

1. The meeting was called to order at 9:02 am.
2. The Pledge of Allegiance was not done due to a lack of flag.
3. Roll Call: Harold Merritt, Neil Duncan, Dennis Bass, Kevin Sair, and Mayor Moser were present. Apple Valley Town Clerk Nathan Bronemann took minutes. Rod Mills and Kelly Crane were present and presenting.
4. Declarations of conflict of interests.

None Stated.
5. State required training and annual planning

Rod Mills said that he wanted to commence with the acquisition component of the presentation, followed by funding and operations. If there is time remaining he said he would like to discuss resource assessment and development.

Rod Mills addressed the current status of the water acquisition. He said that there are two water companies which are Cedar Point and Apple Valley Water companies. He said that they had completed an agreement that consolidated the two water companies into one company. He said that this was fundamentally flawed from his perspective because they are looking to receive about \$10.75 million and the State and Ensign Engineering have them valued at about \$4.3 million.

Rod Mills said that the SSD should be able to acquire development water rights to serve future development with the regular operating income and from the developers as they come into Town. He said that the State wanted the SSD to look toward the future and estimated a cost of \$7.5 million to serve current and future development.

Kelly Crane said that the SSD needed to look to the future (at least 40 years) and plan for future development and long-term potential issues.

Rod Mills said that there was a growing loss of vision and an increase in politics with the governmental water boards.

Mayor Moser suggested that the SSD adopt Town policy to require developers to turn over water rights to the Town, or now SSD. He also added that the water revenues needed to be used for water and not to run the Town or any other programs.

Rod Mills said that the SSD has three options with variants of the three. These are to PULL BACK and not purchase water, ACQUIRE the water companies, or to CONSTRUCT a water system from the ground up.

Mayor Moser said that from his understanding the merger of the two water companies was illegal because they had not applied or held a public hearing. Everyone agreed that pulling back and not purchasing was not an option.

Rod Mills said that after having conversations with Two Bears representatives it became apparent that they wanted to merge the two water systems solely so that they could make some money on the construction.

Mayor Moser asked what motivation the SSD had to bring anyone else in from the other side of the table into the development of the SSD's water system. He said that they should be compensated for what they have done, but didn't think they needed to be involved moving forward.

Kelly Crane said that the whole bidding and procurement process was heavily regulated by the Federal Government so that it would keep the SSD from any wrongdoing.

Rod Mills said that although he had a clear opinion, he wanted to present the SSD board with all of the options available to them. He said that he thought that the SSD should at least sit down with the other water companies to discuss acquisition options. He said that in many cases today, it is less expensive to construct new infrastructure than what was spent previously to construct the existing infrastructure. He said that the SSD would at least have to acquire water rights and preferably from those who had existing infrastructure.

Mayor Moser said that when Alpha Engineering did a study two years ago, the Apple Valley Water Company was valued at about \$4.5 million and it was all based on replacement values. However, Alpha Engineering had some personal ties to the Apple Valley Water Company, so their opinions may have been biased. The Town was looking into purchasing the company without all of the water rights for \$2.7 million. Alpha valued the Cedar Point Water Company at about \$4 million. Canaan Mountain Water Company was valued at about \$1.5 million but they wanted \$3 million and there were only about 9 users on that system, so that purchase could not be justified. However, Alpha Engineering said that the Canaan Mountain spring could sustain the Town for about 7 months out of the year without ever pumping any other water. Mayor Moser said that he thought that the SSD should definitely look into purchasing that water in the future.

Rod Mills reminded the board that the SSD now had jurisdiction (not ownership) of all the water companies within the Town of Apple Valley. He said that the potential Canaan Mountain acquisition would probably be a second tier issue.

Mayor Moser added that when they reached 15 users Canaan Mountain would have to further invest in the system to meet new requirements for that amount of users. He said that he suspected that they would be willing to negotiate at that time.

Neil Duncan asked if the SSD decided to build a system from scratch, who would take care of the customers in the interim.

Mayor Moser said that the water companies would fall under the authority of the SSD and would be required to serve the residents during that time. If the water companies were not complying with State requirements, they can appoint an executor to oversee those companies until they are in compliance.

Rod Mills said that the SSD would have to address source, distribution and storage. He advised that the board consider all possible outcomes and not just the one that appears to be most likely.

Mayor Moser questioned whether or not the merger of the water companies had actually taken place as no one had actually seen documentation.

An executive session was called at 10:37 am. (See item #6 below.)

The regular session reconvened at 12:47 pm.

LeGrand Bitter, the Executive Director of the Utah Association of Special Districts addressed the board with regard to State regulations of SSDs. He discussed the pertaining issues

addressed in the 2011 Utah State legislative session. He discussed the differences between special service districts and local districts. He addressed H.B. 54 about texting, H.B. 263 about local district services amendments, S.B. on local elections, S.B. 85 on legal notices, S. B. 111 regarding underground facilities and pipelines, S.B. 126 on local district services and LUDMA, S.B. 142 on public official contact information, S.B. 155 on political subdivisions and construction.

For more information on these bills, visit:

<http://www.uasd.org/templates/uasd.org/UserFiles/File/2011%20Legislative%20Updates/2011%20Bill%20Analysis%20-%20Utah%20Association%281%29.pdf>

LeGrand Bitter said that SSD boards are governed by the Legislative Auditor General. He recommended that the board review the items of acceptable governance (checklist) to ensure compliance. Those include that a board should have a mission, insure harmony between mission and functions, establish desired outcomes, establish policies and procedures, avoid micro-management and review overall district performance. He addressed other governmental requirements including training, board member restrictions and their \$5,000 annual compensation cap, ethics, nepotism, open meetings, meeting procedures, closing meeting sessions, minutes, notifications, and GRAMA requirements.

The meeting broke for 15 minutes at 2:50 pm.

The meeting resumed at 3:05 pm.

6. Executive session to discuss real property purchases

Motion made by Mayor at 10:38 am to move to an executive session to discuss real property purchases. Neil Duncan seconded the motion. Vote: Harold Merritt-yes, Neil Duncan-yes, Dennis Bass-yes, Kevin Sair-yes, and Mayor Moser-yes. The motion passed 5/0.

Motion made by Dennis Bass at 3:05 pm to move to a closed session to discuss real property purchases. Kevin Sair seconded the motion. Vote: Harold Merritt-yes, Neil Duncan-yes, Dennis Bass-yes, Kevin Sair-yes, and Mayor Moser-yes. The motion passed 5/0.

Motion made by Mayor Moser at 5:05 pm to end the closed session. Neil Duncan seconded the motion. Vote: Harold Merritt-yes, Neil Duncan-yes, Dennis Bass-yes, Kevin Sair-yes, and Mayor Moser-yes. The motion passed 5/0.

7. Adjournment

Motion made by Mayor Moser to adjourn the meeting. Dennis Bass seconded the motion. Vote: Harold Merritt-yes, Neil Duncan-yes, Dennis Bass-yes, Kevin Sair-yes, and Mayor Moser-yes. The motion passed 5/0.

Meeting adjourned at 5:05 PM.

Date approved: _____

ATTEST BY: _____
Nathan Bronemann

Chairman Dennis Bass