

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, JANUARY 20, 2011

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Bill George, Brian Zelch, Dan Heath - Board members

Ex Officio: Brody Blonquist

Guests: Mike and Ginny Echevarria, Lot PI-D-76.

President Eric Cylvick called the meeting to order at 6:37 p.m.

Minutes - December 9, 2010

MOTION: Eric Cylvick made a motion to APPROVE the minutes of December 9, 2010. Brian Zelch seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Cylvick assumed the accounts had been closed out for the year. He had anticipated being \$40,000 over budget and they finished the year at \$44,640. The total expenses were \$578,239 and the total income was \$533,000. Mr. Cylvick had prepared a similar budget for 2011.

He noted that the Water Company operates on a loss because they are non-profit. They are allowed to have capital reserve funds to cover losses.

Mr. Cylvick reported that the total assets were \$4,833,000. As of December 31, 2010 there was approximately \$216,000 in the bank. He assumed that was the amount left after paying the \$44,000 shortfall. Mr. Cylvick pointed out that the total amount of all funds was \$261,892.

MOTION: Eric Cylvick made a motion to APPROVE the profit and loss/budget versus actual, January through December 2010; the balance sheet/previous year comparison as of December 31, 2010; the profit and loss/budget versus actual dated January 2011; and the balance sheet/previous year comparison as of January 31, 2011. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick reported that the remaining \$28,000 that was left on the loan, as well as an additional \$500, was applied to a retainer for Horrocks Engineering to engineer the well and new line from Tollgate to Bobcat, as well as a new line down Pine Meadows Drive. He noted that the Board had discussed using the remaining loan funds for that retainer at a previous meeting. Mr. Cylvick believed that retainer should give them a complete bid package. Once he knows the total cost, he would look for additional money.

Mr. Cylvick remarked that the Division of Drinking Water is using the Pine Meadow Water Company as a model for how water companies should handle their water systems. Mr. Cylvick stated that part of developing the Tollgate well will include putting in Driscoll pipe from the well and locating a pump station between the well and the Moss lot. They would also run a 6 to 8 inch pipe in case they ever decide to take advantage of the well on Oil Well road. If they dig up Tollgate, it makes sense to put in a larger pump line to accommodate future expectations. Someday they could possibly bring a line across Oil Well to service Aspen Ridge and obtain that water as well. All totaled that would supply approximately 300-400 gallons of water per minute.

Mr. Zelch asked for the difference in price between a 6 inch line and an 8 inch line. Mr. Cylvick replied that the cost of the line is not substantial. The major cost difference is trenching.

Public Input

Mike Echevarria requested a reduction in their water bill to the base rate. He was billed \$2200 due to what he consider an accident. On a Friday in June, Brody recognized a leak of approximately 12 gallons per minutes and it took him until Monday to isolate the leak to his lot. As soon as he was notified, he came up from Lehi and they shut down the meter. Mr. Echevarria quickly deduced that the hot water heater had gone off, and fortunately the water went through a pipe that was vented into his septic system. Until the problem was identified and the meter was shut off, approximately 45,000 gallons of water was lost. Mr. Echevarria emphasized that it had been leaking for three days before Brody was able to isolate the problem.

Mr. Echevarria understood that water is hard to come by on the Ranch and they have been responsible users. Historically they use 6,000 gallons. Mr. Echevarria stated that he has worked in the water business for 36 years and he knows about water pipes. He looks at a pressure relief valve on a hot water tank as similar to a pressure gauge on a car. It indicates that something is wrong and it is typically related to another problem. He suspected that there was no pressurization in the line.

Mr. Cylvick explained that the rules and regulations under the Bylaws are set up to allow a one-time reduction on a water bill and the reduction is calculated on a set formula. He stated that neither he nor anyone else has the ability to randomly reduce water bills, outside of what they are bound by the rules and regulations.

Brody Blonquist pointed out that he and Trevor spend a lot of man hours looking for a leak and they do not charge for that service. It is a service provided to the customers.

If they did charge, the property owner would pay several hundred dollars for lost man hours that could have been spent elsewhere on the Ranch.

Mr. Echevarria felt that at a minimum the system was contributory. He was not interested in a court battle, but he was willing to go that route if necessary. He believed he had enough evidence to suggest that the system contributed to his damages because the system was over-pressurized. Brody asked how he intended to prove that the PRV failed. Mr. Echevarria replied that his pressure relief valve went off.

Mr. Echevarria remarked that the man hours are paid for in his water bill, and as the Water Manager, Brody looks for leaks all the time as part of his job. He appreciated the fact that once a leak was detected, Brody did everything possible to locate the leak and contact him. He believed that the water was already in the system and that the fee charged did not represent the cost of production. It is a punitive fee for people who are not diligent about their water use and abuse the system. He was conscientious enough to personally spend \$3,000 on mechanisms to prevent this type of situation from occurring.

Mr. Cylvick explained that an owner can request a one-time reduction in their water bill under the requirements of the CC&R's. It is a set formula which typically amounts to a 50% reduction in the water bill. He was willing to approve the one-time reduction for Mr. Echevarria, using the same formula that is used for all property owners. He understood that Mr. Echevarria was requesting a reduction to \$625, but he was not willing to reduce the bill any lower than what the formula calculates. Mr. Cylvick noted that the ones who have taken the matter to small claims court ended up paying the full amount. The Water Company has never lost a case. The decision on whether to accept the one time reduction or take it to small claims court was entirely up to Mr. Echevarria.

Mr. Echevarria stated that he wanted to support the system and he was willing to take a one-time reduction if the amount was reasonable. He appreciated the time and effort expended by the Board and Brody and he did not want them to take his comments personally. Mr. Cylvick assured Mr. Echevarria that it was not taken personal. However, if Mr. Echevarria wants more than what the Board can give under the rules and regulations, his other option is small claims court.

Unpaid Bills

Brody reviewed the unpaid bills. All West and Catapultion was for the internet. Coalville Auto and Farm Supply was for anti freeze and paper towels. Horrocks Engineers was the retainer. KGC Associates was for Carol's services. Mountain States Water Works still showed a credit. Regency Blue Cross/Blue Shield was shown as cancelled, since the Water Company was changing the employee health insurance. Sinclair Fleet was for fuel. Suburban Propane was the charge to fill the propane tanks.

Brody noted that the Water Company stayed with Suburban propane because he was able to negotiate a lower price.

The Health Department was for the quarterly water sample. US Financial Life Insurance was the life insurance premium for Brody and Trevor. Utah Local Government Trust was Workers Compensation. Utah State Division of Finance was the loan payment. Verizon Wireless was the monthly cell phone bill.

MOTION: Eric Cylvick made a motion to APPROVE the unpaid bills dated January 13, 2011 in the amount of \$42,911.11. Brian Zelch seconded the motion.

VOTE: The motion passed unanimously.

Miscellaneous

Mr. Zelch wanted to know the decision on Mr. Echevarria. Mr. Cylvick stated that Mr. Echevarria never said whether or not he wanted Carol to calculate his reduction. Brody thought he needed time to think about it and then he would contact Carol.

Eric Cylvick was prepared to make a motion to grant Mr. Echevarria a one-time reduction if he wants it. Mr. Zelch agreed. Brody pointed out that they continually tell people to turn off their meters when they leave their property. In his opinion, it was clearly negligence. Mr. Zelch remarked that they could show that the Water Company has informed people about shutting off their meters in many newsletters.

MOTION: Eric Cylvick made a motion to grant Mr. Echevarria the one-time reduction in his water bill that the Board offered him this evening. Brian Zelch seconded the motion.

VOTE: The motion passed unanimously.

Correspondence

Mr. Cylvick noted that the owner of PI-D-60 disputes the charge for excess water. The owners claim that snowmobilers turned on their spigot and left the water running. A neighbor discovered water pouring out of the cabin and he was able to shut off their water. The owner stated that finances and health issues made it difficult to pay the excess water charge.

Bill George noted that a similar issue occurred on his property when his son was snowmobiling. He understood how these situations could happen with the number of snowmobiles on the Ranch. Mr. Cylvick remarked that the Board only has the ability to offer a one-time reduction. Brody suggested that they offer a one-time reduction and a payment plan. Mr. Cylvick agreed. The formula limits the amount of the reduction, but they can be flexible with payment options.

MOTION: Eric Cylvick made a motion to offer PI-D-60 a one-time 50% reduction in their water bill. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick asked Carol to contact the owners of PI-D-60 and PI-D-76 and let them know that they have the ability to set up a payment plan that is reasonable for both the owners and the Water Company.

Managers Report

Brody reported that Tollgate Canyon had been without water since Sunday night. He checked the tanks at 10:00 p.m. and noticed that the levels were dropping 40-50 gallons per minute. He drove up to Tollgate and could see the water running down Oil Well Road. He shut off the valve directly across the street from Lori Nadeau's house, Lot PI-67. The return started to come back up and everything looked good. Brody stated that he and Trevor dug up the PRV vault to see if they could find the leak. What they found was another "special repair" by the former water manager, Jerry Rupert. He drew a picture to explain the situation. Brody stated that Jerry did not know how to repair the PRV's and instead he would put in a 3/4" line around it and shut off the valve in front of the PRV. That forces all the water through a 3/4" line, which is illegal in the State of Utah because it does not adequately service the fire hydrants.

Brody believed that the 3/4" line broke somewhere, most likely in one of the fittings that was used to tie on to the main line. He stated that a new PRV is approximately \$1553 and it is the same as the new valves that were put in with the new water system. All the valves would now be the same. He had left one new PRV down there that he did not think needed to be replaced. Until the break, he was unaware that there was only a 3/4" line bypassing a rank.

Brody noted that he asked Mr. Cylvick whether they should fix the valve now or wait until Spring. The cost is higher in the winter because they need to bring in a dozer to push the snow back far enough to make more room on the road. He estimated the total cost for the dozer, including transportation, was approximately \$3500. Mr. Cylvick thought the HOA may pay half the cost and he would talk to Hutch Foster and other HOA members. Mr. Cylvick noted that only 2 houses are without water. He would propose to the HOA that if the Water Company pays the entire \$3500, they would wait until Spring to repair the line. If the HOA is willing to split the cost, they would repair it this winter.

Dan Heath stated that he would speak with the HOA Board at their meeting on Tuesday and contact Eric Cylvick with their decision.

Brody handed out copies of the letter he drafted for the new digital meters for sale. He noted that the Water Company could charge an additional \$130 per meter to cover the installation cost.

MOTION: Eric Cylvick made a motion that once the letter is edited and finalized, it would be mailed to all the shareholders and posted on the website.

Brody stated that the reason for sending the letter now is to compile a list during the winter so they can establish a deadline for installing the meters this year.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:35 p.m.

Minutes Approved

Date