

PINE MEADOW MUTUAL WATER COMPANY
BOARD OF TRUSTEES ANNUAL WATER MEETING
THURSDAY, NOVEMBER 7, 2019
KIMBALL JUNCTION LIBRARY
SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Duane Yamashiro, Tom LeCheminant, – Board Members.

Ex Officio: Brody Blonquist, Trevor Townsend, Carol Steedman with KGC Associates, Administrative Secretary

Excused: Scott Smith and Steve Anderson

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

Approval of 2018 Annual Meeting Minutes

MOTION: Eric Cylvick moved to approve the 2018 Annual Meeting Minutes dated Thursday, November 8, 2018 as written. Tom LeCheminant seconded the motion.

VOTE: The motion passed unanimously.

Financial Report and 2020 Budget

Mr. Cylvick noted that the Profit and Loss/Budget versus Actual was included in the packet. He noted that they still had two months left in the year. Mr. Cylvick remarked that the Water Company was generally on a \$64,000 per month expense rate. He still anticipated receiving a small amount of income before the end of the year.

Mr. Cylvick stated that the budget on the right-hand side of the sheet mimicked what was spent in 2019 with a few increases.

A Shareholder, Lot PI-G-98, asked for an explanation of why there appeared to be a significantly higher profit income over the budget. Mr. Cylvick explained that the Board

previously made the decision not to include annexation or water connections fees. Those revenue sources are put into the capital reserve fund and not used for operating expenses. Mr. Cylvick pointed out that in 2008 and 2009 no building occurred. In 2010 one house was built. This year, several houses are currently being built or have been built. The annexation and connection incomes are shown on the profit and loss, but it will be transferred to the Legal Reserve Fund and the Mountain Regional Fund. The shareholder understood that it was the excess showing and asked how it would be removed from the net income number at the end of the year. Mr. Cylvick stated that it would show on the Profit and Loss, but the money would be transferred to the Reserve Funds shown on the balance sheet. Mr. Cylvick commented on the fund that was allocated to purchase water from Mountain Regional if it ever becomes necessary. He noted that an escrow account was required by the State for the loans and approximately \$315,000 over a ten-year period is paid into that account. Mr. Cylvick explained that the idea was to take the excess and spread it between the Mountain Regional Reserve and Legal Reserve Funds. The debt reserve only showed one year of what is paid into the escrow account. In total, there was \$276,000 in the debt reserve account. Once that is built up to \$315,000, it needs to remain at \$315,000 to ensure one year of loan payments if the Water Company ever defaults on the loan.

The Shareholder referred to the first page which showed the total water assessment of \$831,365.40 and the total income was at \$841,000. The Shareholder wanted to know how close the Board anticipated meeting the budget once all the adjustments are made. Mr. Cylvick believed they would still have \$40,000 after \$64,000 goes into the Reserve Funds. He noted that once they reach \$315,000 in the escrow account, that monthly payment will no longer be escrowed and the money will go back into the operating expenses.

Mr. Cylvick noted that \$63,000 was budgeted for Weber Basin water shares. When he joined the Water Board in 2000, the Water Company was paying \$18,000 per year to Weber Basin. He clarified that they are water rights, not water shares, and they cannot be sold. There are 263 water shares. Brody noted that the total amount of water that can be pumped out of the ground is equal to 18 shares. Mr. Cylvick explained that the Water Company pays for 263 shares because the State estimated that Pine Meadow would need 263 shares at build-out. Since being on the Board, he has been trying to get Weber Basin to recognize that they can only pull 18 shares of water out of the ground and they should be paying for less water shares. If Weber Basin ever drops the requirement, it would put \$43,000 into the operating budget. However, at this point, Weber Basin will not allow the Water Company to pay for less shares.

The Shareholder stated that based on operations for this year and how the fee structure was revised last year, it appeared that everything had worked out. Mr. Cylvick replied

that it has worked out well. They have a financial cushion and they are able to fund the restricted fund balances. He was trying to build up the Mountain Regional Water Reserve to \$100,000. If they ever need to purchase water, the cost is \$11,000 for a million gallons. Mr. Cylvick noted that the Water Company currently has a credit with Mountain Regional; however, it was not as large as they thought and it needed to be adjusted. Brody estimated approximately 80,000 gallons in credit. A leak this winter used up a significant portion of what they had built up.

Mr. Cylvick reviewed the balance. He noted that the amount shown at the top of page 1 was what they had in checking for operating expenses. The debt reserve was at \$276,000 and they were working towards building that account to \$315,000. The Mountain Regional Reserve had \$71,000 and the goal was to fund it to \$100,000. Mr. Cylvick pointed out that the money market was a savings account. He noted that the Water Company had money at Zions Banks and Brighton Bank; but for no other reason than to keep separate funds at different banks.

Mr. Cylvick reported that the properties shown on page 1 are owned by the Water Company. They were originally designed as source protection to protect the wells and Bobcat Springs when Bobcat Springs was still tied into the system.

Mr. Cylvick noted that the original loans were \$3.2 million and \$3 million. Approximately \$1 million has been paid on the loans to date. They pay \$12,000 per month and \$13,000 per month on the loans at 3% interest for 30 years. They have been paying on the loan for almost 10 years.

A Shareholder, Lot PI-38, referred to the debt reserve and the Mountain Regional numbers on the balance sheet, and asked where the money would come from and whether the shareholders would be assessed. Mr. Cylvick replied that those accounts are funded by whatever income is left at the end of the year. Those accounts are primarily funded from impact fees, connections fees, and annexations. Those funds are separated from the operating budget and put into the reserve funds. Mr. Cylvick clarified that in 20 years he has been on the Board there has never been a special assessment.

MOTION: Eric Cylvick moved to APPROVE the Profit and Loss/Budget Versus Actual, year-to-date 2019, and the 2020 Budget. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

A Shareholder asked about the Well New and Water System Other on the balance sheet. Mr. Cylvick replied that it was a well they tried to drill that came up dry. Water

System Other was the value of the water system. Mr. Cylvick clarified that Other Assets include the pipe in the ground, the fittings, fire hydrants, booster stations, the trackhoe, and other assets. The shareholder thought the depreciation should reduce the value of the water system more directly. The shareholder remarked that the value of the improvements are normally reduced to come up with the net value; but they are usually presented closer together as opposed to having the depreciation presented first with everything else down below.

MOTION: Eric Cylvick moved to APPROVE the Balance Sheet dated November 7, 2019. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick stated that every year the Water Company raises the annexation fee by one standby fee. He explained how the fee is calculated. If someone wants to annex into the water system, they pay the same amount that people have paid to the entire water system.

MOTION: Eric Cylvick moved to increase the annexation fee by one standby fee. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

Rules and Regulations

Mr. Cylvick commented on changes to the Rules and Regulations. Mr. Cylvick stated that the other water companies in the area do not do water meter installations because of the liability associated with having an open hole or other issues. The water company has someone present when the connection is being made, but a licensed contractor hired by the property owner does the actual connection. The contractor gets the blue stake, does the digging, and deals with the buried power lines. The contractor must have proof of insurance. The connection of a new lot puts the liability of the connection on the homeowner and contractor. Mr. Cylvick stated that they were not aware until recently that this was standard protocol throughout the County.

Mr. Cylvick stated that Board was proposing to make an amendment to the Rules and Regulations to put that responsibility on the new shareholders and their licensed contractor connecting to the system. Mr. Cylvick noted that the change would be to 3.4.3 Setting of Meters and Service Lateral. Brody Blonquist had taken the language from Mountain Regional Rules and Regulations. The new language reads, "a new

service connection that is not tied into the distribution shall be the responsibility of the property owner. All connections shall be done by a licensed and insured excavator. All service parts of the connections such as saddle, piping, setter meter, meter box, and lid will be provided by the Pine Meadow Mutual Water Company". Mr. Cylvick clarified that Brody Blonquist and/or Trevor Townsend would be present when the connection is occurring.

A Shareholder stated that he is comfortable with the work that Brody and Trevor have done. He has seen the work of other excavators and it actually scares him. He wanted assurances that the work would be overseen by Brody or Trevor.

Brody explained that the Water Company would have a construction meeting with the contractor hired to do the work. The contractor will schedule a date for the connection at a time when he or Trevor; or possibly both, can be present to shut down the line and reopen the line. Brody referred to the language, "Approval of \$2500 meter installation bond". He noted that \$2500 would be paid prior to installation, and it will not be returned to the homeowner until the connection is completed and the road has been returned to the original condition. If the homeowner does not have the contractor complete the work to the satisfaction of the Water Company, the \$2500 goes to the Water Company to cover the expense for Brody and Trevor to repair the road. The bond also covers damages if the contractor hits the water lines. Brody clarified that he would never allow anyone to dig around the water lines without he or Trevor being there to supervise. He noted that a spec sheet will be given to the homeowner and the contractor and those specs must be followed. He and Trevor will do the final inspection and determine whether everything was satisfactory.

MOTION: Eric Cylvick moved to change the Rules and Regulations, 3.4.3 to the language read in the discussion and written in the documents stating that "A new service connection that is not tied into the distribution shall be the responsibility of the property owner. All connections shall be done by a licensed and insured excavator. All service parts of the connections such as saddle, piping, setter meter, meter box, and lid will be provided by the Pine Meadow Mutual Water Company".

Bruce Hutchinson thought this new rule may change the job description of the Water Company employees because they have mainly been doing meter installations. Brody stated that they typically set five meters per year at approximately 5 hours per meter or 20 hours a year. Mr. Cylvick remarked that the meters were a small part of what Brody and Trevor do for the Water Company. The issue is crossing power lines and the concept for the change is to legally protect the Water Company from that liability.

Mr. Cylvick noted that the Water Company purchased an air hammer and compressor that drives a hole underneath the road as opposed to digging across the road. The Board has talked about possibly selling the air hammer or keeping it and making it available for people to rent. Mr. Hutchinson stated that from an HOA perspective, it has been nice to ask Brody to help get something fixed. He questioned the ability to ask an outside source if it was not done to the standards expected by the HOA. Mr. Cylvick understood that the HOA has a non-refundable deposit. Mr. Hutchinson replied that it was for roads; not water connections. The HOA charges an impact fee knowing that people will be hauling materials over the roads.

Mr. Cylvick noted that if the HOA property owners are not getting the desired results, the Water Company would not refund the \$2500. Mr. Hutchinson pointed out that there has been a close relationship between Jody Robinson and Brody Blonquist to get the job done as it relates to safety concerns. He felt that involving a contractor would change that. Brody assured Mr. Hutchinson that the Water Company would still consider safety concerns as a priority. He fully intends to continue a working relationship with Jody when something needs to be repaired. Mr. Cylvick agreed that the Water Company would continue to work with the HOA as they do now on various issues. It is a matter of communication. If the HOA sees a problem, they should contact the Water Company.

Mr. Cylvick called for a second on the motion to approve the amendment to the Rules and Regulations 3.4.3 as stated in the motion. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

MOTION: Eric Cylvick moved to add a \$2500 meter installation bond to the Fee Schedule which may be refundable upon final inspection by the Pine Meadow Mutual Water Company. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

Election

Eric Cylvick, Duane Yamashiro, and Shaun Baker were running for Board positions. According to the rules, One full-time person and one part-time candidate should run for each election. However, this year the term was up for two full-time Board members. Therefore, the shareholders could only vote for one of the full-time candidates.

Mr. Cylvick noted that he and Duane Yamashiro would be the full-time Board members.

Shaun Baker would be the part-time Board member running unopposed.

Michelle Sutor, Lot G-36, asked about the line item for Facility Improvements and a new shop on the profit and loss. She was unaware that the Water Company had an office and asked where it was located. Mr. Cylvick replied that the new shop was at the gravel pit. Brody pointed out that the shop was not really new. Brody explained that facility improvements cover the pump houses, booster stations, and other items related to the water system. The majority are concrete buildings that require minimal maintenance. The improvements typically occur inside the building.

Carol noted that the Ranger was sold this year, and it will come off the financials and moved to the balance sheet at the end of the year. A small used pickup truck was purchased to replace the Ranger. If the Board chooses to sell the air hammer and the compressor it will cover the cost of the pickup truck.

The Annual meeting of the Pine Meadow Mutual Water Company adjourned at 7:22 p.m.

Minutes Approved

Date

Following the Annual Meeting the Board held a short meeting to take care of regular monthly business.