

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, APRIL 13, 2017

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Duane Yamashiro, Steve Anderson - Board Members. Tom LeCheminant, HOA representative. Bill George arrived later in the meeting. Board Member Cal Cragun, participated via telephone on the motion to appoint Steve Anderson to the Board.

Ex Officio: Brody Blonquist

Excused: Tony Tyler

Guests: Steve Anderson, Lot D-27; Jeremy and Lisa Warren, Lot SS-146K

Eric Cylvick called the meeting to order at 6:32 p.m.

Mr. Cylvick explained that he has been a Board member since 2000. Duane Yamashiro was previously appointed to the Board by a quorum of Board members. Cal Cragun and Bill George are also Board members who sometimes participate via teleconference because it is becoming difficult for them to drive up to the Ranch. The Board intended to appoint Steve Anderson to be a member of the Board until the next Annual Meeting.

MOTION: Eric Cylvick moved to appoint Steve Anderson to the Pine Meadow Mutual Water Company Board of Trustees until the next Annual Meeting. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously. Bill George was not present for the vote.

Mr. Cragun disconnected from the meeting.

Minutes

MOTION: Cal Cragun moved to APPROVE the minutes of March 9, 2017 as written. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

Open Forum

Jeremy Warren, Lot SS-146K, stated that they were tentatively looking to connect to the water system, and they wanted to understand what it would involve. They recently purchased Lot SS-146K and they were planning to build a new structure. In deciding whether or not to drill a well, they thought it made more sense to join the Water Company. Mr. Warren asked about water fees, and whether there would be additional engineering fees. Once they understand the process and obtain preliminary approval, they would fill out the necessary forms and meet with the HOA.

Brody remarked that the water line borders the northeast side of the property. After speaking with the Warren's, he could not see any problems with connecting them to the water system. The driveway is just under 200 feet to their house. Brody thought it was a straightforward connection.

Mr. Cylvick believed Pine Meadow Mutual Water Company was the best water system in North Summit, and by far one of the most high-tech water systems. He gave credit to Brody Blonquist and Trevor Townsend. Mr. Cylvick noted that they were able to borrow money from the Federal and State governments to upgrade the system. Mr. Cylvick commented on the problems encountered in the past with the water system, and he explained how the water system was re-engineered and the improvements that were made to become a year-round water system.

Mr. Cylvick stated that last year he negotiated a deal with Mountain Regional that allowed Pine Meadow to connect its water system to Mountain Regional. He explained that Mountain Regional can pump 1,000 gallons/minutes up to the 500,000 gallon tanks, which would provide significant source if it becomes necessary. Mr. Cylvick reported on the number of times they drilled wells and found little or no water production.

Mr. Warren stated that they were not interested in drilling a well unless there was a significant deterrent to not join the Water Company.

Mr. Cylvick stated that the Water Company has state of the art equipment; however, there are times when water issues still occur. However, because they are a community water system, if the water is shut off for any reason, they are required by the State to get the water up and running. Mr. Warren asked if the Water Company had records they could provide to show how often that occurs historically. Brody replied that every time there is a leak and the water will be shut off, they post it on the website. He

suggested that Mr. Warren go through the website history.

Brody noted that the Warren's were in a good location because they could feed them water from two different directions. If something happens on one side they could still feed water from the other side, and vice-versa.

Mr. Cylvick did not see any problems with the annexation. He had looked at the maps for Lot SS-146, and if Brody could see no problems, there would be no additional engineering costs. They would only have to pay for the meter and the annexation fee. Mr. Cylvick explained how the annexation fee was calculated. In terms of the assessment, Mr. Cylvick remarked that Pine Meadow is a private water system and there are no subsidies. Each of the 800 shareholders pay for the water system. He stated that because of the limited source, the water is very expensive when an individual exceeds 30,000 to 40,000 gallons. He informed Mr. Warren that external use of water is not allowed for grass, gardens, or any type of irrigation. All of the water consumed must be used inside the house. Mr. Warren asked about using hose bibs. Mr. Cylvick replied that hose bibs can be used, but the Water Company recommends against it because it is the primary cause of most of the leaks.

Mr. Warren noted that they were not full-time residents and he believed they would stay well under 20,000 gallons. Brody advised Mr. Warren to make sure he shuts off his meter every time he leaves. Mr. Cylvick also advised against putting a frost-free hydrant between the meter and to run a padded single line from the meter to the house. If they follow that advice they should never have any problems with flooding or leaks.

Mr. Warren asked if there were any concerns about doing a fiberglass pool. They would bring up the water to fill the pool. Mr. Cylvick stated that they could have a pool as long as they supply the water.

Lisa Warren understood that they would have to sign over one-acre foot of their water share. Mr. Cylvick stated that they would have to bring in one water share. She asked about their other water share. Brody replied that the Water Company does not purchase water shares. He personally recommended that they keep it because water shares in Utah will be worth a significant amount of money in the near future. Mr. Cylvick asked why they had two water shares. Mr. Warren replied that two-acre feet came with the property. Mr. Cylvick explained that the Water Company owns water shares and not water rights. However, they cannot sell their water shares; they have to give them back to Weber Basin if they are not being used. He was unsure whether the Warren's owned water rights or water shares.

Unpaid Bills

Brody Blonquist reviewed the unpaid bills. Allwest Communication and Catapultion was for the internet. Clyde, Snow and Swensen were legal fees regarding water rights. Delco Western was for the new motor that was put in at Tollgate. Evco House of Hose was still showing a credit. Hone Propane was to fill the propane tank. ID Electric was to reprogram the drive on the motor at lower Tollgate. KGC Associates was for Carol's Services. Pine Meadow Mutual Water Company was the escrow for the loan. Revenue Recovery was showing a credit. Select Health was the health insurance premium. Utah State Division of Finance were the loan payments. Verizon wireless was for the cell phones.

MOTION: Eric Cylvick moved to pay the unpaid bills dated April 11, 2017 in the amount of \$39,326.09. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously. Bill George was not present for the vote.

Brody presented a bill from Armstrong Drilling in the amount of \$5,656.50, which was to pull the well, purchase new pipe, and to install the new pump. Mr. Cylvick asked Brody to make sure those items are included in the profit and loss under water repair system and maintenance.

MOTION: Eric Cylvick moved to approve the bill from Armstrong Drilling in the amount of \$5,656.50; with the explanation that Mr. Cylvick had authorized the work. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously. Bill George was not present for the vote.

Mr. Cylvick asked Brody to explain the reason for having Armstrong Drilling do the work. Brody stated that they started losing water production at Tollgate well. Armstrong Drilling pulled the well and found a hole in the pipe at approximately 120 feet. After they pulled the pipe there was a discussion between the Water Company, Delco Western, and Armstrong Drilling, and the decision was made to put in a new motor, but leave the old pump. In addition, they decided to replace all of the pipe to avoid the prospect of holes in the future.

Steve Anderson asked if Brody had a drawing of the entire system. Brody answered

yes and offered to meet with Mr. Anderson after the meeting.

Financials

The Board reviewed the Profit and Loss/Budget versus Actual. Mr. Cylvick reported that 83.1% total income had been collected. It was down by approximately \$114,000 budgeted. He stated that normally they would be in the upper 90 percentiles for collections. It was lower now because many people have set up monthly payments or direct withdrawals. The money is still coming in because it is spread out throughout the year.

Mr. Cylvick noted that they had already collected two impact fees and two water hookup fees.

Steve Anderson asked for clarification and a breakdown of the water assessments and the metered water assessments. Mr. Cylvick explained that the standby water assessment was at the bottom. Standby means there is no meter connection. The metered water assessments are for people who have a meter on the lot. Brody stated that the first increment of 20,000 gallons used was the metered water. The excess was water usage over that amount.

Mr. Anderson asked if the bank charges shown on page 2 was interest on the loan. Brody replied that it was the bank charges for processing assessments paid by credit cards. He noted that paying the bank charge was minimal compared to the assessments that are collected by allowing credit cards. The credit card is on file and the payment is taken from the credit card every month. Mr. Cylvick believed the processing fee was factored into the payment arrangements.

MOTION: Eric Cylvick moved to APPROVE the Profit and Loss/Budget versus Actual dated April 11, 2017. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously. Bill George was not present for the vote.

Bill George arrived.

The Board reviewed the balance sheet. Mr. Cylvick noted that there was \$20,000 more in assets than this time last year. Mr. Cylvick referred to the Accumulated Depreciation, and noted that the line item did not change until the year-end, when Carol shows all of the accumulated depreciation for the year.

Mr. Cylvick noted that the \$1 under Other Assets are lots the Water Company owns. He referred to the Treasury Stocks on page 2, and explained that those were lots that the Water Company had foreclosed on. The number was the outstanding balance owed. Mr. Anderson asked if they try to sell those lots or just hold them in inventory. Mr. Cylvick stated that the Water Company tries to collect what is owed, including, collection, finance, late and attorney fees. Sometimes people buy the lots at a low price and pay off the Water Company. Brody noted that the lots listed were the foreclosed lots and currently they were dry lots. In order to reconnect to the water system, the balances would have to be paid. Brody remarked that it is recorded with Summit County that the water shares have been revoked from the property.

MOTION: Eric Cylvick made a motion to approve the Balance Sheet, previous year comparison as of April 11, 2017. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

Brody noted that the Board needed to approve the annexation request.

MOTION: Eric Cylvick made a motion to approve moving ahead on the annexation with Jeremy and Lisa Warren, Lot SS-146-K Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

Mr. Anderson asked at what point they worry about their source in providing water to the SS lots. Brody replied that they no longer have that worry. Mr. Cylvick explained that he had created another capital reserve fund in the balance sheet to purchase water from Mountain Regional if it becomes necessary. The agreement with Mountain Regional is to back feed to 12 lots that Mountain Regional service at the top of Stagecoach. Prior to this agreement, Mountain Regional had to do a bladder system to keep those lots pressurized. Mr. Cylvick approached Mountain Regional and negotiated a deal to provide those 12 lots with fire flow and water; and Pine Meadow would meter that water and bank it. It is set up so Mountain Regional is able to read the telemetry system in the 500,000-gallon tank. The minute that amount drops down and it appears that the Water Company is unable to refill the tank, Mountain Regional will pump water into those tanks automatically and record it. Mr. Cylvick explained how he negotiated with Fred Bacon, the top landowner, and paid his outstanding balance to Mountain Regional in exchange for an easement to run a water line down his property. Mr. Bacon also gave Pine Meadow access to his driveway as an emergency evacuation location through A-Plat, since there is only one exit out of the Ranch.

Mr. Cylvick believed the agreement with Mountain Regional was a great benefit for both Pine Meadow Water and Mountain Regional. If the Pine Meadow reaches a point where they do not have enough water source to service everyone, they would have to make a decision on whether to annex into the Mountain Regional water system. Mr. Cylvick was in the process of writing a Memorandum of Understanding stating that Pine Meadow will have the right at any time in the future to hook into Mountain Regional. He noted that Mountain Regional is a Summit County organization and they most likely would have the right, but he wanted to set the terms and have it in writing.

Tom LeCheminant volunteered to be on the Water Board if they needed to fill a position. Mr. Cylvick noted that anyone interested in a board position would have to go through the election process in November. He suggested that Mr. LeCheminant attend a few more meetings to see if he is interested in sitting on the Board.

Mr. Cylvick noted that the Board consists of four Board members and an HOA representative. He stated that the attorney who wrote the Bylaws and Rules and Regulations has said that the HOA representative is appointed by the HOA, but it is not clearly stated whether it is a voting position. He remarked that the attorney is the best water attorney in the west; however, it still needed clarification. Mr. Cylvick pointed out that it would be easier if the HOA representative was a voting member, because not every Board member is able to attend every meeting and it would help with a quorum.

New Board Members

Mr. Cylvick noted that Duane Yamashiro, full-time resident, is a pediatric oral surgeon in Salt Lake. Steve Anderson is a civil engineer who lives on the Ranch part time. When Craig Gilliam moved away, Steve Anderson volunteered to sit on the Board. The Board assigned both Mr. Yamashiro and Mr. Anderson temporary positions on the Board until the elections in November.

Mr. Anderson expressed an interest in running for the Board position in November. He would also support having the HOA representative be a voting member. Mr. Cylvick noted that the Bylaws could be changed at the Annual Meeting. Since very few people attend the Annual Meeting, he did not believe it would be difficult to get enough votes to make that change.

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

Pine Meadow Mutual Water Company
Monthly Board Meeting
April 13, 2017
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Minutes Approved

Date