

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, JANUARY 9, 2020

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Scott Smith, Bruce Hutchinson – Board Members. Steve Anderson participated via telephone.

Ex-Officio: Brody Blonquist

Excused: Duane Yamashiro, Shaun Baker

Eric Cylvick called the meeting to order.

Minutes

November 7, 2019

MOTION: Eric Cylvick moved to Approve the Minutes of the Regular Board Meeting on November 7, 2019. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Brody Blonquist reviewed the unpaid bills. ID Electric was for programming that was done on lower Tollgate well. KGC Associates was Carol's invoice. Rocky Mountain Power was the power bill through December. Select Health was the health insurance premium. USA Bluebook was still showing a credit on the transducer that was returned. The two invoices from Utah State Division of Finance were the loans.

Brody explained that ID Electric re-programmed the LD setpoint for the well.

MOTION: Eric Cylvick moved to pay the Unpaid Bills as presented dated January 9, 2020 in the amount of \$33,572.03. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/ budget versus actual. Mr. Cylvick noted that

17.6% of the assessments had been collected.

Mr. Anderson noted that 5% of the property owners did not pay their assessment in 2019. He wanted to know the process for collection. Eric Cylvick replied that the typical procedure is to wait a specified amount of time and if the assessment is not paid, the delinquent account is sent to collections and the collection agency handles it from that point. If the agency is not able to collect the assessment after a certain time period, the Board votes to foreclose on the water share and make the property a dry lot.

Brody explained that the delinquent assessments are shown in the budget under 2019 because sometimes people just make a late payment and it is easier to keep the 2019 funds separate from the 2020 fund. Brody stated that the 95% collection was an estimate of how much money would be collected based on previous years. Also, there may have been less excess water usage than expected. It is possible they will never hit 100% or in some years go over the 100%.

Mr. Cylvick explained the process for sending an account to collections and what happens if the Board votes to turn it into a dry lot for lack of payment. A Notice of Unpaid Assessments is recorded against the lot with Summit County, and if the lot sells the Water Company will get their money from the title company.

Mr. Hutchinson explained that the Notice of Unpaid Assessments is basically a lien against the property because the Water Company cannot lien the property. Mr. Cylvick agreed. The Water Company is only able to foreclose on the water share for that lot and record a Notice of Unpaid Assessments. The property owners are given three months into the following year to pay their assessment. If the assessment is not paid by that deadline, Carol submits a Notice of Unpaid Assessments to Summit County and records against each delinquent lot. Carol also notifies the owner in writing.

Mr. Cylvick would ask Carol to email the full process and procedure to the Board members.

Mr. Cylvick noted that the financials showed very little activity because it was so early in the year.

MOTION: Eric Cylvick moved to Approve the Profit and Loss/Budget versus Actual dated January 9, 2020. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Mr. Cylvick noted that there was \$548,000 in the bank from all the funds combined. He pointed out that \$279,000 was the debt reserve account they are required by the DDW to keep for the loans. The State requires \$300,000 to be kept in that account. Once they reach \$300,000, they can fund the other debt reserves. Mr. Cylvick stated that \$93,948 is money they were putting towards purchasing water. He had set the Mountain Regional reserve at \$100,000 and they were close to that goal. Other funds were in the checking account for operating expenses and in money market accounts.

Mr. Cylvick explained the Fixed Assets. He noted that the properties under Other Assets on page 1 of the balance sheet were properties the Water Company owns as source protection. Mr. Cylvick stated that the water system was valued at \$6,700,000. Mr. Hutchinson thought the number was quite high for asset depreciation. He questioned how they were able to depreciate so fast in a short amount of time.

Mr. Cylvick noted that more than \$1 million has been paid on each loan. It is a 30 year note and they have been paying for ten years. Mr. Cylvick explained that the Treasury Stock is what they have foreclosed on. Mr. Hutchinson asked if the Treasury Stock could become available to some of the SS lots that want to buy. Mr. Cylvick replied that technically the Treasury Stock is money owed to the Water Company from delinquent dues, late payments, and finance charges. If someone wants to purchase the lot, because it is a dry lot, at closing they will need to pay the delinquent dues, late payments, and finance charges to get the water share back for that lot.

Mr. Hutchinson referred to the Profit and Loss/Budget versus Actual under expenses. He indicated a line item in the budget for equipment purchases in the amount of \$8934 and asked what they anticipated purchasing over the next year. Brody believed the \$8934 resulted from the small pickup they recently purchased. The Board has never budgeted for equipment purchases; however, for 2020 they decided to budget an amount for equipment purchase just to have some money in the budget. Brody clarified that at this point there were no plans to purchase any equipment.

Mr. Cylvick asked if money was allocated to meter all the wells. Brody replied that all the wells were metered in 2019 and the expense was paid from the 2019 budget. Mr. Cylvick asked for the gallons per minute. Brody stated that Uncle Tom's averages 28 gallons per minute; Lower Tollgate averages 11 gallons per minute; and Tollgate averages 7 gallons per minute. Brody remarked that Lower Tollgate runs for four days and then goes on a cycle where it pumps for two days and shuts off and rebuilds and cycles again. Mr. Cylvick noted that if it a 50% duty cycle, they were only getting 6 gallons per minute. He estimated 40 gallons per minute from all the wells.

Mr. Hutchinson referred to page 2 of the Profit and Loss/Budget versus Actual, the Payroll Wage Expense. He noted that in 2019 they budgeted \$39,500 and for 2020 they budgeted \$37,000. He questioned why the number came down. Brody pointed out that Mr. Hutchinson was looking at the health insurance. In 2019 they budgeted a 20% increase for health insurance but never reached that amount. The Board decided to reduce the health insurance budget for 2020.

Mr. Hutchinson referred to the property tax line item. He noted that the Capital Reserve was budgeted at \$22,500 and the legal Reserve was \$20,000. Mr. Hutchinson thought they appeared to be new items and asked for an explanation. Mr. Cylvick explained that the Brighton debt reserve is what they need for the loan and that will be paid up soon. The Capital Reserve and the Legal Reserve were shown in the balance sheet. The Capital Reserve was basically for buying water from Mountain Regional. The Legal Reserve fund was reflected under Liabilities on page 2 of the balance sheet.

Mr. Cylvick stated that last year the Board made the decision to put all the impact fees and annexation fees into a Capital Reserve Fund so they would not be used for operating expenses. If there is another downturn in the economy and people stop building again, they will not have that income to operate the Water Company. The Board thought it was better to operate the system based solely on the standby and metered assessments. They created the Reserve Funds to keep the money separate.

MOTION: Eric Cylvick moved to Approve the Balance Sheet dated January 9, 2020. Bruce Hutchinson seconded the motion.

VOTE: The motion passed unanimously.

Manager Report

Brody reported that everything was running well. There was a large leak on Christmas Day. A frost plate blew on Matt Brown's place at the bottom of Bull Moose. By the time they found it a significant amount of water was lost. Brody and Trevor shut off the water and fixed the leak.

Brody stated that Mountain Regional did an emergency recover. Water was pumped from the Stagecoach tanks to the Pine Meadow tanks so the tanks would be full and ready for New Year's.

Brody stated that he and Trevor were monitoring the system and the reading meters.

There is a plan to put the meter in at the 200,000-gallon tank this Spring. The meter and parts have already been purchased. The telemetry system was finished. One screen was left to install so if the internet goes down, they can still operate the system.

Mr. Anderson asked if the system was working as expected. Brody answered yes. He had done the first report from December to January and the reporting through the Excel system was very impressive and easy to use.

Brody stated that he had taken a water sample today to be tested.

Mr. Cylvick stated his intent to set up a second meeting with the Division of Drinking Water to talk about the water share issue. Since all the sources are now metered, he would like to tell the Division of Drinking Water that they are only pumping 40 gallons per minute and they are spending \$60,000 per year on 263 water shares. There is no way they can pump enough water to serve 263 water shares. Mr. Cylvick was trying to set up a meeting to see if the Water Company can be relieved from some of that liability. If they can save \$30,000 to \$40,000 on water shares every year, they should be able to go several years without increasing the water rate.

Steve Anderson disconnected from the meeting.

Brody was unsure how Weber Basin handles the water rights when they relate to a water system rather than just underground water. He noted that Weber Basin is offering a training in April certification in water rights for \$250. Mr. Cylvick thought Brody should do the training. Mr. Cylvick wanted to know what Weber Basin does with the money that is paid for water shares. He would try to get an answer from Ted Barnes.

Mr. Hutchinson explained that in Utah, the State owns all the water and they allocate the rights. He assumed everything goes through the Utah State Division of Water Resource and Weber Basin answers to them. Mr. Cylvick pointed out that the Water Company has water shares. They are not water rights. Mr. Hutchinson replied that the same process applies to water shares and water rights. He pointed out that Pine Meadow Ranch is becoming something different than how it was originally intended, and they need to prepare for what it will become and not just what it is now. Mr. Cylvick agreed, which is why they structured the rates the way they did. For example, if someone uses 50,000 gallons of water, they will pay approximately \$2500 for the excessive use. The rate increases significantly as the usage increases. He believes people are more conscientious about conserving water if the price for excessive usage is high.

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The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees
adjourned at 7:21 p.m.

Minutes Approved

Date