

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, FEBRUARY 11, 2021

SUMMIT COUNTY, UTAH

Board Members in Attendance:

Eric Cylvick, Steve Anderson, Scott Smith, Shaun Baker – Board Members.
Scott Boyle and Paul Suitor, representing the HOA.

Ex-Officio: Brody Blonquist, Trevor Townsend

Excused: Duane Yamashiro, Bruce Hutchinson

Eric Cylvick called the meeting to order 6:36 p.m.

Minutes

January 14, 2020

Brody Blonquist referred to the second page, third paragraph, and corrected 700 square feet and 900 square feet to correctly read **700 feet and 900 feet**.

MOTION: Eric Cylvick moved to Approve the Minutes of January 14, 2021, as corrected. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Brody reviewed the unpaid bills. Clyde Snow Sessions and Swenson were legal fees. KGC Associates was Carol's invoice. Most Valuable Plumbing and Heating Inc. was for a new water heater and expansion tank at the shop. Mountain Regional Water was for the water purchased from Mountain Regional through December. Pine Meadow Mutual Water Company was the escrow for the loans. Rocky Mountain Power was the power bill. Select Health was the health insurance premium. Utah Local Government Trust was Worker's Comp. Utah Division of Finance was payment for the two loans. Verizon Wireless was for the cell phone service. White's Auto Parts was for headlights and taillights for the little truck.

MOTION: Steve Anderson moved to pay the Unpaid Bills dated February 2021 as

presented. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/ budget versus actual.

MOTION: Eric Cylvick moved to APPROVE the Profit and Loss/Budget versus Actual dated February 10, 2021. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet.

MOTION: Eric Cylvick moved to APPROVE the Balance Sheet dated February 10, 2021, as presented. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Manager Report

Brody reported that the system has been running well. He and Trevor were still working on frozen lines. Some are on the main water lines and other frozen situations are at the meters. Everything looked good going into Spring.

Brody stated that he and Trevor have been finishing up meter counts and doing general maintenance.

Brody reported that the well was pumping approximately 16 to 17 gallons per minute.

Scott Boyle asked where they were in negotiations with Mountain Regional Water. Mr. Cylvick stated that currently Pine Meadow buys water from Mountain Regional, but how long that will last is unknown. Mr. Boyle understood that the Water Company had a gentleman's agreement with Mountain Regional. Mr. Cylvick explained that there is an MOU, and the Water Company can purchase water from Mountain Regional in a written agreement.

Mr. Cylvick remarked that the Water Company attorney, Ted Barnes, previously set up Mountain Regional and all their bylaws and rules, and regulations. Mountain Regional was

set up as a Summit County entity. However, there were private water companies in Summit County that had substandard infrastructure and did not have enough water rights. Mountain Regional was formed to consolidate all these smaller private water companies that could not provide enough water. Mr. Cylvick stated that the intention was to annex in all the underproducing water companies, but their Charter is not to be a water provider long term.

Mr. Cylvick stated that the Water Company is trying to make Summit County understand that Pine Meadow does have enough water shares. He was able to negotiate an agreement that Mountain Regional will sell Pine Meadow Water when necessary; however, the Mountain Regional Board of Directors is leaning towards wanting the Water Company to annex in at some point. Mr. Cylvick had no idea when might occur, and they were working through the details.

Mr. Boyle wanted to know the ramifications of Pine Meadow annexing into Mountain Regional. Mr. Cylvick replied that there would no longer be a Pine Meadow Mutual Water Company. The fee schedule for the cost of water would change, but shareholders would get a lot more water. Mr. Cylvick stated that they would be no different than any other customer such as Silver Creek or other communities serviced by Mountain Regional. Brody explained that the Water Company would be dissolved and taken on by Mountain Regional under Summit County.

Mr. Cylvick noted that they have not even begun to discuss annexation. The Board of Directors has said that Mountain Regional is not the business of selling water as a long-term solution. In terms of timing, Mr. Cylvick thought it would take 1-1/2 to 2 years to get everything in order if they were to begin the process now. He noted that Mountain Regional was not pushing the Water Company to do it now.

Brody stated that currently all of Eastern Summit County was looking at concurrency. <http://summitcountyhealth.org/water-concurrency/>. When concurrency happens, the water companies need to prove that at buildout they can provide water services to everyone in the community and this directive could happen tomorrow. The only exception is if a water company is locked into a water provider agreement with another water company. Unfortunately, Pine Meadow Water cannot lock in that agreement with Mountain Regional because Mountain Regional is not in the business of selling water. Brody noted that concurrency was supposed to take place in 2020, but because of Covid-19 restrictions concurrency did not happen last year. The Health Director could push concurrency in 2021 or any year thereafter. Brody stated that there is already concurrency on the western side of Summit County, and every water company needs to show that they can provide water for their buildout. Concurrency will be coming to Eastern Summit County fairly soon.

Mr. Anderson clarified that currently, Pine Meadow Water can only produce approximately 20,000 gallons per connection for 400 connections. They have a possible 800 connections at buildout. Even at the standard rate of 20,000 gallons, the Water Company can only provide that amount for 400 connections without buying water from Mountain Regional. Mr. Cylvick pointed out that during the summer they do not have enough water to provide customers for the current buildout.

Paul Suitor understood the advantage of delaying annexing into Mountain Regional was to pay down the current debt. Once they are tied to Mountain Regional, the property owners on the Mountain will need to absorb the debt and each owner will be billed a special assessment to pay off the debt.

Mr. Anderson stated that the Water Company will be looking at many factors to decide when it is time to annex. Mr. Suitor agreed that the longer they can wait to join Mountain Regional the less it will cost the property owners. Mr. Cylvick noted that the Water Company just spent \$37,000 to purchase water. He did not disagree with Mr. Suitor, but the issue is how much water they will need to purchase next year. Mr. Suitor pointed out that they were charging people for the water use, and as long as that continues that should be fine for a while. Mr. Cylvick replied that only a certain number of people use excess water. He believed the additional cost to the property owners would be \$25/month over 30 years, but the shareholders would also be getting significantly more water.

Mr. Cylvick stated that up until the last Mountain Regional meeting there was no problem with purchasing water. However, the Mountain Regional Board is now pushing for something different. Mr. Cylvick reiterated that the Mountain Regional Charter is to annex, and not sell water. He had also asked about joining the Western Summit County master agreement where Pine Meadow Water could potentially be a party to that agreement, which would allow them to buy water. However, Summit County will not allow Pine Meadow to join because it would set a precedent for other private water companies to sign on to the agreement.

Brody remarked that the upside to annexing now is that Mountain Regional has the water to accommodate the Ranch. If they wait several years and Mountain Regional takes on more customers in that time frame, they may not have enough water for Pine Meadow.

Mr. Cylvick pointed out that Mountain Regional is interested in annexing Pine Meadow Water because they have a turnkey functional system and they have a working relationship with Brody and Trevor. Also, Pine Meadow Water has water storage and elevations that Mountain Regional does not have. Mr. Cylvick was unsure whether they could use that as

leverage. He had tried to leverage other things with Mountain Regional that did not work out. Mr. Cylvick referred to the emergency access and the water line that was built through Fred Bacon's lot. He suggested that they might be able to offer that lot to Mountain Regional to build another tank in exchange for a debt reduction. Mr. Cylvick thought the Water Company needed to explore other options before making any decisions.

Brody stated that the Pine Meadow water system is in better shape than other water systems. He noted that Mountain Regional usually takes in folded water companies that have no money and no way to operate a system. Mr. Cylvick pointed out that Pine Meadow Water would probably end up servicing most of Stagecoach and possibly Red Hawk, Black Hawk, and Goss Hawk. He thought Mountain Regional might use the Pine Meadow system to feed a lot of other developments. These factors could be the leverage used in negotiating the debt.

Mr. Cylvick stated that Pine Meadow followed a lot of what Mountain Regional has done because those methods were preset. The cellular meters are the same meters Mountain Regional installed. The Water Company's telemetry system is tied to Mountain Regional so they can monitor when Pine Meadow has a water leak in the system. Mr. Cylvick stated that they have been moving in a direction not necessarily for annexation, but for servicing Stagecoach and providing water to local customers. Both companies are tied together, and transitioning would not be an issue. There are bigger questions that need to be considered.

Mr. Boyle asked if Mountain Regional would provide the level of service that Pine Meadow provides in the winter. Brody thought they would because they currently deal with Summit Park, Stagecoach, other developments. He thought the difference is that when he and Trevor find a water leak that is on a customer's meter, they shut it off. Mountain Regional, however, considers it the customer's problem. Mr. Cylvick remarked that with the cellular meter app the owner will be able to detect the leak right away and can take care of it.

Mr. Cylvick clarified that the goal has been to remain an independent water system. However, they learned in the last two weeks that it may not be necessary now, but it will eventually be inevitable. At that point, the Board decided to figure out the best exit strategy with their assets and find out what the homeowners want so they can be ready to do it when the time comes. Mr. Cylvick did not want to wait until they have a situation of not having enough water. People should be able to build on their lots and the only way they can secure that is to annex sooner rather than later. He emphasized that even if they start now it would be a year and a half away.

Brody thought the Water Company needed to figure out where they should go from here.

The question is whether to go into repair mode or spend \$100,000 on cellular meters and use that money to pay down the debt. He pointed out that once the Pine Meadow water system is taken over, Mountain Regional would install the cellular meters. Mr. Cylvick thought the shareholders would still need to pay for their meter.

Mr. Cylvick noted that the Water Company would bill people over the next year and any leaks will be billed at the current rates. Mr. Suitor thought the meters had already been ordered. Brody replied that he delayed ordering the meters when he found out that they only had 60 days to return the meters once they were ordered. He will probably order the meters in April and if they buy more meters than needed, the extras meters could be sent back in June.

Mr. Cylvick summarized that he has been in communication with Mountain Regional. They have been keeping Mr. Anderson informed because he owns a civil engineering firm and is water system knowledgeable. They have been working together to see if there is a way to stay independent and private. Mr. Cylvick stated that they have worked for 20 years to build up this water system and they have paid the debt down to \$4.8 million.

Scott Boyle noted that a trailer court was going in on the other side of I-plate and they will be attempting to drop a well right by Uncle Tom's. He asked if the Water Company had any recourse to prevent that from happening. Brody replied that there is nothing they can do if it is outside the Ranch boundary. Mr. Anderson stated that there is a misconception that Pine Meadow has exclusive rights to all points of diversion on the Mountain and that is inaccurate. Mr. Boyle explained that in the late 1990s they were shown a map and told that they had all these points of diversion. Mr. Cylvick commented on the amount of money the Water Company has spent to drill wells that came up dry or produced very little water. He noted that the hydrologist has said that everything north of I-80 is dry.

Mr. Cylvick stated that the original thought was that it is cheaper to buy water from Mountain Regional than it is to build a well and they would continue on that route. However, that changed last week after the Mountain Regional Board of Directors meeting. Mr. Cylvick remarked that Brody and Trevor are his primary concern because they have served the shareholders and the community extremely well. *In terms and considerations, the amount of work involved, Carol Steedman and her company KGC Associates will compile most, if not all the Pine Meadow Water documents. As Pine Meadow Water and Mountain Regional move forward, Trevor, Brody, and Carol should be included with annexation transition considerations.* Everyone at Mountain Regional thinks highly of Brody and Trevor and he is trying to negotiate to have them go over to Mountain Regional with the annexation, but that is still to be determined. Mr. Cylvick thought annexation was inevitable at some point and he was still struggling with the thought. He assumed Scott Boyle shared his feelings because when Summit County dissolved the Special Service

Pine Meadow Water Company
Monthly Board Meeting
February 11, 2020
Page 7

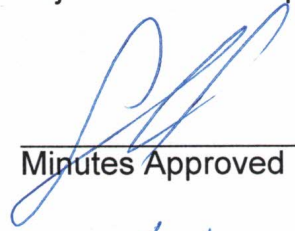
District, Scott Boyle helped set up the Pine Meadow Mutual Water Company and the HOA.

Brody pointed out that the Water Company is in a good position and a good situation because of what they did five or six years ago when they did not need Mountain Regional and were surviving on their own. Last summer would have been an emergency and a different scenario compared to five years ago. They would have run out of water and instead of being prepared, they would have been scrambling to hook up to Mountain Regional and to obtain easements.

Mr. Cylvick noted that they tried to keep the rates as low as possible as they plodded along building up the infrastructure, and they saved money by taking out a loan and doing the work themselves. He stated that a \$25 to \$40 per month increase to deal with the debt seems like a large chunk, but in the bigger picture, they saved each shareholder at least \$30,000. Mr. Cylvick remarked that it was sad, and he tried to keep this from happening, but they have outgrown the water system.

Mr. Anderson thought it would be in the best interest of the shareholders to try to pay down the debt before annexation.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:36 p.m.



Minutes Approved

3/11/21

Date