

**SKYLINE IMPROVEMENT AND SERVICE DISTRICT
MINUTES OF BOARD MEETING
May 10, 2018**

A public meeting of the Directors of the Skyline Improvement and Service District was held on May 10, 2018, in the Training Room at First Interstate Bank on Broadway. The following Directors, constituting a quorum, were present: Kurt Harland, Latham Jenkins and Jim Lewis. Also attending was Carly Schupman, ISD bookkeeper.

Homeowner's present: Ila Rogers, Carol McCain, Sarah Kilmain, Mary Lohuis, Will Garson, Susan Dong, Arne Johanson, Chris Thulin and Warren Machol.

Emily Hanner of Clear Water Operations also attended.

Kurt, serving as Chairman, called the meeting to order at 4:00 pm.

1. Approval of 4-12-18 regular board-meeting minutes

Action: As there were no changes, Latham made a motion to approve the minutes as submitted. Jim seconded. The motion passed unanimously.

2. Changes to the Agenda

Item #15 will be deferred until after the close of the ISD board meeting.

3. Public comment on things not appearing on the agenda

Arne Johanson mentioned that in discussions he had with the Teton County Conservation District, that they had no contacts with ISDs and Arne will give them the Board contacts. Arne also said that on June 5th, there will be a fire prevention event at the Dong/Johanson's residence involving the Forest Service, the Conservation District, the Community Emergency Response organization and he invited the Board to attend.

Jim read an email he received from Lisa Samford regarding suggestions for Board consideration, having to do with improving Skyline. Jim read it verbatim, and the text is attached in Exhibit A. Jim said that this dovetails nicely with agenda item #18 regarding Board objectives for 2018-19, as we want to seek homeowners' input.

4. Review correspondence/docs presented by Carly

Carly mentioned that there are a quite a few homeowners (50) who are set up for paper invoicing and mail. Jim said there is a very real cost to the ISD in terms of postage and Carly's time and we should make an effort to reach out to these homeowners and see if some or all will agree to have invoices and correspondence sent by email. Carly mentioned that some homeowners are on list-serve, where we have their email, but nonetheless they've signed up for paper billing. Latham said he'd work with Carly to get a list of homeowner names, and correspond with them

on behalf of the Board, to convert to email billing/mail/notices. ISD postage costs are running at \$444 so far this year.

Carly said that the irrigation communication went out to the homeowners on May 7th.

5. Review FY budget vs. 10-month April 30th actual

Jim noted we continue to be slightly over budget in postage, office supplies, advertising, and property liability. Given the way expenses are tracking it doesn't appear that we will need to amend our budget as we are below our overall expense budget.

6. Review Treasury Report, pay bills, outstanding A/R from homeowners

Regarding A/R's from homeowners, Carly said there is only one homeowner still past due on water charges from last fiscal year. Latham will follow-up. Jim instructed Carly to start accruing interest at 1.5% per month, starting May 1, 2018, and to send them a monthly bill, by email, with a copy to the Board. The only other outstanding A/R is with the homeowner. Kurt said that's suspended pending discussions on the survey that was done.

Checks were signed, for invoices totaling \$8,686.33, which was approved at the April 12th board meeting.

As of April 30th, ISD fund balances, including operating accounts and the road and water reserves totaled \$435,743.30.

Action: Kurt made a motion to approve the May invoices, which will be paid in June, totaling \$8,533. 52. Latham seconded the motion. The motion passed unanimously.

7. Approval of 2016-17 transfers to Road and Water Reserves

Jim said that these were transfers that should have been done in July or August 2017, at the beginning of this fiscal year, but needs to be done before this fiscal year ends June 30, 2017. Carly said that at the end of the last fiscal year, we had approximately \$46,000 in the operating account. In order to maintain a minimum level of funds to meet two months expenses, we wanted to leave \$16,000 in the operating account and transfer to the water reserves \$5,242 (which was the full annual depreciation of our water fixed assets) and to the road reserves \$24,578. This amount was lower than the road depreciation of approximately \$44,000. Another transfer will be done for this current fiscal year, ending June 30, 2018, most likely in July or August when all the actual revenues and expenses for the year come in.

Action: Kurt made a motion, for fiscal year 2016-17, ending June 30, 2017, to transfer from the operating account, \$5,242 to the water reserves and \$24,578 to

the road reserves, leaving \$16,000 in the operating account. Latham seconded the motion and it passed unanimously.

8. Decide of road assessment methodology for FY 2018-2019

Jim thanked Ila Rogers and Susan Dong for all the work they've done on this topic and which was circulated to those homeowners who are on list serve, along with the draft 4/12/18 minutes.

Currently for this fiscal year, every owner in Skyline pays the same total amount for road assessments (maintenance and overlay), of \$1,155.56. This was a change from prior years where it was based on a linear foot approach.

Jim summarized Ila's and Susan's recommended conclusion which was to return, with some minor changes, to the linear approach used prior to this fiscal year, with the lots in the East filing having a lower, and the west lots having a higher road assessment allocation. This was based on the fact that as the total linear feet of roadway in Skyline is 14,417 feet, the East's portion of 5,478 feet would equate to 39% of the total roadway. The balance of 8,939 linear feet (61%) would fall within the West. Based on their recommended division of lots, they arrived at 45 lots in the East paying 39% road maintenance and road overlay assessment and 45 lots in the West paying 61% of the road maintenance and road overlay assessment.

Jim said he agreed with their approach of using linear feet of roadway as the basis, his only difference is that the lots on Kildeer should all be in the West, instead of the recommendation of putting the 3 of the lots on the eastern side of Kildeer in the East and the 3 on the west side of the road in the West. From the standpoint of road expenses, such as snowplowing, chip sealing, etc, Kildeer should be treated as one road, as all lots face Kildeer and benefit from maintenance and improvements to the same road. With that one change, the linear feet of road in the East would be 35.7% and the West would have 64.3%. Jim said there would be 42 lots in the East and 48 in the West.

Using the above rationale, the road maintenance and road overlay assessments per lot for FY 2018-2019 would be as follows:

	<u>East</u>	<u>West</u>
#Lots	42	48
Road maintenance	\$535.50	\$843.94
Road overlay	<u>\$348.50</u>	<u>\$549.23</u>
Total	\$884.00	\$1,397.17

If adopted, this would be a reduction in FY 2018-19 of \$271.56 for the 42 East lot-owners and an increase of \$237.61 for the 48 in the West.

Kurt said that we are all one sub-division and have a shared infrastructure and that he felt that that an equal road assessment for all homeowners is the preferable

method. And whether one uses the roads on the East or West, we have a shared responsibility for the infrastructure. Therefore, Kurt felt that we should maintain the current equal allocation to all lots.

Latham said he personally feels challenged about the two characters of the community (East and West) and the difficulty of a director to chart a path for one Skyline. We have one water system and treat it as such, but we treat roads differently. That's a challenge, philosophically.

Having said that, Latham said he would support going back to the linear methodology, but he repeated that we are not moving in the direction of becoming one as we still seem to be struggling with our past.

Kurt took public comment:

Arne Johanson supported the equal assessments for all lots, as otherwise, down the road; you could be facing other more difficult issues in apportioning out the costs. We are one sub-division.

Carol McCain said that we all use the water system, but many do not use the roads in upper Skyline, and that's why she supports the linear approach.

Warren Machol commented about the road discussion being about one Skyline or two Skylines' and where the demarcation is, where one ends and the other begins. He also felt that in the past, given the older East filing, it seems we've more road repairs in the East vs. the West, due to maybe, greater traffic density, or water damage. Warren asked if we know, from place to place, where our road repairs are?

Kurt said that that was a good point and we should know where those repairs are taking place. Kurt's recollection since he's been on the board, that there have been two water/road repairs in the East and 4 expenditures in West but we should know that going forward.

Latham made a motion to revert back to the linear foot methodology to determine road assessments for FY 2018-19, which would result in combined road maintenance and overlay assessments of approximately \$884.00 for the 42 lots in the east and approximately \$1,397.17 for the 48 lots in the west. Jim seconded the motion.

Public comment- "Would this be put on our taxes"- Yes

Board comment- Kurt said that we're all one sub-division and not two.

The motion carried 2-1. Latham and Jim voted in favor, Kurt voted against.

9. Decide on road assessments for lots with ARUs/Guesthouses for FY 2018-19

Jim said that Ila's and Susan also recommended some road assessment allocation for any homeowner's who had a guest-house or ARU. Jim said that at the April board meeting the consensus of those homeowners attending was that some assessment would be warranted but there was no strong view on what amount.

Jim said he did not favor an assessment for guest-houses/ARU's as there are no facts to support the argument that even if these are occupied, that there is incremental wear and tear on the roads. Additionally we have quite a few homeowners who are here seasonally, and don't use the roads all year. In the end, nothing can be quantified, so any decision to impose a guesthouse/ARU road assessment would be arbitrary. What we do know is that heavy equipment and our winter weather are the two principal causes of wear and tear.

Latham and Kurt agreed that there should not be an extra assessment for ARU's/guesthouses.

As there currently are no road assessments for ARU/guesthouses, no motion or voted is needed.

10. Review status of Water Infrastructure Study

Jim said the reason this is on the agenda, as we're starting our preliminary budget and we have to decide what improvements we should be considering for FY 2018-19. We have received a list from Jorgensen Engineering of nearer term capital improvements (1-2 years) totaling approximately \$80,000, of which the single largest item is about \$30,000 for a new well building roof. Given that we're in May, don't have the structural study finalized, don't have a design or a contractor, it may be difficult, realistically, to get this done this summer. In talking with Shawn (Jorgensen) and Emily (Clearwater Operations), the first issue we're facing, before dealing with the roof, is the cleaning of the pressure tank, which only has a 6-inch opening to clean and examine the tank. Given these unknowns, and the time realities of the budget, Jim said that we should include something in the budget, strictly as a placeholder, for possible improvements to our system, which can occur independent of the pressure tank and roof. There was a brief discussion of a system using variable frequency drives (VFD's) at the pumps, which would obviate the need for a large 5,000 gallon pressure holding tank, like we have, instead employing about a few 100-gallon tanks. Kurt agreed that until we have the structural study and more information on the tank cleaning and tank integrity, we hold off on replacing the roof.

Latham asked Emily if there was any risk of failure in the tank when the system would be brought back on after cleaning and inspection. Latham was also concerned about looking into the tank, that hasn't been inspected since it was

installed and there could be unintended consequences we don't know about. Emily did not see that there was a risk to the tank itself but was concerned about the possible risk to homeowner plumbing who are located close to the pump house when the system is brought back up. In discussions she's had with other professionals, they've cautioned her about considering this. Kurt cautioned that we have to know all the protocols, before we shut anything off, or consider smaller tanks or anything. Emily said there are no current EPA requirements for tank cleaning.

Warren commented that we should consider cleaning our pipes, as there's probably a lot of sediment in them after 40 years. Perhaps instead of fire hydrants with a 5-inch valve, the Board considers a 3-inch diameter commercial stand bypass valve release so that the pipes can be flushed, without potential sediment damaging plumbing and water heaters. Warren said that this is not mutually exclusive to other considerations of improvements to the system, but the pipes should be flushed, and perhaps this is something that could be done this summer.

Kurt said that Jorgensen should be working on this in their report and the sequencing of activities. Arne mentioned that in discussions with the Conservation District, that they have \$35,000 in money's available for fire hydrant grants on a per project basis, and he will provide the name of the contact to the Board.

11. Review and approve initial preliminary proposed FY 2018-19 budget

Jim said that this preliminary budget is for the State and needs to be sent by June 1st. It's preliminary in nature, and can be changed/refined up to our July board meeting, so it's just our first look at the next fiscal year. The State is only interested in our preliminary estimated total revenues and expenses, broken down into it's major categories, and does not require a breakdown of revenues/expenses into Road and Water. This is followed later by our proposed budget (at June board meeting), and then our final adopted budget at our July meeting.

Jim said that as he and Carly had finished this in the last 48 hours, the other two directors had only received this draft at today's meeting and have not had time to review it, and for that reason, copies were not provided to the other attendees.

Jim first went over the Road budget; with the revenues being \$104,000 in road maintenance and road overlay assessments, which will be on the homeowner's property taxes. The largest projected expense is \$16,605 for snow plowing, which is our last year of a 5-year fixed contract with Evans Construction. The next largest is contract labor-roads at \$15,766, which includes an estimate of \$7,500 for road repairs and the balance is for normal activities such as road sweeping. Included in the budget is a line-item estimate of \$10,000 for the RFP for the Kildeer and Tanager cul-de-sac study, and \$5,000 for the purchase and installation of the road signage. The other road related expenses are the Road share of other general expenses, insurance, etc. The ISD's depreciation expense is \$44,299.

Total road revenues and expenses will be \$104,000 each.

With respect to our water budget, Jim shared some historical perspective, which was provided by Bob Norton, to the genesis of the current water maintenance charge of \$300/year. In 1998-99, the fees stayed the same as the original developer charged and then in about 2000, the base fee of \$25/month (\$75 per quarter/\$300 per year) plus \$1.25/1000 gallons of usage was established. The usage rate remained the same from 2000-2014, but the water revenues increased because of new homes and increased water usage. The usage rate was changed for the 2014/15 FY from \$1.25/1000 gallons to \$1.90/1000 gallons. There was discussion about raising both the monthly charge and the usage fee, but in the end the decision was to leave the monthly fee unchanged and raise the usage fee.

Of note, there was a special water system assessment that was charged to all lots, regardless of home or water usage, for the construction of the new well, standby generator, PRV and other improvements. The special assessment was \$225 per lot per year for 5 years, from FY 02-03 thru FY 06-07, totaling \$1,125 over the 5 years per lot.

So from around 1999 thru March 2018, the water maintenance fee of \$300/year has remained unchanged. Looking at the Bureau of Labor Statistics CPI index for the Western Region, the CPI index has increased approximately 56% over that period. If that 56% increase were applied to our \$300 base fee, the fee, in today's dollars, would be approximately \$468.

From another aspect, and taking the special assessment over 5 years of \$1,125 into account, and adding that to the fixed base fee of \$300 per year, homeowners actually paid about \$328 average, over that period, when including the special assessment.

Jim said for the budget, he has put in, as a placeholder, a water maintenance assessment of \$475 for all lots, homes, and the one ARU with a separate address, a separate driveway and a separate curb-stop. This amount would be placed on the property taxes. There would be no usage charge for water. Jim said that as he had just finished this before the board meeting the other two directors had not seen this. So he asked the directors to think about this for the June board meeting. Jim said the question that needs to be answered is whether we increase the water maintenance fee to something that takes into account 19 years of inflation, and not charge for water usage, or do we determine some lower maintenance fee than \$475 per annum, and make up the difference on the re-introduction of some usage fee with the enormous effort it takes to get timely meter readings from homeowners, invoices sent, and payments received, for a relatively small amount of revenues. Jim said that his experience in trying to get just two-meter readings from all homeowners on a timely basis was a huge effort, and a couple of homeowners have still not responded. Latham shared his concerns about the cost of collection, with the amount and variability of what we actually collect. In his mind, the issue is will a

flat system promote good stewardship of water from a conservation standpoint, notwithstanding our limitless water supply. But Latham didn't see how we could go back to the old system. He was also concerned about having enough in a water reserve build-up, given the replacement cost of our system of roughly \$1.8 million. Jim said that about \$1.3 million was for the pipeline in all of Skyline and if we had a problem it would be in a segment or two, rather than the entire pipe system being replaced. Of that total \$1.8 million about \$345k was the estimated replacement cost for certain long-lived assets. Jim estimated the annual depreciation on these, and said that if we wanted to, we could add \$10k into Contract Labor-Water because at the end of the year, whatever isn't spent goes into the water reserves.

Jim reiterated that we didn't need to make a decision now on the sources of the revenues, but just approve the gross numbers for Revenues and Expenses.

Jim went over some other water expenses. On the question of equipment insurance, Jim said it appears we are under-insured at a maximum coverage of \$74,000 with the replacement cost of our equipment including our tank building of \$345,000 so we doubled the insurance premium for budget purposes. Warren suggested given our reserve level we consider a deductible of \$50,000 instead of the current \$2,500 in order to lower the premium. Jim said that was a great point and he'd talk with the insurance company about that after looking more deeply into our existing policies.

Kurt asked for public comment before the motion:

Warren Machol- "What is the preliminary budget number for total water expenses"- \$86, 225.

Chris Thulin- "What level of reserves should we have?" Kurt said that with roads, we have a very good idea; given the periodic chip seals and road overlay and we can plan for that. With water, we'll have a much better idea after we have the Water project completed.

Kurt then made a motion to approve the gross road and water revenue and expense numbers, in the preliminary budget. Latham seconded. With no further board or public comment the motion passed unanimously.

Carly will make the adjustments and prepare a clean copy for the directors.

12. Update on responses to RFP regarding cul-de-sacs on Kildeer and Tanager

Jim said we had received two responses thus, from Rendezvous Engineering and Jorgensen Engineering. We are awaiting responses from Nelson Engineering and Y2 Consultants. May 31st is the deadline.

13. Communication re speeding and upcoming road/speed signage

Latham said that even if all homeowners obeyed the speed limits, we'd still have the issue of commercial traffic and visitors, which is impossible to control. Therefore, the only practical solution is to install seasonal speed bumps. Latham said the next step would be to determine the number of additional speed bumps based on likely placement. Kurt said we currently have one. Latham said he'd follow-up on this. Kurt and Latham said they'd follow-up on getting previously approved signage in place and insure that the heights of the signs are at the legally required height.

14. Reminder to homeowners- Indian Springs no trespassing

A reminder to all homeowners that there are "no trespassing" signs posted on Indian Springs property. Please respect it.

15. Follow-up items from April meeting

- Kurt and Latham will work together on the signage
- Latham said that there would be six intersections where new street signs. Kurt asked what color, i.e. green like the town and county or something different, as there are other colors. The board consensus was to go with green background and white reflective letters although there was some public comment about why not consider having a different color. Kurt said he'd circulate available colors.
- Jim and Kurt will get together on the easement question.

16. ISD Board Objectives for FY 2018-19 and seek homeowners input.

Jim handed out the list of objectives for the current year, and generally speaking we've done pretty well, with a few delays on things that will be pushed to the next fiscal year. We'll want to start thinking about our objectives for next fiscal year, and this time seek the input from homeowners on things we might want to consider.

17- For the June meeting

Kurt will try and reserve the FIB training room again, and either try to get a refund of the \$125 from the American Legion, and if not, use the American Legion for the October meeting when traffic isn't so bad in town.

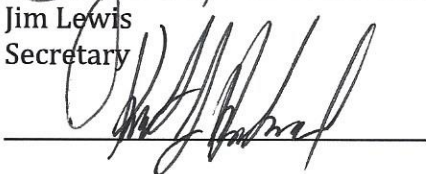
Adjournment

There being no other business, Kurt adjourned the board meeting at 6:00 pm.

Respectfully submitted:



Jim Lewis
Secretary



Kurt Harland



Latham Jenkins

Chairman
Exhibit A

Vice Chairman

Email received from Lisa Samford on May 10, 2018 and read at the Board meeting.

**“Things I'd like to put forward for consideration/conversation would be:
--Emergency preparedness. This is something that would almost certainly qualify for grant support (at least in part). But it would seem prudent to consider some kind of neighborhood organizing before there is some kind of major earthquake or whatever that would motivate action. At a minimum, knowing who has what available (generators, medical supplies, etc.), but continuing on toward creating a general master plan--trailer parked at the shed, an identified gathering place.**

--Using the common areas more effectively and beautifully. Full landscaping, public art, a place to linger or play.

--A coordinated, one weekend only subdivision yard sale.”