

PINE MEADOW MUTUAL WATER COMPANY
BOARD OF TRUSTEES ANNUAL WATER MEETING
THURSDAY, NOVEMBER 10, 2011
KIMBALL JUNCTION LIBRARY
SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick-President, Cal Cragun-Treasurer; Bill George- Secretary; Hutch Foster – Board Members

Ex Officio: Brody Blonquist–Water System Manager, Trevor Townsend, Carol Steedman, KGC Associates.

Guests: Tom Deaver, Lot P-71-A; Bill Groot, E-70-AM; Gary Clark, D-83-A; Kelly Cox and Gordon Willey, B-22; Frieda Butterfield, Revenue Recovery

Eric Cylvick opened the annual meeting at 6:30 p.m. and welcomed those in attendance. Mr. Cylvick noted that he has been President of the Water Company since 2002. He introduced the Board members, as well as Brody Blonquist, the Water Manager; Trevor Townsend, the Assistant Water Manager; Hutch Foster, the President of the Homeowners Association, and Carol Steedman, the Secretary and General Administrator for the Water Company.

Projects Review

Mr. Cylvick reviewed the water system update that was mailed to the members. He noted that the first paragraph outlined the projects and other work that was done over the past four or five years using the first \$3.6 million loan that was obtained from the Division of Drinking Water. Mr. Cylvick believed it was one of the first federal and state loans granted to a private Water Company. Once Pine Meadow Mutual Water Company received the loan, other water companies throughout Utah also looked at applying for these loans.

Mr. Cylvick remarked that the \$3.6 million loan ended at the end of 2010. The last of the money was used to find additional water source. They struggled with finding sources and hired a geologist and a witcher to look for water. Two wells were drilled. The first well was drilled five or six years ago near Bobcat and it was called the Contact well. A well was already drilled in that location and suggestions were made to drill another one so it would be easy to tap into the existing system. Unfortunately they drilled down 1900 feet and came up dry. Mr. Cylvick explained that there were two main reasons for drilling the Contact well. One was to look for water and the second was because the Division of Drinking Water would not grant the \$3.6 million loan unless the Water Company was actively looking for water. It was an expensive endeavor but

drilling the dry well enabled them to secure the \$3.6 million. Mr. Cylvick stated that some of that amount was in-kind money that the Division of Drinking Water recognized was money paid out-of-pocket by the Water Company towards securing the loan.

Mr. Cylvick reported that as the loan was winding down last year, another well was drilled by Salt Box at the suggestion of the hydro-geologist. That well only produced five or six gallons per minute. Mr. Cylvick stated that Bill Laughlin is a well-respected local hydro-geologist. A number of studies were done on the geology of the area and Mr. Laughlin determined that Salt Box would be the easiest place to find water. A small amount of money was left over from the loan and the decision was made to drill in Tollgate Canyon. Mr. Cylvick made an agreement with the landowner and wrote up an easement to allow the Water Company to drill a test well to see if there was water. The result of the test drill produced between 200 and 300 gallons per minute and clear water came up. The water tested good after only drilling down 300 to 400 feet.

Mr. Cylvick stated that finding water in Tollgate led to the decision to find more source and to develop the well. Based on that decision, the Water Company requested another \$3.1 million loan from the DDW. He pointed out that the second loan is a line of credit as opposed to a loan. With the first loan they paid principle and interest on the entire loan amount. The terms of the second loan is that they only pay interest and principle on the amount used.

Mr. Cylvick stated that they requested approximately twice the amount of the actual estimated cost to do these projects. Two other projects are being considered, and the intent was to obtain a certain amount of loan money and do the engineering for all the projects since they would eventually need to be done. However, the goal is to focus on the projects that need to be done now and to use loan money to accomplish that goal.

Mr. Cylvick noted that the new loan is at the same percentage rate of 3%. He explained that the previous note was 20 years at 3%. The DDW allowed the Water Company to roll the remaining \$3 million balance from the first loan into the second loan and make it a 30 year note. The result was a decrease in the principle and interest payment on the first note.

Mr. Cylvick explained that it was important for Brody and Trevor to install Smart meters because it enables them to isolate leaks faster, determine the location of the leak, and to shut down the water on that lot much quicker. The meters are particularly helpful to identify leaks on lots where the owners are part-time and have left their homes for a significant period of time. Mr. Cylvick remarked that the hand-held unit will read 70 lots per second. Brody Blonquist stated that he and Trevor read 365 meters in 15 minutes. Mr. Cylvick stated that in the first week of installing the meters they found a leak in someone's house that had used 24,000 gallons of water. They were able to shut off the

water that same day without disrupting water service to other lots in order to find the leak.

Mr. Cylvick reported that the Water Company purchased a trailer vac, which is a very large vacuum that sucks out the silt in the meters. Brody estimated that the trailer vac was used to clean out 75 to 80 meters.

Mr. Cylvick stated that the Division of Drinking Water has designated Pine Meadow as a community water system because they service more than 25 individuals on a year-round basis. The Water Company was always fearful of that designation thinking that they would be required to plow all the roads and abide by other regulations. He noted that those issues were discussed with the Division of Drinking Water. The Water Company would be tagged with negative points if water is not supplied during the winter, but the negatives are not damaging. The community water system designation secures water rights because water rights cannot be removed for lack of use. There were other positives attached to being designated a community water system. Mr. Cylvick believed that the Smart Meters and other technology help meet the demands of year-round water service.

In response to a question regarding the number of residents that led to the community water designation, Mr. Cylvick stated that there are 111 full-time residences. He was unsure of the exact number of individuals in the 111 households. Mr. Cylvick pointed out that the requirement was 25 people. Therefore, the DDW could have designated Pine Meadow a community water system several years earlier. He noted that another requirement was more testing more often. Brody stated that the Water Company experienced good samples in the past, but additional sampling is a better safety mechanism for the owners.

Mr. Cylvick explained that a major push for additional water came from suggestions from Brody and Trevor. When they first started with the Water Company, the water system was in chaos, they lacked good mapping, and two-thirds of the lines were not buried deep enough. Currently the main water source is Uncle Tom's well. Brody and Trevor believed that if the pump breaks on that well, they would lack sufficient water source to feed the tanks. Fixing the problem would require the need for a large truck to pull out the pump and replace it, which would be impossible to do in the winter. For that reason, they decided it was better to have a source closer to Tollgate Canyon where they have access to power and can service the system when necessary. Another benefit for having additional source is the ability to find leaks in the lines.

Mr. Cylvick stated that the proposed projects for 2012 were the Tollgate well, pulling out the pump house across from the Oil Well parking lot and a second pump house 400 yards from there, and putting in a single pump house with larger pumps. They would also trench along the side of Tollgate and install a new water line using Driscoll pipe.

Mr. Cylvick estimated using approximately \$1.8 million of the new loan for the well and the I-Plat bypass line project. The bypass line will feed I-Plat from Elk Road rather than Pine Meadows Drive. Most of the leaks occur on Pine Meadow Drive and if they can decrease that pressure, it should eliminate the number of leaks on Pine Meadow Drive.

Mr. Cylvick stated that currently all the sources pump into the 500,000 gallon tanks, which is the top of Valley Vista, which then feeds the 200,000 gallon tanks from the 500,000 gallon tank. A better concept is to take the source from Bobcat Springs and Uncle Toms, which would average approximately 40 gallons per minute, and pump that water directly into the 200,000 gallon tanks. Therefore, the 200,000 gallon tanks that feed the backside and I-Plat will have its own source. For various reasons it makes more sense to have two separate sources filling the 200,000 gallon tanks.

Mr. Cylvick remarked that the Board has been re-evaluating and re-setting the priorities. One of the primary priorities is their ability to handle a wildfire. One solution is to tie in the 200,000 and 500,000 gallon tanks as previously explained. They recently learned that Rocky Mountain Power would shut off all power to the Ranch in the event of a fire. Without power they would not be able to get water up to the tanks from Tollgate. He noted that most of the water companies are putting in generators at the pump and the booster in case that happens. Pine Meadow Water Company was also looking into the cost and size of a generator for the new well site in Tollgate, as well as a generator at the booster station. Mr. Cylvick outlined the options that would be available if they had the generators. He stressed the importance of being prepared.

An owner understood that the water at Tollgate needed to be tested for one year before it could be approved as a well site. Trevor explained that the term is migration and the process takes approximately one year to approve a drinking water well. Mr. Cylvick clarified that the process was more of a study rather than testing the water. Brody did not anticipate any problems with bringing the well on line, but that would be determined by the engineers.

An owner asked if increasing the source would change the yearly allotment of water per lot. Mr. Cylvick stated that in the past, when the Water Company increases rates they try to increase the allotment in an effort to give something back. The plan is to try and increase the base amount; however, they would not have that answer until the well is drilled and running and they know the exact source and cost.

An owner asked if special consideration would be given for part-time residents who do not use the allotted amount. Mr. Cylvick understood the argument that getting a bigger allotment does not benefit someone who does not use the full amount now, but at this point they have not been able to find a good solution to address the question. Based on rates other communities were paying, Mr. Cylvick believed the rates for Pine Meadow Water were reasonable for both standby and metered lots.

Delinquent Accounts

An owner asked for the percentage of those who do not pay their assessment. Mr. Cylvick stated that Frieda Butterfield with Revenue Recovery collects on unpaid assessments and he deferred the question to Frieda and Carol. Carol noted that in the past the Water Company spent more money on legal fees without collecting delinquent accounts. Revenue Recovery has been very successful in collecting delinquent accounts and their fee is paid by those who owe. She emphasized that the Water Company does not pay collection fees out of the budget. Frieda explained the collection process and associated fees. She noted that if a lawsuit is filed, Revenue Recovery pays the legal costs if they lose the case. Frieda also explained the foreclosure process and circumstances when she would recommend foreclosing on a property. Mr. Cylvick explained that over the years the Water Company started foreclosing on water shares because either the current or a future owner would eventually need water and they could not get it without paying the unpaid balance. It is guaranteed money for the Water Company and they pay nothing except the foreclosure expense. In addition, on accounts delinquent after a year, the Water Company files a Notice of Unpaid Assessments with the County. If an owner tries to sell his lot, the title company is made aware that money is owed and the sale cannot be completed until the balance is paid.

Minutes – 2010 Annual Meeting

MOTION: Cal Cragun made a motion to accept the minutes of November 4, 2010 as written. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Financials

Mr. Cylvick reviewed the profit and loss/budget versus actual for 2011 year-to-date. He noted that they had collected \$506,271. He had budgeted to collect \$480,000, which was 5% over budget.

In response to a question regarding liability insurance, Mr. Cragun explained that the insurance was changed and it is now under an umbrella. Mr. Cylvick noted that the liability insurance was not shown as a separate line item but they were covered. Mr. Cragun remarked that the Water Company saved a significant amount by changing brokers.

Mr. Cylvick noted that the principle and interest payment on the loan for 2011 was budgeted at \$235,000. That amount was based off of the original loan and a 20 year

note. By restructuring that loan and borrowing additional money, he was able to reduce the budget to \$153,840 for principle and interest payments for 2012. Mr. Cylvick commented on a new ruling that non-profit and public water companies should not have to pay taxes, which resulted in a \$30,000 benefit to their bottom line.

Mr. Cylvick reported that a telemetry system runs all the pumps, tanks and wells. In addition they have new Smart Meters and a great computer set-up. He noted that a new application came out for the iPad that can run the wells, pumps and tanks from anywhere using the app. Trevor and Brody each have an iPad, which enables them control the entire system remotely from their homes or any location outside of the Ranch.

Mr. Cylvick stated that he had budgeted a \$77,000 loss for 2011. He pointed out that the actual loss was only \$4,691. He hoped to run a surplus for 2012, assuming that the majority of expenses would not change dramatically.

Mr. Cylvick reported that as a condition of the loan, the Division of Drinking Water required the Water Company to maintain an escrow account to accumulate \$330,000 over the next ten years. He noted that \$22,500 would be budgeted each year for the escrow account. It is security for the DDW, but it would result in a nest egg for the Water Company in ten years. Carol pointed out that the Water Company had to put \$90,000 into the escrow account as an initial payment.

Someone asked about the seasonal payroll wage. Brody explained that it was necessary to hire a temporary employee to help install the meters and do other projects this summer. He clarified that with only two people working, if they receive a call from an owner or need to address other problems, the project shuts down for several hours because one person cannot continue working the project alone. Seasonal help allows Brody or Trevor to take care of other matters and still keep two people on the job.

An owner commended the Board members and Brody and Trevor for what they have done for the Association. Mr. Cylvick thanked the owner and stated that they enjoyed being able to improve the system and all that has been done. He gave credit to the background and knowledge that Brody and Trevor have contributed to the Water Company.

MOTION: Eric Cylvick moved to APPROVE the budget for 2012. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Fee Schedule

Mr. Cylvick reviewed a list of all the standard fees. Carol noted that the fee schedule needed to be ratified through a motion by the membership. The only change was to the standby fee and the annexation fee. Mr. Cylvick explained that when someone annexes in who has never contributed to Pine Meadow, the annexed owner pays all the fees the other lot owners have paid since the Ranch started. Mr. Cragun clarified that the new annexation fee also applies to dry lots.

MOTION: Tom Deaver, Lot PI-71-A, made a motion to ACCEPT the fee schedule.
Gary Clark, Lot D83-A, seconded the motion.

VOTE: The motion passed unanimously.

The Annual Meeting of the Pine Meadow Mutual Water Company adjourned at 7:50

Minutes Approved

Date