

PINE MEADOW MUTUAL WATER COMPANY
BOARD OF TRUSTEES ANNUAL WATER MEETING
THURSDAY, NOVEMBER 5, 2015
KIMBALL JUNCTION LIBRARY
SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick-President, Cal Cragun, Bill George, Craig Gilliam, Tony Tyler – Board Members;

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

Shareholders in Attendance: Bill Groot, Plat E, Lot 70-AM; Tom Deaver, Lot E-71A; Mike Bowen, Lot FM-C-47; Jensen’s Lot C19 and 20.

President Cylvick opened the Annual Meeting at 6:30 p.m.

Approval of 2014 Annual Meeting Minutes

MOTION: Eric Cylvick moved to approve the Annual Meeting Minutes dated November 6, 2014 as written. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Projects Update

Mr. Cylvick noted that the projects were the same as the list last year with the exception of Items 37, 38 and 39. He reported that they were able to use some of the loan money to improve the lower portion of Tollgate Canyon Road and bring it back to the condition it was in prior to the projects and damages done during construction. Because of the emergency connection and the water line connection between Canyon Road, A-Plat and Mountain Regional, as well as other improvements done by the HOA and the Water Company, Summit County was willing to fund a grant of \$250,000 to redo the bottom of Forest Meadow Road. Mr. Cylvick stated that the Water Company paid for the engineering and the Homeowners Association managed the project. Evergreen Engineering did the engineering work. He noted that the project cut the steepest part of

the road down to 10% for a very short section, and the remainder of the road was closer to 8%.

Mr. Cylvick was pleased that Summit County recognized all the hard work that went into the water system, the roads, and other improvements, and offered to contribute the grant to improve the safety of Forest Meadow Road.

Mr. Cylvick reported that a water line was installed that connects between Canyon Road over in A-Plat and goes down Crow Loop through a road easement, and down the property that the HOA owns. They negotiated an easement agreement with Fred Bacon, who owns the highest lot in Stagecoach, and they were able to run the water line down his property line. Mr. Bacon asked for a fence in return and for the Water Company to pay what he owed Mountain Regional in terms of the capital project he was assessed when he turned his water system over to Mountain Regional. Mr. Cylvick recalled that Mr. Bacon owed approximately \$30,000 to Mountain Regional.

Mr. Cylvick explained that the Water Company installed the water line along his property line and put the emergency egress through his driveway. They reseeded and put in a wood fence, and connected the water line to Mountain Regional. The Water Company paid approximately \$15,000 for Mountain Regional to upgrade their pump station. Currently, he believed that Mountain Regional could pump 200 or 300 gallons per minute up to the 500,000 gallon water tank. That means they would have enough water for build out if needed. Mr. Cylvick stated that the rate for buying water is approximately \$14,000 per million gallons if they need to purchase it. He noted that last year Pine Meadow used 4 to 5 million gallons, which was a large increase from previous years. The idea of being able to buy water from Mountain Regional at wholesale rates takes some burden off for build out and fire flow and other future needs.

Mr. Cylvick clarified that they were unable to find enough water on the Ranch in wells to satisfy the requirements set by the Division of Drinking Water. They were down from 75 gallons per minute to 55 gallons per minute because of the low snow pack year. The only solution to finding enough water to meet the needs of the community and the requirements of the Division of Drinking Water was to connect to Mountain Regional. He emphasized that they were still an independent water company and not part of Mountain Regional, but if they need the water they have purchased the ability to open a valve and take whatever they need from Mountain Regional.

Mr. Cylvick stated that there was approximately \$185,000 left over on the loan. They analyzed the water system and the decision was made to put in a new pump station at the 500,000 gallon tanks because they only had a capacity to pump 40 gallons per minute from the 500,000 gallon tank up to the 200,000 gallon tank. The pump station

was replaced with the remaining loan money and they can now pump 300 gallons per minute up to the 200,000 gallon tank. Therefore, they can receive 300 gallons per minute from Mountain Regional and pump it up through the 500,000 tank to the 200,000 tank at the same rate. If there is a fire on the other side of the mountain or a major water line breaks, they would have enough water in both tanks to handle any situation.

Mr. Tyler noted that the 200,000 gallon tanks services a portion of the Ranch and the 500,000 gallon tanks service another portion of the Ranch. There is a connection between them so water can be pumped between the two tanks, but actual service to individual homes is off of one tank or the other. Mr. Cylvick stated that Item 39 on the list was the new pump station.

Mr. Cylvick believed the Water Company had been efficient with the money spent on the projects. At this time, he could not think of any other project that needed to be done with the water system to protect the owners with fire flow and potable water in the future. Lines and PRVs will need to be replaced due to age, but in general the Ranch has a fantastic water system that services every lot with sufficient fire flow and water source. In addition, every vacant lot has water available. Mr. Cylvick remarked that Mountain Regional has said that Pine Meadow has the best water system in North Summit, which is why they were interested in making the connection.

Brody Blonquist noted that part of the agreement was that Pine Meadow Water would service the top 12 lots of Stagecoach from the 500,000 gallon tank. A meter records the amount of water that goes up and goes down every month. Pine Meadow had already banked 60,000 gallons with Mountain Regional. Instead of having Mountain Regional pump them the 60,000 gallons, the Water Company will continue to bank it and accumulate water until it is needed. Mr. Cylvick explained the process for finding a leak and how much water needs to run through the line before the leak is identified. During this process they had to shut down areas from water because there was not a sufficient amount of source to find the leak and repair it.

Someone asked if the pump houses that pump the water to the big water tanks have a backup system in case the power goes out. Mr. Blonquist replied that they have generator hookups. Water companies and sewer companies around Summit County have said they could use their generators to tie into the pump houses in the event of an emergency. Mr. Cylvick clarified that the electrical is set up for that tie in, but they do not have the generators on site.

Someone understood that in the event of a fire, the power company would cut the power to the area. Mr. Cylvick explained that in a fire situation the water in the tanks is basically the water they have to fight the fire. Mr. Blonquist stated that the issue with

the generator hook-ups is whether 30 gallons per minute is worth risking someone's life. He noted that there have also been discussions about having the generators there and setting up pumpkins for the fire department at the well sites, and have the 30 gallons per minute dump into the portable pumpkin tanks and the fire trucks can take water directly from those.

Mr. Tyler stated that with the connection to Mountain Regional, he thought it was unlikely that the power company would shut off Silver Creek and Tollgate Canyon at the same time. If a fire shuts down Tollgate, the power in Silver Creek would still be on and Mountain Regional could still pump water into the tanks. Mr. Cylvick stated that Pine Meadow is definitely better protected than they have been in the past. He pointed out that an additional safety measure is the crash gate emergency exit that could be used for evacuation. Mr. Cylvick remarked that the Rockport fire that looked like it might come up over Promontory prompted him to look for options that would provide an emergency exit for the Ranch owners if a fire started at the highway and blocked Tollgate.

Financials and 2014 Budget Review

Mr. Cylvick reviewed the Profit and Loss/budget versus actual as of November 4, 2016. One column showed what was budgeted and another column showed what was actually spent. A third column showed what was budgeted for 2016. Mr. Cylvick commented on the amount of detail in the profit and loss statement. He noted that when they started sending people to collections and foreclosing on water shares, they started showing where the money was coming from. That was the reason for showing so many years for metered, excess and standby. Mr. Cylvick stated that most of the revenue still comes from the current year annual assessments, but they have received a significant amount from collections.

Tom Deaver, Lot E-71A understood from reading the profit and loss that the metered water assessment is typically the same from year to year. He questioned why it would be the same when they have more houses. Mr. Tyler pointed to the connections fees which showed that the Water Company collected \$72,000 in impact fees in 2015. Brody stated that the assessment from the new houses in 2015 would not be evident until next year's budget; and that number would start increasing. Mr. Cylvick stated that they would see a big change between the numbers because the usage was significant this year.

Mr. Deaver understood that some of the nightly rentals used an exorbitant amount of water. He asked if something could be done to address that issue. Mr. Cylvick stated that the rates are adjusted so someone who uses excessive water is billed at a much

higher rate. Brody noted that the policy was tweaked this year, so if the bill is not paid the Water Company will put a lock on the meter. Mr. Cylvick reported that this year they sent notices to several owners informing them that their meter would be locked if payment was not made within 30 days. Fortunately, everyone paid except one lot.

Mr. Cylvick believed they were close to having 98% of assessments collected in 2015.

Mr. Cylvick noted that they were over budget in terms of total water assessments. They had budgeted \$8,583 for total water connections fees, and actually took in \$72,000 because of the new construction.

Mr. Deaver asked about the loan. Mr. Cylvick replied that the loan was taken out in 2012 and it is a 30 year note at 3%. They rolled the first loan into the second loan in 2012.

Mr. Deaver noted that some of the lots have water tanks and he wanted to know if there was a limit on the size. Mr. Cylvick replied that there was no limit on size as long as the owner was willing to pay for the water.

Mr. Cylvick stated that normally they show a \$15,000 to \$20,000 loss. The 2015 Budget showed a \$20,000 loss. After they pay the bills for November and December and pay back a \$10,000 overage on the loan, they should end up \$96,000 in the black.

Mr. Cylvick asked if there were questions on the Profit and Loss/budget versus actual or the proposed Budget for 2016.

MOTION: Tony Tyler moved to APPROVE the 2014, 2015 year-to-date, and the 2016 budget as outlined. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick reviewed the balance sheet. He reiterated that they would have approximately \$96,000 in surplus and they would talk later about what to do with that money. Mr. Cylvick remarked that in prior years they showed a large balance in the checking, operating and saving accounts, primarily because of how the loans were set up. The majority of those amounts were loan money. Now the amounts shown are Water Company funds. Mr. Cylvick noted that the Capital Reserve Savings was a new account and it needed to be approved by a motion and vote by the members. He explained that the Board was trying to save \$100,000 over the next five years to buy water from Mountain Regional. The goal is to have a capital reserve fund of \$300,000 over the next ten years. In order to show that company asset, they have to show the

liability. He pointed to the liabilities, which showed Mountain Regional Water Source at \$100,000, and Capital Expenditures of \$300,000. As they start funding the asset, an equal amount should come off the liability. Mr. Cylvick pointed to the Division of Drinking Water Debt Reserve. He explained that the DDW requires the Water Company to have \$300,000 set aside for payment on their note. Currently there was \$186,783 in that account. In 2022 they should have \$300,000 in that account, and that is escrowed out every month. He clarified that there is a Debt Reserve Escrow and a Loan Escrow. They will have access to the \$49,000 at the end of the year and that money will go towards paying the balance on the loan. Carol pointed out that \$59,000 would close out the available funds on the loan. Mr. Cylvick stated that the Water Company would have to contribute an additional \$10,000 to close out the loan.

Mr. Deaver clarified that when Mr. Cylvick says “our money” or “Water Company” money, it is money generated on the Ranch and not from the loan. Mr. Cylvick clarified that it was income coming from the Shareholders on the Ranch. Mr. Deaver remarked the Debt Reserve Escrow required by the DDW was not available money. Carol explained that it was held in reserve for ten years until the Water Company establishes a precedent of paying on the loan. After ten years the Debt Reserve funds are released.

Mr. Cylvick commented on the fixed assets, which included equipment, shop and office. Other assets included real estate and water system. Carol pointed out that the real estate represented the land that the tanks sit on. The Water Company owns nine other properties that were brought in in 1999 when the Special Service District was dissolved. Summit County gave those nine properties to the Water Company so they do not show value, even though it is valuable property.

Mr. Cylvick anticipated that by 2026 they would have \$600,000 in a Capital Expenditure Reserve. Within five years from now they would have \$100,000 saved to buy water.

MOTION: Eric Cylvick moved to instigate and include a Capital Reserve for purchasing water, and a Capital Reserve for Capital Expenditures in the amount of \$100,000 over five years for the water purchase and \$300,000 over ten years for the Capital Expenditures. Tony Tyler seconded the motion.

VOTE: The motion passed unanimously.

MOTION: Craig Gilliam moved to Approve the Balance Sheet. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Increasing the Annexation fee by one Standby fee.

Mr. Cylvick stated that if someone is annexed into the water system, they pay a set amount, which is the accumulation of standby fees since the creation of the Ranch. They also pay for a water meter and a construction impact fee. If someone wants to annex into the water system, the total cost, including water hook-up fee, is approximately \$25,000. Mr. Cylvick noted that generally only one person is annexed at a time. They have to legally join the HOA and abide by the same rules as the owners on the Ranch. If someone wanted to annex multiple lots, the Board would take it to the shareholders for discussion.

Mr. Deaver stated that as a shareholder he thought what Mr. Cylvick and the Board had accomplished was outstanding. Mr. Cylvick thanked Mr. Deaver and noted that it was a combined effort with the help of Brody and Trevor and the loan from the DDW.

Mr. Cylvick noted that the annexation fee is raised every year by one standby fee. He asked for a motion to increase the annexation by one standby fee, which is \$616.

MOTION: Eric Cylvick moved to increase the annexation fee by \$616, which is one standby fee. Tony Tyler seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick noted that they also needed a motion to Approve the fee schedule with the increase in annexation.

MOTION: Eric Cylvick moved to Approve the current fee schedule with the addition of the increase to the annexation fee of \$616. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Miscellaneous Issues

Bill Groot asked the Board to clarify a policy and procedure question. When the Water Company installs a meter and does excavation work, often after a week or two the road settles and it creates a rut. The Water Company never comes back to fix it. He asked for information on their policy and procedures. Brody stated that typically they wait until it settles for a while. He was aware of the place in question and he would talk with Jody Robinson, Ranch Manager, to see if they could grade it out and bring in some material. Bill clarified that the Water Company has a policy to restore the road to the way it was

prior to the excavation. Mr. Cylvick answered yes. Mr. Tyler pointed out that the road is usually restored to a better condition than it was before.

Mr. Groot asked a question regarding water leaks. He had a leak in his main line and shortly after Brody and Trevor advised him that his water was running 24 hours a day. He understood that the new meter system automatically flags a meter when its flowing continuously for 24 hours or more. Mr. Cylvick replied that they have to go out and read it. He explained that the computer tracks the history trend. Brody and Trevor read the meters once a month. If they do not see a substantial leak on the history trend, they read the meters at the normal time. If a leak starts after the meters have been read, it may not be picked up for another month, unless it is substantial enough to affect the water system. Mr. Cylvick clarified that a leak is not flagged on the computer. Brody and Trevor have to use the handheld, drive around to certain spots, collect the data, and download the data on to the computer before they see the 24-hour alert. He noted that because of the excessive usage this year, many things were flagged as leaks when it was actually usage.

Mr. Groot asked if the Water Company still notifies the customer after they read the meters and see a continual 24-hour leak. Mr. Blonquist replied that he had quit doing it because it was time-consuming, non-production and people did not respond. Instead, he takes the continuous leak list and compare it to the reading from last month. If it is only 400 or 500 gallons used he does not notify the customer because usually the customer is not concerned. Brody noted that there are people on the continuous leak list that have been contacted six or seven times, and when they shut off the meter the customer turns it back on. At that point it is no longer a Water Company problem. Trevor Townsend pointed out that when they compare the usage and find one that is significantly different they do notify the customer immediately.

Bill stated that his main concern is that the Water Company is pro-active when they find a leak and inform the owner. Brody stated that Pine Meadow does 90% more than other water companies to help their customers. They go above and beyond to let their customers know when they suspect a leak and are using excessive water.

Carol Steedman noted that there are instructions and a video on how to read your meter posted on the website. She stated that whenever they find a serious leak, every method possible is used to contact the owner, including a phone call, a mailing and email. Mr. Cylvick pointed out that Carol also documents everything.

Mr. Groot reiterated that he just wanted to make sure the Water Company had a system in place. If he has a leak he would like to know because he would not want to waste the water.

Mr. Deaver asked if it was permissible to pay a bill in advance by making a monthly payment all year long so the bill will already be paid when it is due. Carol stated that she has set up people on payment plans and some do like to pay ahead. She pointed out that a payment plan on a quarter basis results in an extra \$5 per quarter, plus the \$25 late fee. The payment plan avoids the finance charges.

Elections

Eric Cylvick announced that he was running for re-election as one of the full-time residents on the Board. It is a two-year term. Bill George was also running for re-election as a part-time resident.

Ballots were sent out and the shareholders have 30 days to return their vote.

Mr. Cylvick stated that he enjoys being on the Board and it has been a good experience building up the water system and working with other Board members, Brody and Trevor, and Carol. He commended Carol for doing a phenomenal administrative job.

The Annual meeting of the Pine Meadow Mutual Water Company adjourned at 7:40 p.m.

Minutes Approved

Date