

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, DECEMBER 10, 2020

SUMMIT COUNTY, UTAH

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

Ex-Officio: Trevor Townsend

Excused: Duane Yamashiro, Bruce Hutchinson

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

Minutes

October 8, 2020

MOTION: Eric Cylvick moved to Approve the Minutes of October 8, 2020 as written. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Trevor Townsend reviewed the unpaid bills. Clyde Snow Sessions and Swenson was legal fees. Ferguson Enterprise were parts for the meters. KGC Associates was Carol's invoice. Pine Meadow Mutual Water Company was the required escrow for the loans. Rocky Mountain Power was the monthly power bill. Select Health was the health insurance premium. Summit County Health Department was the invoice for water sample testing. Verizon Wireless were the cellphones. Weber Basin was the yearly water shares. White's Auto was a battery for the Dodge. Utah Division of Finance were payments on the two loans.

Mr. Cylvick noted that the last year Weber Basin billed \$60,000. He noted that they were given a \$9,179 credit because they were being billed for other people's water shares. Trevor pointed out that the credit was for two years of overpaying.

MOTION: Eric Cylvick moved to pay the Unpaid Bills dated December 9, 2020 as

presented. 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 they were already at 104%. He stated that the money could go towards the meters. Trevor pointed out that they would still be receiving a bill from Mountain Regional.

Mr. Cylvick asked if the expense under building repair was the cost of the roof. Trevor answered yes. Mr. Cylvick noted that \$23,000 was the check from the insurance company, but the Water Company had not yet received a bill from the roofing company. Trevor recalled that the cost was somewhere around \$19,000. Mr. Cylvick assumed they would have a negative \$5,000 in building repairs.

Mr. Cylvick stated that they were 108.2% off on the property tax. Mr. Anderson asked why they pay taxes since they are a non-profit. Mr. Cylvick explained that they do not need to pay property taxes, but they are required to pay on the foreclosed lots. He recalled that they pay \$1 for every lot they foreclosed on.

Mr. Anderson asked if they had overbudgeted for Workers Comp. Trevor noted that Carol usually estimates Workers Comp. She may have estimated too high, but Brody did spend a night in the hospital this year under a Workers' Comp claim. He explained that someone had put a power line right around the meter box. Brody saw the power line but not a spliced piece that was exposed and he was severely shocked. Brody felt fine but he was advised to go to the hospital because electricity running through your body can kill the enzymes in your heart. He was kept in the hospital overnight for observation.

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

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Mr. Cylvick stated that the excess money is from impact fees, meter installation fees, and lot purchases where the owner paid the back fees.

MOTION: Steve Anderson moved to APPROVE the Balance Sheet dated December 7,

2020 as presented. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Manager Report

Trevor reported that last month they finished up the meter installations for the year. They did not want to install meters this late in the year, but they ended up installing one for an annexation. They replaced meter lids on some meters that were on back order. Trevor stated that so far, the cellular meters have been flawless.

Trevor stated that they found one leak in Forest Meadows. The customer insisted that the new meter they installed was faulty and was leaking. Trevor pointed out that the new meters pick up a smaller amount of water than the old meters. The customer demanded to have his old meter back, which they were not able to do because it was discarded. He and Brody tested the meter for leaks and found nothing. The customer insisted they have the meter tested and they told him he would need to pay \$100 to remove the meter and, as well as the charge to have it tested if there is nothing wrong with the meter. The customer then asked for a new meter. Brody told him that if they installed a new meter and it still leaks, the customer would be charged for the new meter. The customer agreed to that. They installed a new meter and it still leaked. The customer was billed \$450 for the new meter. Trevor stated that next year they would reuse the meter that was removed from his lot.

Trevor reported that the roof on the shop should be completed tomorrow.

Mountain Regional

Mr. Cylvick stated that he had a good meeting with Mountain Regional last week. He has been requesting an agreement from Mountain Regional for 150 gallons per minute; however, Mountain Regional is not legally allowed to give them an agreement for any specified amount because their rules and regulations state that they must supply their customers water first. When they run out of water to supply their customers, they cannot supply Pine Meadow Water because they are not a customer. Mr. Cylvick emphasized that Mountain Regional is a long way from not being able to supply water, but in 20 or 30 years there may not be enough water to supply Pine Meadow Water.

Mr. Cylvick stated that the Water Company has two options. They can annex into Mountain Regional. Annexation is mentioned in the signed MOU, but he would get a formal agreement stating that at such a time PMMWC can annex into Mountain

Regional. Mr. Cylvick remarked that Mountain Regional was created to annex in all the smaller water companies who were having problems. It is a County-owned, County-run entity. If they want to annex in, they can do it at any time. Mr. Cylvick explained that Mountain Regional would not absorb the Water Company current debt if they decided to annex, which amounts to approximately \$3500 per lot. The shareholders would absorb the debt amortized over 20 years. Mr. Anderson pointed out that if the Water Company annexed into Mountain Regional, they would need to turn over their infrastructure. Mr. Cylvick agreed. Mountain Regional would own everything on the Ranch. Mr. Cylvick reiterated that he would get the annexation option in writing.

Mr. Cylvick stated that a second option is the Western Summit County Development Agreement, which is an agreement through Weber Basin. The agreement states that if PMMWC signs onto that agreement they can get 150 gallons per minute. However, once there are enough people to absorb all the water rights and water available to Weber Basin, they need to create infrastructure to create more water, the Water Company would need to be a party to that contract. Being part of that contract would obligate the Water Company to financially contribute to a new infrastructure project, along with all the other entities who are a party to the contract.

Mr. Cylvick clarified that signing onto the Western Summit County Development Agreement is not a guarantee. They would need to propose it to Summit County, Mountain Regional, Park City Municipal, and everyone who is currently party to the contract. He explained the process, noting that if they can get an agreement for 150 gallons per minute, it would cost nothing until everyone runs out of water.

Mr. Cylvick believed the Western Summit County Development Agreement was the only solution besides annexation. He did not believe annexation was a reality because two-thirds of the shareholders would have to agree to annex in.

Mr. Anderson asked if Pine Meadow would give up all their shares if they annexed in. Trevor replied that they would be Mountain Regional Water and follow all their rules and regulations and their rates structure. Mr. Cylvick stated that they would get a bill from Mountain Regional and it would have an infrastructure surcharge, which is their current debt, and it would have the Mountain Regional Water bill. Trevor pointed out that the only thing the shareholders would absorb is the current debt. Mr. Anderson asked if Brody and Trevor would become employees of Mountain Regional. If they were kept on the job, he assumed they would be Mountain Regional employees. Mr. Anderson understood that the Pine Meadow Mutual Water Company would cease as it is. Mr. Cylvick replied that he was correct.

Mr. Smith wanted to know what would happen when Mountain Regional runs out of water. Trevor explained that Mountain Regional will never run out of water because it is part of the Western Summit County Development Agreement. Their reason for being in the master agreement is to build a long-range transmission line for water. Down the road, Weber Basin will take on that project of getting water to the valley and to all the water companies.

Mr. Cylvick stated that he would not push an annexation. He had no intention of talking to 800 shareholders and holding an Annual Meeting to say they need to annex. If two-thirds of the shareholders come to the Board and request to annex, then the Board will annex. Mr. Cylvick did not think it was the Board's responsibility to drive an annexation. Mr. Cylvick remarked that Pine Meadow Mutual Water Company is basically a conservation company. They use less water than everyone else and they are proud of it. They operate under reduced requirements. Mr. Cylvick preferred to remain a private water company unless the shareholders want an annexation.

Mr. Cylvick stated that whether they go with the Mountain Regional annexation or sign onto the Western Summit County Development Agreement, they are party to that agreement.

Mr. Baker understood that if they did not annex but sign into the Western Summit County Development Agreement, if it becomes necessary for a big project from the Valley to bring up water, the Water Company's contribution would be small because it is based on water usage. Mr. Cylvick answered yes, based on the part of the agreement read.

Mr. Anderson thought the best approach would be to get into an agreement where they know they are not susceptible to their own wells going dry. At the same time, they need to do an analysis to determine the least expensive way to operate PMMWC either by pumping their own wells or purchasing water at 13 cents/1,000 gallons; but having the freedom to do either. He pointed out that if they annex, they will have no control over their own destiny. An agreement gives them the best control. If they do a multi-million-dollar project they will pay a share of the project based on the amount of water they get from Mountain Regional. Mr. Anderson stated that they can always annex if necessary, but they are better off trying to keep control over their own destiny as much as possible.

Mr. Cylvick noted that they would need to be accepted into the Western Summit County Development Agreement by Weber Basin, Mountain Regional, and Park City. He thought they should draft a proposal and try to become a party to that Agreement.

Mr. Anderson thought it was to Mountain Regional's advantage to continue some type of agreement with Pine Meadow Water because the Water Company has \$6.7 million worth of infrastructure and water storage. Mr. Cylvick stated that Mountain Regional had already acknowledged that Pine Meadow Water was helping them out immensely.

Mr. Cylvick stated that Brody and Trevor believed they were not reporting the low flows that are going to the Stagecoach lots they service. In the summer they were receiving 30 gallons per minute in the middle of the night. When the sprinklers were turned off in the Fall, they saw seven gallons per minute at night. They believe 23 gallons per minute is a low flow because they were measuring that flow at the bottom. Trevor explained that it needs to go through a six-inch meter, and it was not picking up the full usage.

Mr. Cylvick stated that they were currently researching two separate meters. One that will read the water that Pine Meadows feeds them, and one that reads the water they are feeding to the Water Company. Mountain Regional will have a reading and Pine Meadow Water will have their own reading. As they start adding more homes that use external water, the Water Company needs to know precisely how much water they are sending them.

Trevor pointed out that the Water Company has no idea how many lots they are feeding now because last year one of the excavators broke a cork stop off the main line and the Water Company lost 900 gallons per minute. At that time, he and Brody were concerned whether they were feeding all of Stagecoach because the operators were unaware that the water was coming from Pine Meadow Water. Trevor stated things changed three years ago. It was like someone opened a valve and started feeding more water from the Pine Meadow tanks. They were able to feed water to Stagecoach without a problem, but now it is difficult to keep up in the summer. This summer they needed to purchase water on a weekly basis.

Mr. Cylvick told Mountain Regional that if they put in the meter and it turns out they are feeding Stagecoach water that is not getting picked up, the Water Company would want an adjustment on the \$26,000 bill for 2 million gallons purchased. Trevor pointed out that the meter will be very expensive and complicated.

Mr. Cylvick stated that anytime they provide anyone with water they need to meter it. They already meter the Pine Meadow shareholders, and they need to meter Stagecoach. Mr. Cylvick intended to ask Mountain Regional if they would share the cost of the meter. However, Mr. Cylvick wanted the Water Company to pick the meter,

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design it, and install it.

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

Minutes Approved

Date