the  
22 best we've been able to come up with.

23                   MR. ROBINSON: What was the building rate  
24 that we've seen over the last year? Because I think  
25 one of the slides said we're up to 724 -- from what,

1 last year?

2 MR. HANSEN: In the original -- when we  
3 took over the system, we had 380 connections. At the  
4 beginning of '07 when I first started to put this  
5 presentation together, we had 745 current water  
6 connections.

7 MR. ROBINSON: With that perspective, how  
8 does that many more connections affect the flow? At  
9 what point in time will it affect the ability to  
10 receive --

11 MR. HANSEN: That's why we have to develop  
12 the springs and develop the storage to meet that  
13 ongoing demand.

14 MR. ROBINSON: That's what I wondered is  
15 if you have a point of construction where we know  
16 that point of diminishing return. I mean, to me,  
17 it's plain in itself to the obvious answer -- two  
18 year. But is that fortified by understanding what  
19 the build-out ratio is and how it affects everybody's  
20 ability to have any water coming through or  
21 sufficient flow?

22 MR. HANSEN: The question you are bringing  
23 up is exactly why we put meters on the springs. Two  
24 years ago, we had no idea what the flows were on the  
25 springs. We're metering it, and we are checking it,

1 and that is going to be part of the ongoing issue.

2 MR. ROBINSON: So we are in study period?

3 MR. HANSEN: We really are. And when a  
4 design goes forward, we will take that data and look  
5 at the flows, or the engineer who does the system  
6 will look at the flows and check the master plan to  
7 make sure that it makes sense. If it turns out that  
8 because of combined lots and issues we no longer need  
9 one of the 150,000 tanks, we'll eliminate it.

10 UNIDENTIFIED SPEAKER: And we're in the  
11 process now of developing those two springs -- two of  
12 them.

13 MR. HANSEN: What else?

14 MR. LEWIS: As you know, I'm a full-time  
15 resident, but I have a fixed income.

16 MR. HARTSHORN: Me too.

17 MR. LEWIS: And we have met and argued.  
18 Everyone on the board put forth a plan. And I hated  
19 this increase because it's going to be a hardship to  
20 me. But after we studied and discussed each one of  
21 the proposals, this is the best proposal we could  
22 come up with, really.

23 And so I want -- without buttering up to  
24 Dave, I want you to know that there was a lot of  
25 work, a lot of sessions where we came together to

1 discuss exactly what to do. And in my opinion, to  
2 raise the increase now, pay for the engineering, and  
3 then when you know exactly what it's going to cost,  
4 go out for bid. So I think this is the best way do  
5 it.

6 MR. ANDERTON: And you still like each  
7 other, right?

8 MR. HANSEN: No hugs, but, yeah.

9 MR. ROBINSON: Have you looked at any of  
10 the opportunity costs associated with the bond rate  
11 currently? I mean, has anybody looked at what the  
12 recession might do to the bond rate currently, and if  
13 we forgo that at this juncture what that might do in  
14 the future if we try to go back down the path?

15 MR. HANSEN: I'm not a financial expert.

16 MR. FARRELL: I checked with our bond  
17 counsel and he estimated the 5.5 was the worst case  
18 scenario we could have. We may find out we end up  
19 with 4.5 or 4.3, depending on what happens here in  
20 the next twelve months.

21 MR. MOSS: The other factor is, when you  
22 are looking at inflation rates, which probably won't  
23 be affected by the recession. In fact, the cost of  
24 oil-based materials like we are dealing with are just  
25 going to keep skyrocketing.

1                   MR. ROBINSON: It's somewhat of a  
2 rhetorical question. I think I understand what it  
3 is, it's just trying to spur on the thoughts to try  
4 to think -- you know, opportunity cost plays into  
5 this significantly.

6                   MR. HANSEN: Well, I'll tell you, next  
7 year when we get a bid back from the contractor and  
8 we get in real hard negotiations on interest rates --  
9 you know, if we get a 4.5 or 5.0 percent interest  
10 rate and we get a real good thing on the bid, the  
11 rates are going to come down. We are not going to  
12 keep it at \$60 if we don't have to keep it there. We  
13 are going to want to bring that down as much as  
14 possible, and that's our goal because we all live  
15 with it too.

16                   MS. ANDERTON: Can you put that in  
17 writing?

18                   MR. HANSEN: There is not one of us here  
19 that doesn't want that to happen.

20                   MR. FARRELL: On this special assessment  
21 bond, we could go for the \$12 million and protect  
22 that that we're going use, but as we get into it, we  
23 don't have to recommit to it for two years or three  
24 years. And if we find that it's much less, we can  
25 adjust that down and adjust the rates.

1 MS. ANDERTON: And if it's more?

2 MR. MOSS: It can't go more.

3 MR. HANSEN: We're trying the best we can.  
4 When this first slide came up, we've all got a  
5 volunteer target sitting right here. And there isn't  
6 one of us that has been paid a penny for any of this,  
7 and there have been times we have considered  
8 resigning and turning back.

9 But anyway, that's where we are headed and  
10 that's the proposal and that's where we are going.

11 MR. MEYERHOFFER: When you combine a lot  
12 of the different pieces of the puzzle to look at the  
13 budget, I know you've got your operating and you need  
14 to build the wells -- and I appreciate your comment  
15 with the opportunity costs -- what's been considered  
16 as far as, A, we've got a spring up on the top of the  
17 mountain and it can generate electricity. And, B,  
18 can we legally sell water? Or is that legal based on  
19 that it's spring water and it's a special service  
20 district?

21 And we talked about three things in a row.  
22 I mean, maybe it's not feasible to generate  
23 electricity, but can we sell bottled water? When you  
24 talk about Joe Backhoe from Salt Lake, is it  
25 realistic -- and I'm sure you guys have spent an



1 unbelievable amount of time hashing this out. Is it  
2 realistic if we are going to have this \$12 million or  
3 ten or eight to buy our own equipment and have these  
4 people -- instead of paying a person \$75 an hour or  
5 \$125 an hour to run a backhoe, is that realistic or  
6 is it too much brain damage based on the amount of  
7 people --

8 MR. HANSEN: Believe it or not, we've  
9 considered that. We did discuss that option. This  
10 last year, Jody's crew became our construction crew.  
11 They weren't system operators. They were  
12 construction builders.

13 For a project of this size, to get it  
14 done, Jody would have to manage four or five crews.  
15 We'd have to hire other people to be managers of  
16 those individual crews. We'd have to lease four  
17 track hoes at eight to nine grand per month because  
18 we'd only have a two-year contract on them. So at  
19 ten grand, we'd have \$40,000 per month for track hoe  
20 use. We'd do that, but we'd have to purchase and  
21 lease all of this equipment. And we can probably do  
22 it for cheaper, but then we don't have a water system  
23 manager; we've got a construction crew. And that  
24 doesn't work. We can't turn our crews into  
25 construction crews.

1           We have considered this -- and we're  
2 planning on doing this. In the engineering bid that  
3 goes out, when it goes to the contractor, we would  
4 identify what the priorities are -- the absolute  
5 top-end issues that we have to deal with. Those  
6 would be included in the base cost. We would then  
7 have other categories that would be added as  
8 alternates. We want to bid the whole thing, and the  
9 whole thing has been thrown in too, but we want to  
10 see what the engineering -- or what the construction  
11 costs are for those other, perhaps, smaller systems  
12 that maybe Jody's crew could beef up with in the  
13 summer and for the next two summers work on those  
14 areas. So we are looking at that as a possible  
15 alternative to help reduce the costs, but the whole  
16 thing is far too much magnitude for Jody to deal  
17 with. We're just not set up to be able to do that.

18           MR. HAGEN: And I believe with our water  
19 rights, whatever we didn't use or are not using at  
20 the time actually belongs to -- basically downstream.  
21 We can't divert what we don't need; is that correct?

22           MR. HANSEN: In actuality, we probably  
23 could, but I think we are only able to service within  
24 our boundary, our district. We can't sell to Heber.  
25 You know, we can't sell the water. We can't service

1 outside the district, so we are really bound to  
2 within our boundaries.

3 MR. MEYERHOFFER: We can't buy little  
4 bottles and sell it for \$1.75?

5 (Multiple speakers.)

6 MR. HANSEN: We can't do that. Just for  
7 interest's sake, I just did a little calculation.  
8 Somebody asked me Sunday to do a little calculation  
9 for them. And I know these numbers are not exact,  
10 but just play with the numbers. If you pay \$1.29 for  
11 a 12 ounce bottle of water -- and maybe it's 16, but  
12 we'll play with 12. If you take that water, do you  
13 realize when you buy -- when you look at the water  
14 that it costs us or that you buy water at \$300 an  
15 acre foot, do you realize that you are paying 1.7  
16 million percent increase, markup for that bottle of  
17 water over what it costs you out of your tap? 1.7  
18 million percentile increase.

19 Just think about that for a while.

20 MR. MEYERHOFFER: So we can't put it in  
21 bottles and sell it is the answer?

22 MR. HANSEN: We can't because we can't  
23 provide water outside of our service boundary, per  
24 our bylaws. We can deliver water within the  
25 boundaries of our district, but we can't deliver

1 water outside that boundary.

2 MR. HARTSORN: So forget the bottled water  
3 and sell to somebody in L.A.

4 MR. HARTSHORN: Just checking, Jerry.

5 MR. HANSEN: But if there are  
6 opportunities like that that come up that we can do,  
7 golly, we are willing to listen to them and implement  
8 what's reasonable and feasible. There isn't one of  
9 us that isn't interested in decreasing these costs  
10 somehow, somewhere.

11 MR. FARRELL: I tried the bottled-water  
12 approach. Midway Irrigation Company, we have springs  
13 over there, so we tried to sell spring water. It  
14 cost us \$0.43 a bottle by the time we got the label  
15 and somebody to process it. And I went to Dave's  
16 Market and they said, "Yeah, we'll market it for you,  
17 but unless you can sell for \$2.49 a case, we can't  
18 deal with you."

19 If people are buying it for the price, we  
20 can't compete with the large volume.

21 MR. MEYERHOFFER: Like Jerry said, forget  
22 the bottled water.

23 MS. MEYERHOFFER: Who amongst the board  
24 has done most of the research with trying to find  
25 federal funds?

1                   MR. HANSEN:  Actually, Joe Dunbeck has  
2                   been doing some of it.  We have had the lawyers  
3                   involved in it.

4                   MR. MOSS:  We've also had Zions Bank, who  
5                   is well aware of all the sources, also do some  
6                   research on that.  And John is very aware of what the  
7                   market is and where the funds are.

8                   (Multiple speakers.)

9                   MR. HANSEN:  And also, I am an engineer.  
10                  Mike Wheelwright is an engineering designer.  And I  
11                  have checked in-house internally with some of my  
12                  engineers that have dealt more in the funding, and  
13                  for our application, we just can't find any.  If you  
14                  know of some, please let us know.

15                  MS. ANDERTON:  I would think under your  
16                  fire thing -- I know we have our grant, but why can't  
17                  we get funds on fire for water?  That is a  
18                  possibility, I would think.

19                  MR. HANSEN:  If you've got a source and  
20                  know of some source that may work, let us know, but  
21                  I'm not aware of it.

22                  MS. ANDERTON:  Well, we have fuel  
23                  reduction, but why not water?  I bet there is  
24                  something out there on that.

25                  MR. ROBINSON:  On the \$8,644 per lot,

1 that's assuming 20 years at \$60 per lot; is that  
2 correct? \$60 per month for the total amount, \$8,644,  
3 the lump sum?

4 MR. HANSEN: The \$8,644 is just a straight  
5 calculation of today's cost per lot. The amount that  
6 a lot would be paying today. If we all put up \$8,644  
7 today, we'd have the \$12.2 million to do the project  
8 today. So it's just today's dollar value of that \$60  
9 per month for 20 years.

10 MR. HARTSHORN: But you'd have to have  
11 1,415 lot owners to do that.

12 MR. HANSEN: To pay for it today. But in  
13 reality, if somebody wanted to pay \$8,644 today,  
14 that's money that we'd have cash that we could pay  
15 cash and reduce the principal. So it really is the  
16 same whether you pay it today in that amount or  
17 spread it over 20 years, it's the same dollar per  
18 dollar, today's value.

19 MR. HANSEN: Thank you very much. I  
20 appreciate the time, and that's the direction we are  
21 headed.

22 MS. MEYERHOFFER: Where is this  
23 information available? Do you have a website or --

24 MR. HANSEN: This presentation?

25 MS. MEYERHOFFER: Yes, I mean, if we have

1 friends or neighbors that want to get more  
2 information --

3 MR. HANSEN: I'll e-mail it to you if you  
4 want it. I'll e-mail --

5 MS. MEYERHOFFER: Will it be available to  
6 the homeowners?

7 MR. HANSEN: We have the reporter here  
8 tonight to take minutes of this meeting too. That  
9 will be available. Maybe that's the best thing to  
10 have.

11 MS. MEYERHOFFER: Can you put a link on  
12 Timber Lakes' website?

13 MR. HANSEN: We don't have a website. The  
14 water district doesn't have a website.

15 MS. MEYERHOFFER: No, just a PDF document  
16 or some way to get the information.

17 MR. HANSEN: Well, the County may be able  
18 to do that.

19 MR. FARRELL: We could probably link that  
20 through the County website. Do the homeowners have a  
21 website?

22 MS. MEYERHOFFER: Yeah, the homeowners  
23 have a website.

24 MR. FARRELL: We can link it to that.

25 MR. HANSEN: Then the homeowners perhaps

1 could link it on.

2 MS. ANDERTON: And then you are going to  
3 mail us something in the mail; is that what you said?

4 MR. HANSEN: The County will mail each lot  
5 owner a notice of the proposed rate.

6 MR. ZACHARY: And we can expect that when?

7 MR. HANSEN: How soon are we looking at  
8 that? A couple weeks?

9 MR. FARRELL: It's probably a couple of  
10 months. We are going to have to get the bond counsel  
11 to do the documentation, if that's what we decide to  
12 do.

13 MR. HANSEN: Okay.

14 MR. MOSS: That's for the bond. We can --

15 MR. HANSEN: What we will do is, we'll be  
16 doing an assessment to get this going. This will  
17 start as soon as we can get it going. Then we'll  
18 deal with the bond counsel and the notice and put it  
19 into the bond form. But we will start this  
20 assessment as soon as possible so we can get the  
21 engineering done. We can't miss out on next year's  
22 construction season. We have to get this going or  
23 we're going to be \$70 next year. We've got to cut  
24 the knees off of this monster.

25 MS. MEYERHOFFER: So I can basically go



1 back to my neighbors and say, "You will see an  
2 increase of \$60 a month on your water will."

3 MR. HANSEN: Yes.

4 MR. ZACHARY: What about the doubling of  
5 the rates?

6 MR. HANSEN: We will start that at the  
7 same time. Now, when you say "doubling the rate --"

8 MS. ANDERTON: So it's \$60 plus \$45.

9 MR. HANSEN: Yes.

10 MS. ANDERTON: If they have two lots?

11 MR. HANSEN: It will be \$120 -- \$60 per  
12 lot.

13 MS. ANDERTON: So it will be \$120 plus  
14 \$45?

15 MR. HANSEN: That's correct.

16 MR. HAGEN: Unless those lots are -- they  
17 have actually combined those lots with the county.

18 MR. HANSEN: Per legal lot. Now,  
19 remember, on the water usage rate that we are not  
20 changing the bond amount. We would leave that the  
21 same and then double everything above that.

22 MR. ROBINSON: On the combination of lot  
23 concept, this would be -- if somebody would be  
24 interested if they had two lots to go to the  
25 combination, is there anything to help maintain the

1 fact that the assessment is towards the current  
2 perspective?

3 MR. HANSEN: The decision by the board  
4 would be to apply it to all lots effective today.

5 MS. ANDERTON: So in other words, they  
6 couldn't all go in and combine their lots?

7 MR. HANSEN: If they combine them after  
8 the fact, it's a moot point. It's as of the  
9 decision. And the board has made the decision to --  
10 we made this recommendation. This is the direction  
11 we will be going.

12 Well, with that, let's go ahead and close.  
13 Thank you very much.

14 MR. MOSS: Bill wants to reconvene the  
15 board for about ten minutes if that's possible.

16 MR. HANSEN: Okay.

17 MS. CAROL: I can put a sheet back here if  
18 anybody wants to leave their e-mail addresses. Then  
19 we can e-mail them a transcript.

20 MR. HANSEN: Why don't we leave it so that  
21 when we make this available, we can just put it on  
22 the website. I'm afraid if we do the list, we're  
23 going to miss sending it to somebody.

24 MS. MEYERHOFFER: I think if it does go to  
25 the Timber Lakes board that they can direct it.

1 MR. HANSEN: We'll send it to the  
2 homeowners' web page so they can post it.

3 Thank you very much.

4 (The meeting ended at 7:56 p.m.)  
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REPORTER'S HEARING CERTIFICATE

STATE OF UTAH                    )  
  )  ss.  
COUNTY OF SALT LAKE        )

I, Jennifer Garner, Registered Professional Reporter and Notary Public in and for the State of Utah, do hereby certify:

That said proceeding was taken down by me in stenotype on October 16, 2007, at the place therein named, and was thereafter transcribed, and that a true and correct transcription of said testimony is set forth in the preceding pages;

I further certify that I am not kin or otherwise associated with any of the parties to said cause of action and that I am not interested in the outcome thereof.

WITNESS MY HAND AND OFFICIAL SEAL this 25th day of October, 2007.

*Jennifer E. Garner*  
\_\_\_\_\_  
Jennifer E. Garner, CSR, RPR  
Notary Public  
Residing in Summit County

