

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, JULY 23, 2009

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Cal Cragun, Bill George, Brian Zelch - Board members; Scott Clausen, HOA representative

Ex Officio: Brody Blonquist–Water System Manager; Trevor Townsend

Eric Cylvick called the meeting to order at 6:35 p.m.

Minutes - June 11, 2009

MOTION: Eric Cylvick moved to APPROVE the minutes of June 11, 2009 as written. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Cylvick noted that they were below budget on the connection fees. He expected to be over budget for total water assessments because people used more water last year. Mr. Cylvick noted that he had budgeted for one annexation fee and five impact fees and water hookup fees.

Scott Clausen entered the meeting.

Mr. Cylvick pointed out that the legal fees were higher because Ted Barnes, their attorney, had prepared documentation for Revenue Recovery regarding water share foreclosure. He noted that Revenue Recovery is taking over the foreclosure portion as well as collections. Mr. Cylvick noted that the source protection was over budget. Mr. Blonquist was unsure what classifies as source protection. Mr. Cylvick asked Mr. Blonquist to ask Carol for an explanation.

Mr. Cylvick reported that fencing was installed at the top of Valley Vista where they had staged out the 500,000 gallon tank. The intent was to keep people out so they could re-grass the area.

The Board talked about the cost of propane to fill up the tanks. Brian Zelch felt that they were paying too much for propane. He stated that Hone Propane was considerably less expensive. Mr. Zelch stated that he had formed a co-op and whenever Hone goes up he contacts Mr. Zelch. Mr. Zelch then calls those in the co-op and they get a better rate. Mr. Cylvick was interested if it would reduce the cost.

Mr. Blonquist stated that vehicle equipment was over because of maintenance for both the backhoe and the mini-trackhoe.

Mr. Cylvick noted that the interest and principle payment was the monthly payment on the loan.

Mr. Cylvick stated that they did not get extra water out of Uncle Tom's well. The scrubbing was done and he expected a final report from Bill Laughlin, the hydro-geologist. He would provide a copy to Hutch Foster, the HOA president. Mr. Cylvick noted that the Water Company paid the hydro-geologist \$6500 to give them an idea on looking for water. The remainder of the report suggests places to drill for water on the site. He stated that the total amount for completion of the well scrubbing was \$34,000 and the money came from the loan. Mr. Cylvick remarked that based on Mr. Laughlin's suggestion and the Board's discussions, they should send a camera down Tollgate well.

Mr. Cragun asked if the water level fluctuates and whether it would be different at a different time of year. Mr. Blonquist replied that the water level holds steady. Mr. Cylvick stated that when Brody first started working for the Water Company the well was producing 45 to 50 gallons per minute. At that time they did not know much about sources. Since then they have become more knowledgeable and have done things accordingly. Mr. Cylvick remarked that one concern was that the well originally produced 90 gallons per minute. When Brody came it was producing 45 or 50 gallons per minute and now it produces 30 gallons per minute. Mr. Cylvick noted that no one except Pine Meadow siphons water out of the well. However, they are using more water now because they have more people and the water is on year-round.

Mr. Cragun referred to the profit and loss, and asked about the \$9,165.74 under Net Other Income. Mr. Cylvick explained that the amount comes from the credit of \$6,047 which represents materials sold to church property. He noted that the \$2208 is interest on their money, but they cannot count the interest income because they are a non-profit. Interest and credits are shown as Net Other Income.

MOTION: Eric Cylvick made a motion to approve the profit and loss/budget versus actual. Bill George seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Mr. Cylvick noted that currently there was \$382,000 in the bank. Mr. Cragun pointed out that the money was only earning 1.33% interest. He believed they had earned approximately \$2,000 in interest. Mr. Cylvick

stated that he would like to put some of that money into Utah Treasury Bonds. He would check to see if that was legally possible. Mr. Cragun noted that he needed to move \$55,000 to the checking account to pay the bills.

Mr. Blonquist reported that Brian Myers had offered \$35,000 for the trackhoe. It would still be on the Ranch and the Water Company could use it for an hourly charge. He suggested that Mr. Blonquist tell Mr. Myers that some of the Board members would like to keep the trackhoe for a while longer, but if they could sell it for \$40,000 they would be willing to reconsider. Based on his response, the Board would make a decision on whether or not to sell. Mr. Blonquist recalled that the State requires that any money received from equipment that was purchased through the loan must be paid back to the loan.

Mr. Cylvick noted that the loan amount was at \$2,999,321. He had originally budgeted \$2.6 million to do the projects, but that did not include the extras such as replacing all the PRV, scrubbing the wells, the shop, and equipment purchases.

MOTION: Bill George moved to approve the balance sheet for July 23, 2009. Call Cragun seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick reviewed the contact list. He indicated the accounts that were current and making payments. Mr. Cragun pointed out that 80 lots or 10% were making payments. The accounts shaded in a dark color were bad accounts that refused to pay. He referred to a bracketed box at the right and noted that they would begin foreclosing on those water rights. Two in that grouping were making payments and would not be included in the foreclosure. Mr. Cragun stated that John Parry, Lot F-72, had threatened Frieda at Revenue Recovery, and told her not to call him again. Any further conversations with Mr. Parry need to be recorded and handled legally.

Mr. George reported on a gentleman who wants to sell his well and well rights for \$150,000. Mr. Cylvick stated that they know which wells in the area came up dry and which ones are wet. Mr. George stated that he had spoken with the lady who represents the twelve owners in that 40 acres. Mr. George explained that the owners within that 40 acres have separate water and this gentleman wants to sell his percentage for \$150,000. He apparently purchased water rights for several of the lots. Mr. Blonquist explained that small systems do not have to be licensed and you can legally have twelve or thirteen connections. Mr. Cylvick clarified that someone would not be able to have water to their site unless they paid this man \$150,000 because he controls the water.

Scott Clausen thought the Owners Association owned all the diversion rights in this area. Mr. Cylvick replied that the 40 acres they were talking about was land outside of the Ranch.

Mr. Cylvick asked Mr. George to find out who he should contact to find out more information.

Mr. Cylvick stated that currently they have sufficient water source between Uncle Tom's and Tollgate; however, they would not have enough water legally for full build-out as a community water system. Mr. Cylvick asked Mr. Blonquist to begin researching where they need to pump to and how long it would take. He noted that money from selling the trackhoe could pay a portion of that cost.

Mr. Cylvick provided an update on Joe Rush. He noted that Ted Barnes had initiated the last response, stating that the Water Company did not agree with the statements made by Mr. Rush's attorney and they were expecting full payment. Mr. Barnes indicated that the Water Company was willing to waive finance and late charges on the one lot in dispute. To his knowledge, neither Mr. Rush nor his attorney had responded back.

Mr. Cylvick stated that he had reviewed the list of properties being sent to collections. He explained that a property owner is sent several statements and given a year to dispute a charge, pay the bill or set up a payment plan before their account is sent to collections. If the collection process does not produce results, they begin the process of foreclosing on the water share and making it a dry lot. Mr. Cylvick clarified that a water share can only be owned by the owner of the property or the Water Company.

Unpaid Bills

Mr. Blonquist reviewed the unpaid bills. All West Communication was the bill for his internet at home for when he does Water Company business. The bill from Catapultion was the internet bill for the shop and for Trevor when he does Water Company business at home. Chesley Electric was a charge for a faulty breaker on the backside of Bobcat Springs. The bill from Clyde, Snow, and Sessions was legal fees. The bill from Coalville Auto and Farm Supply was for tools. Dane Ercanbrack was the truck driver they used for the leak on Pine Meadow Drive. He presented a bill from Farmer's Insurance. The bill from Ferguson Enterprises was for parts needed to repair leaks. Home Depot was the bill for work benches and shelving at the shop. There was a bill from Horrocks Engineering for mapping. The bill from Humpty Dumpster was for the dumpster. KGC Associates was the bill for Carol's services. The bill from Komatsu Equipment was teeth for the minihoe. Mountain States Water Works still showed a credit and they also stocked up on parts for meters and purchased sleeves. Petersen Bros. was for the well scrubbing and cleaning. Rocky Mountain Power was the typical monthly bill. Sinclair Fleet was for fuel. He believed the bill from Suburban Propane was probably for the HOA. He would talk to Carol about that bill. The bill from Summit County Health Department was for samples. USA Bluebook showed a credit for a fire hydrant that was sent back. The bill from the Utah State Tax Commission was the Ford registration. Verizon wireless was the typical monthly bill.

MOTION: Eric Cylvick made a motion to pay the unpaid bills with the exception of Suburban Propane until they decide whether or not it is the Water Company bill. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick asked about the property tax exemption issue. Mr. Blonquist understood that it would not go through until the first of next year. Mr. Cylvick noted that if they were exempt from paying property taxes as a non-profit utility, that would put \$35,000 back on their bottom line.

Mr. Cragun reported that the Local Governments Trust surveyed the Ranch on March 30, 2009. Based on that survey, he received a letter dated June 25th indicating corrections that need to be made in a timely fashion and a report sent back within 45 days. Mr. Cragun noted that pictures were taken of six things that needed to be correct. He felt that for their size and the fact that they are a rural water company, having only six things wrong was very good. Mr. Blonquist noted that all the items were fixed except for the eye wash station and he would complete the report.

Manager's Report

Mr. Blonquist reported that the water system has been running great and the well is up and running. Last week he and Trevor buried deeper some of the meters they had problems with in the winter.

They still have two more new installs to do, but the owners have not yet marked the location for their meter connection. Mr. Blonquist stated that in his opinion, the new meter location should be marked by October 15th. If it is not marked by that date, the meter would not be installed until the following year. He asked if the Board wanted to specify that in the bylaws. Mr. Blonquist explained that if they go outside the October 15th date, they would be going against the HOA's moratorium. Mr. Cylvick did not believe it needed to be part of the bylaws. Mr. Blonquist could just inform everyone that meters would not be installed after October 15th. He felt the cut-off date should be left to the judgement of the Water System Manager. If Mr. Blonquist decides that meters cannot be installed in September, that should be his decision. Mr. Cylvick preferred not to lock in a date. He thought they should use October 15th as the best case scenario, but let people know that it could be earlier.

Mr. Blonquist commented on a clause in the bylaws that needs to be removed. It says that a connection comes with a meter, the meter setter, a valve shutoff, and a yard hydrant. They need to remove the yard hydrant from the bylaws because they no longer put one in. It can also be addressed in the paper the owner receives when their meter is connected.

Mr. Cragun explained that in order to change the bylaws, the Board votes on the change and makes the alteration to the bylaw itself. He suggested that they notify all the owners through a flyer so no one can say they were not notified.

MOTION: Eric Cylvick made a motion to amend the bylaws stating that the Water Company will no longer supply a yard hydrant from this point forward on new hook-ups. Carol will send a flyer notifying all the owners.

Mr. Blonquist did not think it was necessary to send a flyer to everyone because it only applies to new connections.

Mr. Cylvick amended his motion to send a flyer to those with new connections and Mr. Blonquist would make that change on the website.

Mr. Clausen asked if a yard hydrant was required for fire protection. Mr. Blonquist highly recommended that hydrants not be installed because it makes water theft easier and large animals knock them over or break them off. The hydrants also leak. When people ask about fire protection he suggests a hose bib on the side of their cabin. Mr. Blonquist stated that he was on the fire department for many years and it is impossible to hook on to a yard hydrant.

Mr. Blonquist commented that the eye wash station is a Worker Compensation safety compliant requirement with the Utah Local Government Trust. He asked if he should purchase one from USA Bluebook and put it in. He thought the cost was approximately \$600. It needs to be hooked up to a water line and have a foot pedal and a pull chain. The suggestion was made for Mr. Blonquist to call Industrial Supply for a price. Mr. Cylvick stated that if it was necessary they had no choice but to have it. He suggested that they put it on the loan because it relates to the water system.

Mr. Blonquist stated that in the past two weeks he has heard of two passing out in vaults due to carbon monoxide. One person in Riverton had died and he was unsure about the second person in Brigham City. He suggested that the Water Company purchase a tripod and a harness. He noted that other water companies have them. Mr. Blonquist explained that the tripod stays above the vault and the harness clips on with a cable that goes down the vault. He stated that if he or Trevor were to go down the vault and pass out it would be impossible to pull that person out. Mr. Blonquist stated that he has already lined up a breathing apparatus for Bob Cat Springs and they currently have a blower that blows fresh air into the vaults. His concern after speaking with an engineer is that the vaults can have as much as 300 pounds of pressure on the back side. If something were to go wrong and you were knocked out, there is no way to get out of the hole. The tripod and harness would give them the ability to pull a person out. The vaults are typically six or seven feet deep.

For safety reasons, Mr. Cylvick supported the idea of a tripod and harness or some other mechanism to get out of the vault. He suggested making a kit with the tripod and harness and any other items needed for an emergency. Mr. Cylvick also suggested that they have a protocol for using the equipment every time they go down in the vault so if something happens they do not waste time setting up.

Mr. Cylvick stated that he received an email from the property owner, Lot G-70, complaining about his bill and disputing the amount of water he supposedly used. Mr. Blonquist tested his meter and everything was fine. Mr. Cylvick informed this person that his meter had been tested and it was up to him as a property owner to find the problem and determine whether he has a leak, if his water was stolen or if it was caused by something else. This same person sent a second email complaining that he did not have water when he went back to his cabin. Brody and Trevor went up there and found that the owner had not turned on his valve in the basement.

Miscellaneous Business

Mr. Cylvick reported that he and Bill George had gone searching for a formation called Oyster Ridge, which is a 200-300 foot thick section of rock that is fractured and could hold water. The pond is at the low point, but if you stand at Brian's house, you can see a prominent ridge directly left that has a nice slope on one side. The ridge is exposed out of the ground anywhere from 5-20 feet tall and it matched the exact description given by the hydro-geologist. Once they found the ridge they walked the road and found areas where it was exposed and followed it.

Mr. Cylvick stated that Bill Laughlin suggested that if they scrape down the old well site and drill a 1,000 feet they should hit it. The point where he saw the formation exposed was 900 feet lower. Therefore, Mr. Laughlin's estimation was very close. Mr. Cylvick stated that with the exception of the 200-300 feet of fractured rock, everything else is like clay. The hydro-geologist report includes the scrubbing of Uncle Tom's, the calculation of gallons per minute, and the scoping of the well at Tollgate. They paid an additional \$2,000 to have a comprehensive report on the water system. Mr. Cylvick stated that Mr. Laughlin's opinion and his opinion is that the ridge is where they would need to drill. Mr. Blonquist stated that the old Salt Box was only drilled 400 feet deep. Mr. Cylvick clarified that Bob Cat Springs is wet because it is clay and all the snow melt comes down but cannot get through the clay.

Mr. Cylvick stated that they needed to figure out the depth of the ridge. The best part was that they found it and it was exactly as described. However, based on the information Bill George gave this evening, if it is possible to negotiate the purchase of another well, they may not need to do anything else.

Mr. George stated that the woman's name is Lisa Salisbury and she lives in Park City. He would try to find her phone number for Mr. Cylvick. She is a realtor and has the listing for the entire 40 acres of property. Mr. Cylvick was interested in pursuing the matter.

Mr. Clausen commented on the number of hydrants that have been set low. Mr. Blonquist stated that they are planning to put risers on the hydrants to raise the level.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:50 p.m.

Minutes Approved
