

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

WEDNESDAY, OCTOBER 12, 2017

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Steve Anderson, Duane Yamashiro – Board Members. Tom LeCheminant – HOA representative

Ex-Officio: Brody Blonquist

Excused: Cal Cragun, Bill George. Duane Yamashiro arrived late.

Eric Cylvick called the meeting to order at 6:30 p.m.

**Approval of Minutes**

Mr. Yamashiro was contacted by phone to approve the minutes, unpaid bills, and financials.

MOTION: Eric Cylvick moved to APPROVE the Minutes of September 14, 2017 as written. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously with Mr. Yamashiro voting via telephone.

**Unpaid Bills**

Brody reviewed the unpaid bills. Catapultion was for the Internet. Clyde Snow and Session were legal fees. Evco House of Hose was still showing a credit. KGC Associates was Carol's services. Pine Meadow Mutual Water Company was the escrow for the loans. Rocky Mountain Power was the monthly power bill. Select Health was for health insurance premiums. Tach Technology was for the meter transfer software they have done every year. Division of Finance were for the two loan payments. White's Auto Parts was for vehicle maintenance.

MOTION: Eric Cylvick made a motion to Approve the unpaid bills as of October 12, 2017 in the amount of \$37,854.87. Duane Yamashiro 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 at 99.8% on 2017 water assessments. They were \$71,570 over budget on total water connection fees. Mr. Cylvick remarked that they were slightly higher on Workman's Comp and Legal Fees. All other items were either at or close to budget. Meter installation was higher, but that cost was offset by the impact fees and meter installation fees.

Mr. Cylvick noted that the Profit and Loss was showing a net income of \$183,322. They still had to pay for the water shares which could total approximately \$57,000; which is an increase from last year due to the rate increase. Mr. Cylvick believed they would end the year at budget after paying expenses for the next 2-1/2 months.

MOTION: Eric Cylvick moved to Approve the Profit and Loss/Budget versus Actual dated October 12, 2017. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the Balance Sheet. Mr. Cylvick reported that the Brighton MM Debt Escrow account showing in the current assets as approximately \$230,000 was cash on hand in the bank which would carry over from year to year. It is not used for operational expenses. He believed the \$230,000 was the debt reserve.

MOTION: Eric Cylvick moved to APPROVE the Balance Sheet previous year comparison as of October 12, 2017. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Duane Yamashiro disconnected from the meeting.

## **Preliminary Budget**

Carol had met with Brody and Trevor to work on a preliminary budget. Mr. Cylvick later met with Carol to review the preliminary budget and they made several changes. The Budget would be approved at the Annual Meeting by the shareholders attending.

Mr. Anderson had questions on the Budget and he would email his questions to Mr. Cylvick.

Mr. Cylvick stated that the preliminary budget shows a loss that was similar to the loss they normally show. They typically underestimate the meters and impact and annexation fees. Mr. Anderson wanted to know why they show a loss. Mr. Cylvick believed non-profits have to show a loss. He could not recall a time when they did not meet budget.

Mr. Anderson suggested that if they would just show a zero and put it in excess water fees or connection fees, it would be easier to better gauge the budget. If they only show it on the bottom it could be in any one of the line items and they might miss it until the end of the year. Mr. Cylvick stated that they generally pick it up in the percent of change that Carol puts on the side. It is easy to look it up. He remarked that they primarily make money on excess water usage on metered water. The problem is how to predict it. It is usually a guess, but they almost always meet budget. Brody stated that in his 15 years with the Water Company the only time they did not meet budget was his first six months when they were developing Bobcat Springs. Mr. Cylvick remarked that by showing an approximately \$40,000 loss, they have been able to buy equipment and stay in the black. He noted that they budgeted a \$47,000 loss this year, and he believed they would meet that number. He noted that the Water Company spent significant funds on the wells this year.

Mr. Cylvick stated that a non-profit is allowed to either break even or show a loss. If they end up with more income at the end of the year, that money needs to be allocated to a restricted fund balance.

### **Manager's Report**

Brody stated that he and Trevor had done a number of meter installs this past month. They purchased the Rock Hammer missile that goes under the ground to avoid digging up the roads. They used it the other day and it worked great. The compressor they purchased also worked great.

Brody stated that the water system has been running well. He had one more day of SCADA that he wanted to finish up before winter, and he would contact Phil to schedule a day.

Brody recalled when the Water Company had to do all the cross-connection for the State of Utah. He and Trevor had to inspect the tanks. Certain people had to disconnect their tanks and others changed them. Brody reported that they were finishing those inspections, and anyone who did not have their tanks re-inspected and

their tank is still in violation of cross-connection, they can no longer go back and fix it. Brody needed Board approval to require those owners to disconnect and remove the tank.

For the benefit of Steve Anderson and others who were not on the Board at the time, Brody explained the cross-connection violation with the State and the required inspections that he and Trevor did over the course of three years where they allowed property owners to update their tanks to come into compliance. To date, some owners have still not communicated with the Water Company to have their tank re-inspected and it is now too late. Those tanks need to be disconnected.

Mr. Anderson asked if they know where people were still using those tanks. Brody replied that the majority were not. Approximately 10% had not responded and he would contact those owners to inform them that the tanks need to be disconnected. Mr. Anderson thought it was important to the health of the system not to have cross-connections or the potential for cross-connections.

**Duane Yamashiro arrived.**

Mr. Cylvick asked if disconnecting the tanks meant that the tanks would be completely removed. Brody answered no. They are required by the State of Utah to physically cut the lines coming into the house and to drain the tank. The tank needs to be capped and inspected by the Water Company.

Brody stated that it took both he and Trevor two years to do all of the inspections, and they know which properties still have tanks that were not fixed and re-inspected. They would send letters to each of those property owners.

Brody remarked that during the Annual Meeting they would need to approve a change to remove the requirement for storage tanks from the Bylaw and Rules and Regulations because they are now prohibited per the State of Utah. He would draft language prior to the Annual Meeting for the Board to review and approve. Mr. Anderson thought the change should clarify “no storage tanks connected to the water system”, because some people like to store water in a separate tank in the event of an emergency or power failure.

Mr. Cylvick asked Brody to comment on the backflow valves. Brody replied that backflow valves need to be inspected yearly by an independent inspector. He has a list of independent inspectors that he forwarded to the owners who needed it. The cost of the inspection ranges from \$75 to \$200, depending on the inspector. Mr. Cylvick asked

if Brody could be the inspector. Brody replied that he could, but he would first have to go through the certification process and it would be a while before he was certified. Brody pointed out that the inspector should be independent from the water system. He remarked that the cost to get certified with the Division of Drinking Water is approximately \$2,000. The cost of the inspection equipment is approximately \$7500.

Mr. Yamashiro asked about tanks used for fire suppression only. Brody replied that if it is used for fire suppression only and it is tied to the fire suppression, it is not an issue. Mr. Yamashiro stated that he was planning to run a line to have sprinklers. Someone asked if that still required a back flow preventer. Brody replied that it depended on who they talk to at the Division of Drinking Water. Mr. Yamashiro stated that his fire suppression was totally off of the water system.

### **Fees and Schedules**

Mr. Cylvick reported that Brody had met with Mountain Regional and obtained a copy of their Excel Spreadsheet. Mr. Cylvick still needed to figure out their formulas, but it appears to be a graduated scale impact fee depending on the size of the home and projected water impact.

Brody clarified that it was a State graduated scale. The fees were not determined by Mountain Regional. Mr. Cylvick agreed, and noted that Pine Meadow Water could easily adopt the same fee schedule. He assumed Mountain Regional had already done the math to determine the actual costs. It would generate more revenue for the Water Company, and it would be fair because someone with a larger house obviously uses more water.

Mr. Cylvick noted that Pine Meadow Water understands their own costs and have an appropriate fee schedule based on costs and usage. That was one reason why Mountain Regional wanted to hook up with Pine Meadow Water, and partly why the Division of Drinking Water granted the loans. Mr. Anderson asked if they knew the average per capita use per month. Brody suggested that Mr. Anderson contact Carol for that information. Mr. Cylvick believed it was approximately 60-65 gallons per day per household. Brody pointed out that the number increases every year. Mr. Cylvick remarked that the money paid from excess water fees is 10 times what it was 30 years ago.

Mr. Anderson asked about the maximum capacity of the water system. Brody stated that the current infrastructure was configured for full build-out. Mr. Cylvick remarked that the storage and distribution lines can accommodate full build-out at 800 gallons per

day per household. Everything was designed to handle full capacity without reduced requirements. However, it is based on internal use only because the Water Company is allowed to dictate no external use of water. Mr. Cylvick stated that unfortunately Pine Meadow Water does not have enough water to meet build-out, but they do have enough through Mountain Regional.

Mr. Anderson stated that Timpanogos Special Improvement District was recently sued because they did not have the numbers to show why they had a graduated impact schedule. He thought the Water Company needed to make sure they could show the impact to the system and why they were charging x-amount of money. It needs to be defensible. Brody remarked that if they go from reduced requirements to full-blown requirements with the State of Utah, they could not do it on their own. Mr. Anderson suggested that their defense would be the Water Company putting together a capital reserve because they know they will have to buy water in the future, and that is why they have to charge the higher fees. Mr. Cylvick remarked that the system will eventually wear out and will need to be maintained and updated; and it will wear out faster as they get more homes and more full-time people.

Mr. Cylvick stated that he would get an opinion from their attorney, Ted Barnes, about the fee schedule. He thought it needed to be explored quickly so they could vote on it. Mr. Cylvick asked Mr. LeCheminant to pass on this information to Tony Tyler and the HOA Board. Mr. LeCheminant thought the HOA Board needed to vote on it as well. He understood that people were building larger homes on the Ranch because it was less expensive. The problem is that when all 800 lots are built there would be no more impact fees. At that point they would need to figure out how to get the money. Mr. Anderson agreed, which is why they needed to be careful about impact fees. Brody commented on the scenarios that previously occurred when they had 18 water connections in 2007 and no water connections in the following four years.

Mr. Anderson agreed that Mr. Cylvick should talk to Ted Barnes to make sure they do it right, because the impact fees are for building the system. He understood that they could not be used to maintain and repair the system. Brody explained that the impact fees have to be set aside for improvements on existing facilities that are impacted by the home building. In some cases, it can be used for repair and maintenance. Mr. Anderson clarified that he was saying that it could not be used for standard maintenance. Mr. Cylvick replied that the Water Company currently uses the impact fees for standard maintenance. Brody used Uncle Tom's well as an example. They were able to use the impact fees for maintenance because it was an entire water system improvement. Mr. Cylvick noted that the impact fees are not placed in a special account. Mr. Anderson suggested that it might just be a simple matter of accounting

and being more careful with the allocation.

## **Swimming Pools**

Mr. LeCheminant wanted to know what the owners with the pool intend to do with the 5,000 gallons of chlorinated water when they dump the pool. It was noted that pools need to be emptied at least once a year or possibly every other year. Mr. Anderson stated that it is not chlorinated more than drinking water. Brody agreed and thought it could be pumped out into the ditch.

Mr. Cylvick would ask Ted Barnes about the pool as well. He asked Brody to find out if Mountain Regional has a separate impact fee for a pool and to email the Board with the answer. Mr. Cylvick pointed out that if people start putting in pools they need to figure out how to handle the cost of the additional water.

Mr. Yamashiro stated that his initial thought was for rental units to have their own scale in the future. Mr. Cylvick questioned whether that was legal. Brody pointed out that it is difficult to know who rents. Some are obvious, but others are less obvious. The hardest part is deciphering who rents and who polices the renters. Mr. Anderson asked if rental properties are required to have a business license. Mr. LeCheminant replied that Summit County requires a business license but it is not always enforced.

Mr. Anderson asked if the HOA allows businesses on the Ranch. Mr. LeCheminant stated that it was a thin line. They voted once to prohibit rentals, but later found out that it was not legal and the language was removed. However, the HOA rules specifically state that the roads are not to be used for commercial purposes. The CMU was renting cabins and using Pine Meadow roads for access. The HOA was able to use that rule to legally stop them from accessing through Pine Meadow roads.

Brody stated that anything regarding businesses should be adopted by the HOA and the Water Company. If someone runs a business, the fee schedule with the HOA should be based on a scale like the Water Company. He thought it was important to have better communication between the HOA and the Water Company for consistency. Mr. Cylvick stated that the Water Company has always been more forward thinking than the HOA. He was not willing to wait for a decision by the HOA if the Water Company has already made their decision.

Mr. Cylvick asked Mr. LeCheminant to inform the HOA Board that the Water Company

intends to come up with a legal solution for impact fees that may be more in line with what Mountain Regional and the State does with graduated scales. Mr. LeCheminant asked if there was any language in the Water Company Bylaws that prohibits differentiating between part-time, full-time and vacant lots. Mr. Cylvick replied that they are not allowed to differentiate among property owners. However, he liked the idea of differentiating between commercial vs. residential. Mr. LeCheminant clarified that the HOA was doing a re-write of the CC&Rs in an effort to eliminate the nightly rentals. Mr. Cylvick suggested that the HOA talk about the possibility of having a different fee schedule for any commercial entity with a business license to help address the problem. Mr. Anderson thought it was important for Summit County to enforce the business license issue, and people should draw it to their attention by calling the County if there is a problem.

The Board discussed potential ways to address the business license issue, having businesses on the Ranch, and fee schedules.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:30 p.m.

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Minutes Approved

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Date