

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, FEBRUARY 13, 2020

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Steve Anderson, Shaun Baker, Scott Smith, Bruce Hutchinson – Board Members.

Ex-Officio: Trevor Townsend

Excused: Duane Yamashiro

Eric Cylvick called the meeting to order.

Mr. Cylvick noted that Shaun Baker was the newest Board member and he asked Mr. Baker to introduce himself.

Mr. Baker stated that he has been a part-time owner on the Ranch for 22 years. His lot is on Alexander Canyon. He plans to live on the Ranch full-time at some point in the future. He ran for the Board position because he was interested in learning about the Water Company and how things are done.

Minutes

January 9, 2020

MOTION: Eric Cylvick moved to Approve the Minutes of January 9, 2020. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Mr. Anderson referred to the 2019 Annual Meeting minutes and noted that the Minutes reflect a comment by Eric Cylvick that the shares are not water rights. He understood it that they were water rights and not shares and suggested that the Minutes should be corrected.

Unpaid Bills

Trevor Townsend reviewed the unpaid bills. Clyde Snow Session and Swensen were legal fees. The invoice from Erik's North America, which used to be called EVCO House of Hose, was a suction hose that was made for the VAC trailer. Evergreen

Engineering was the final layout for parking at the bottom. Mr. Cylvick noted that the survey was \$3,000. He was quoted \$1,000 for preliminary drawings and the actual cost was \$910. Mr. Hutchinson questioned why the Water Company was involved in making the survey for parking at the bottom of the canyon. Mr. Cylvick stated that the Board would have that discussion later in the meeting. Mr. Hutchinson clarified that he wanted to make sure the HOA would not be duplicating the same work.

Trevor continued with the unpaid bills. KGC Associates was Carol's invoice. PMMWC was the required escrow for the loans, Rocky Mountain Power was the power bill for all the pumps. Select Health was the health insurance premium.

Trevor requested that the Board hold off paying the bill from Summit County Health until he and Brody contact the Health Department on Tuesday. The bill was for water samples, but the charges were from 2018. They would also follow up with Carol to make sure the 2018 charges were paid.

Trevor continued with the unpaid bills. 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. He noted that the Verizon bill had decreased because of discontinued service lines. Whites Auto Parts was a battery for the crane on the service truck.

MOTION: Steve Anderson moved to pay the Unpaid Bills dated January 12, 2020 as presented in the amount of \$39,850.47, excluding the bill from Summit County Health for 2018 charges until Trevor and Brody meet with the Health Department. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/ budget versus actual. Mr. Cylvick explained the layout of the profit and loss so Mr. Baker would have a better understanding as he reads through it.

Mr. Anderson asked how 73% of assessments collected compare to this time last year. Mr. Cylvick did not have a number, but he thought it was a good percentage this early in the year.

Mr. Baker asked for the number of lot owners. Mr. Cylvick replied that 809 shareholders were assessed for either meters or standby. Trevor stated that 484 are metered lots

and 325 lots are standby.

Mr. Hutchinson asked if the Water Company has used the same collection agency from the beginning. Mr. Cylvick answered yes. It is Frieda with Revenue Recovery. She is effective and the Board does not need to be involved at all. Mr. Hutchinson noted that the HOA uses the same person.

Mr. Cylvick referred to the Water System Expense on the last page. He noted that when Steve Anderson came on the Board, he suggested breaking down the different sources and infrastructure, and allocate the cost and expenses to each one to see where the money is used and which wells cost the most. Prior to that, the line item was Water System Expenses without the breakdown. Carol revised the financials per Mr. Anderson's suggestion and it has been very helpful.

For the benefit of Mr. Baker, Mr. Cylvick explained the restricted funds accounts. He noted that one Restricted Fund on the balance sheet is the State required escrow for the loans. Once that fund reaches \$300,000 the Water Company will no longer need to fund it and the monthly amount can be funneled into other Restrict Fund accounts. Mr. Cylvick indicated a \$100,000 Restricted Fund that is set aside for purchasing water from Mountain Regional if it ever becomes necessary. Another one is a Legal Reserve Fund.

Mr. Cylvick stated that the Water Company can borrow from the \$300,000 in the Escrow Fund; however, it needs to be repaid in 60 days or they need to explain to the Division of Drinking Water why it cannot be repaid.

MOTION: Eric Cylvick moved to Approve the Profit and Loss/Budget versus Actual dated February 12, 2020. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Mr. Cylvick explained some of the line items to Mr. Baker. He noted that the properties shown are source protection properties owned by the Water Company. Taxes are not assessed on these properties and they remain open space because the building rights were removed from those lots.

Mr. Cylvick noted that the Treasury Stock on the bottom of page 2 of the Balance Sheet were properties that have unpaid assessments and the Water Company made them dry lots by pulling the meters and taking away the water shares.

Trevor referred to a new column Meter Installation Bond on page 2 under Long-Term

Liabilities. He noted that the homeowner must put down a \$2500 bond and if the water system is damaged or the road is left in a lesser condition during new meter installation, the Water Company can use that money to make the necessary repairs. Trevor remarked that the \$2500 bond was voted and approved at the 2019 Annual Meeting for new meter installations.

Mr. Anderson asked if the Treasury Stock lots have recorded liens. Mr. Cylvick did not believe they could lien a water share. However, it is recorded with Summit County as a Notice of Unpaid Assessments. Trevor stated that one dry lot was sold and the owner paid the past due assessments, including late fees and service charges, to get back the water share.

MOTION: Eric Cylvick moved to Approve the Balance Sheet dated February 12, 2020. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Manager Report

Trevor stated that he and Brody have been looking for leaks since Christmas. There is one leak they cannot find and it is not showing up anywhere. They are basically running flat and the pumps were on for two straight weeks before the tanks were filled. The leak is not big enough to try and isolate it. Its losing 6 gallons a minutes. The next step will be to dig up the valves. Trevor thought it could be a frost plate because it was about the same time two other frost plates were lost.

Trevor reported that a few of the cellular meters stopped working. Someone from the company will come up next weekend to see if they can determine why. It might be the end points. In the Spring the company will come up and drive past every address and it goes onto Google Maps. It shows exactly the type of service in that area. In April they are coming out with a dual end point that works with Verizon Wireless or AT&T for the same price. Currently, it works with AT&T only.

Mr. Hutchinson understood that the issue for testing the cellular meters was whether they would work in the snow. Trevor stated that some are working through the snow. They need to dig up the other meters to see why they are not working. It could be a bad end point or a problem with the meter itself.

Trevor reported that Neptune, the meter company the Water Company uses now, is trying to force all their customers to go to a cloud-based system and they want their

customers to pay for their cloud hosting. It is the same type of system that Neptune previously gave an estimate on, and the cost is approximately \$30,000 for a cloud-based system with Neptune to host it. If they stay with Neptune, they can use the same meters but Neptune plans to force all their customers towards cloud based. Trevor stated that compared to Neptune forcing its customers towards \$30,000 per year for the same system they are testing now, the new system would be a definite savings. Trevor thought the Neptune representative would come up next week to explain the actual plan. However, the Neptune plan and the cost could push the Water Company towards the cellular meters.

Mr. Cylvick asked what they could do about the meters that are full of water, and whether there is a stub out above the ground where they can bring the meter up into an insulated enclosure at grade. Mr. Anderson stated that they make an insulated sleeve to put on top of the ground. It is not uncommon in colder states to have a meter above ground. Trevor pointed out that very few meters have had a freeze plate blow. They did two last year and they were looking for one right now. It is not a common problem.

Trevor reported that a leak was found on Forest Meadow that they were able to find with the cellular metering. The cellular meter was dug up and there was a tiny hole in the copper in the meter setter. Trevor noted that it was a failure in equipment and the owner is not responsible. He and Brody looked at his trends and the Water Company will credit the owner approximately 20,000 gallons of water. Trevor stated that they were able to pinpoint exactly when the leak started and how much water was wasted so they could credit it back to the owner.

Mountain Regional

Mr. Cylvick reported that he, Brody, and Trevor met with Scott, the General Manager of Mountain Regional. Mr. Cylvick stated that he was able to convince the previous General Manager of Mountain Regional, Andy Armstrong, to sign an MOU saying that Mountain Regional will provide PMMWC water if something happens. The MOU states that the agreement will be formalized but if Pine Meadow needs water, they have the right to buy water at wholesale rates. Mr. Cylvick stated that he was currently trying to create a formal agreement.

Mr. Cylvick stated that when they met with Scott Morrison at Mountain Regional, the intent was to talk about the relationship and how well this relationship is working because Pine Meadow Water back feeds 12 of Mountain Regional lots from the 500,000-gallon tank. He noted that Mountain Regional is impressed with the way Brody and Trevor run the system and the relationship has worked out great. Mr. Cylvick

stated that there is a total of 25 lots that Pine Meadow might serve at some point. Trevor thought they were now serving 16 lots rather than the 12 they started serving.

Mr. Cylvick stated that last year when Pine Meadow had a major leak, Mountain Regional pumped 500,000 gallons to the Water Company very quickly. He remarked that another reason for the meeting was to move towards a more formal agreement, which Mountain Regional agrees with, but there were also discussions about infrastructure on their end and what they can actually pump to Pine Meadow Water. Mr. Cylvick stated that Andy Armstrong made some promises that were not accurate but also not too far off. Mr. Armstrong made it sound like Mountain Regional could pump 1,000 gallons per minute in an hour, when in fact, Scott thought a realistic number was 500 gallons per minute but for a short period of time. Mr. Cylvick stated that the booster station is at the bottom of Glenwild, and it stems from how much water Glenwild and the Preserve needs at buildout. They estimate 390 gallons per minute at buildout to service those developments. The pump house Mountain Regional has now can pump 450 gallons per minute. The difference is 60 gallons per minute that Mountain Regional could pump to Pine Meadow.

Mr. Cylvick told Scott that Pine Meadow water has capital reserve funds and he wants to get everything in place now to make sure the Pine Meadow community will have the amount of water that the Staff requires. The State recommends that Pine Meadow Water have 140 gallons per minute source. Currently, they are 100 gallons per minute short. Mr. Cylvick stated that they could get 60 gallons per minute more with the upgrades being done to the pump house, but they were still short 40 gallons per minute. Mountain Regional needs to expand the pump house in order to achieve the extra 40 gallons. Mr. Cylvick stated that the problem is that the pump house is on private property and the owner is not willing to allow the pump house to be expanded. Mr. Cylvick had suggested putting a second floor on the pump house which would not change the actual footprint. They would need to meet the 32' maximum height restriction.

Mr. Cylvick stated that 140 gallons per minute assumes reduced requirements on 809 houses with everyone living full-time. Pine Meadow would never need that much water, but it is a State requirement and they are working with Mountain Regional to meet that requirement.

Trevor believed that Andy Armstrong had promised others besides Pine Meadow that Mountain Regional could provide a certain amount of water and some had contracts. Scott Morrison was trying to do damage control and he was working hard to make sure that everyone has the same understanding and that agreements are being finalized.

Mr. Cylvick stated that the ideal would be to have a contract with Mountain Regional guaranteeing 140 gallons per minute and keep the gallons that Pine Meadow Water produces as extra water. Mr. Cylvick emphasized that Pine Meadow will never reach the point of needing 140 gallons per minute.

Mr. Anderson suggested that the Water Company do an analysis to see if it is less expensive to buy water. Mr. Cylvick stated that currently the Water Company pumps 35-40 gallons per minute. The electricity to pump the water is \$24,000 per year. Mr. Cylvick remarked that Mountain Regional was interested in hooking up with Pine Meadow Water because they like how Pine Meadow runs the water system and that they are self-sufficient. Mr. Cylvick remarked that he did not disagree with Mr. Anderson, but it was nice running their own water system and treating it like another source. If they can sign a contract with Mountain Regional, it would be the same as having a well that pumps 100+ gallons per minute.

Mr. Cylvick reiterated that Mountain Regional was in a position to analyze all the agreements and do the engineering. They were in the process of figuring out what they will charge for wholesale water and how much water they can provide.

Mr. Cylvick stated that he during the meeting, Mr. Morrison said that because it is a mutually shared benefit, the Water Company should split the cost with Mountain Regional. Carol sent Mr. Cylvick the Quickbooks report for the project, and they were close to \$400,000 into the project they put on the loan. That would mean a \$200,000 credit with Mountain Regional that they could put towards upgrading the pump house. There would be no out-of-pocket to the Water Company and they would have a credit towards water.

Trevor stated that Mr. Morrison was willing to work with the Water Company because they were told by the previous manager that water was not a problem and for that reason they told the State they had a guaranteed source for full buildout and asked to use loan money to do that project. Mr. Cylvick pointed out that they still gained an emergency exit and a connection. It was a good deal, but it was contingent on Mountain Regional being able to supply water. They can still provide the water, but the details need to be figured out. Mr. Cylvick was planning to push for 140 gallons per minute.

Parking

Mr. Cylvick reported that more than a year ago he came up with the concept of trying to

relocate the parking at the bottom. Mr. Hutchinson clarified that he was talking about the area by the mailboxes and the dumpsters, which is Summit County property. Mr. Cylvick stated that he was not talking about the area by the dumpsters. He identified the exact area he was referring to and noted that it is a flat area. He had walked the area and started formulating the concept of potentially creating a parking area in that location and relocating the parking at the bottom to the new location. It is a County lot that was deeded to Summit County by Promontory as part of an open space land deal. The deed on that lot states that it can only be used for existing purposes and conditions and left in an open condition. Mr. Cylvick stated that based on his interpretation of the deed, they are already parking on that lot and have been for at least 50 years. It is an existing usage. His concept would be to develop the lot in its natural state, grade it, and lay gravel. If people park there it would clean up the entire base area.

Mr. Cylvick stated that he approached Dominion Energy, Summit County, and Sean Potter, the attorney for Promontory, with his concept idea to see if it was possible. He has been slowly developing relationships and meeting with people. He has had multiple meetings with Tom Fisher, the Summit County Manager and Dave Thomas, the County Attorney, and they are interested in trying to solve the problem at the bottom of Tollgate. Mr. Cylvick reported that after meeting with several parties, he had the lot surveyed last Fall for \$900. It was a preliminary design and layout that he could show everyone. Summit County liked it, but the General Manager of Promontory said absolutely no because it could be seen from the Promontory lots they were trying to sell.

Mr. Hutchinson wanted to know why Promontory would have a say since they had deeded the land to Summit County. Mr. Cylvick agreed. The deed reads that it needs to be used for existing purposes, which is parking. Mr. Cylvick clarified that he involved all parties in these meetings as an effort to keep everyone happy.

Mr. Hutchinson reported that the HOA is determined to do something at the bottom this month. They have contacted the DOT and Summit County to see what can be done, and they are planning to post signs. The biggest action is that the HOA intends to start towing. Mr. Cylvick stated that he had also met with Park City Towing.

Mr. Cylvick pointed out that the problem is not the full-time residents. The problem is that there is no place to park for the people who have cabins that come up ill-prepared or have guests who are ill-prepared. If they can stop 25% of the accidents on Tollgate by moving the parking and creating a larger area, and then having the right to enforce parking, it would create an area at the bottom for emergency stopping only, for stopping at the mailboxes, and as a chain up area. Everyone else would go up the driveway and park in the newly created lot. Mr. Cylvick noted that the parking was designed as an A

lot and B lot. People park on the A lot. If the lot needs to be plowed, people will move their cars to the B lot.

Mr. Cylvick noted that the Summit County Manager was interested in trying to work out some details. He had not yet presented his idea to the HOA because until two weeks ago it was only a concept. Mr. Baker asked if Summit County could trump Promontory on their objection. Mr. Cylvick stated that it was not a “put your foot down” situation and everyone has their own negotiating tools. Mr. Cylvick stated that Pine Meadow has no leverage over Promontory, but Summit County can work with Promontory to negotiate something else that Promontory might want in return. Mr. Cylvick thought everything was moving in the right direction.

Mr. Cylvick would send copies of the drawings to all the Board members.

Mr. Hutchinson offered to mention Mr. Cylvick’s plan at the next HOA Board Meeting and report back on their feedback. Mr. Cylvick stated that he received a call from the person in charge of parking for the HOA wanting to know why Mr. Cylvick had not informed the HOA of his plan. Mr. Hutchinson stated that he was asked about at the last HOA meeting and he had no idea because it was not discussed at the previous Water Board Meeting. He thanked Mr. Cylvick for explaining it this evening. Mr. Cylvick noted that he also told the HOA parking person about his plan and what has transpired in meetings.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:45 p.m.

Minutes Approved

Date