

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, MARCH 11, 2021

SUMMIT COUNTY, UTAH

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

Ex-Officio: Brody Blonquist, Trevor Townsend, Carol Steedman

Excused: Duane Yamashiro, Bruce Hutchinson

Guests: Tom LeCheminant, Lot PI-D-29; Will Moore, Lot PI-D-33; Steve and Lauren Angerosa, Lot SS-144-D

Eric Cylvick called the meeting to order 6:45 p.m.

Minutes

February 11, 2021

Eric Cylvick referred to page 7 of the Minutes where he talked about the future for Brody and Trevor and trying to negotiate for them to be part of Mountain Regional when the time comes for Pine Meadow Water to go in that direction and considerations for their involvement in a transition. Mr. Cylvick added language to the Minutes to include Carol Steedman and her company, KGC Associates, in terms of considerations moving forward since Carol will be responsible for compiling most, if not all, the required Pine Meadow Water documents with respect to a potential annexation between Pine Meadow Water and Mountain Regional.

MOTION: Eric Cylvick moved to Approve the Minutes of February 11, 2021 as corrected. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Brody reviewed the unpaid bills. Clyde Snow Sessions and Swenson were legal fees. Hone Propane was for filling the propane tank. KGC Associates was Carol's invoice. Pine Meadow Mutual Water Company was the escrow for the loans. Select Health was the

health insurance premium. Utah Division of Finance was payment on 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: Eric Cylvick moved to pay the Unpaid Bills dated March 11, 2021 in the amount of \$35,589.73 as presented. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

HOA Representative

Brody announced that Paul Suitor was the new HOA representative on the Board. Carol explained that Paul Suitor was appointed by the HOA Board and the Water Board needed a motion to accept that appointment.

MOTION: Eric Cylvick moved to ACCEPT the appointment of Paul Suitor as the HOA representative on the Pine Meadow Mutual Water Board. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Financials

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

Mr. Anderson asked if the Income was typical for March. Carol stated that it was slightly lower because the convenience charges are now added to the invoice, but there is an uptick on receiving the bank transfer payments. Carol remarked that once the statements are sent out April 1st they should get an influx of payments.

MOTION: Steve Anderson moved to APPROVE the Profit and Loss/Budget versus Actual dated March 11, 2021. Eric Cylvick seconded the motion.

VOTE: he motion passed unanimously.

The Board reviewed the balance sheet.

MOTION: Steve Anderson moved to APPROVE the Balance Sheet dated March 11, 2021 as presented. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Will Moore – Lot PI-D-33

Mr. Moore reported that on March 2nd Brody and Trevor unblocked some frozen pipes up the road from his place. When he got home from work at 5:15 p.m. he heard a hissing noise towards the hydrant. He tried to reset the handle, but it would not shut off. At 6:04 p.m. he was able to reach Brody to let him know that water was running in his yard.

Mr. Moore noted that there was a shut-off valve to the house by the meter and the leak was in the hydrant down below. He did not realize there was a water meter in the yard because it was buried in dirt and he had never seen it. Mr. Moore read from this log that Brody offered to send someone over the following morning. The next morning Trevor and Brody came to look for the problem and shut off the water. Mr. Moore was not home at the time. At 2:38 p.m. that same day he received a call from Trevor about the water shut off and who was responsible for how it blew out. Trevor told him that he could come to the Board meeting on March 11th to bring his case to the Board.

Mr. Moore stated that the water was fine until the lines were thawed and psi issues were resolved on Elk. He assumed they were all related. When he dug up the line it was not the hydrant. There was a hole where the hydrant was connected into the main line. Mr. Moore remarked that he sent an email today with pictures attached. He dug up the main, fixed the problem, and removed the hydrant entirely. After speaking with Carol, he turned the water back on himself and everything is fine at his home. Mr. Moore was concerned that water was running from when he noticed it at 5:15 p.m. until the next day which will result in a large water bill. He also commented on the fee for digging up the line and fixing the repair.

Regarding responsibility and fault, Mr. Moore understood that the Water Company works on the other side of the meter; however, he wanted to discuss how to confront what happened in this case where there was an issue upstream and it blew out something on his property. Mr. Moore noted that it washed out his drive and water was running out from under his property and down the road. He assumed thousands of gallons of water was lost.

Brody clarified that it is a T and there is a nipple in between the T and the frost-free hydrant. It had blown out the nipple. Brody explained that a main line was freezing up on Beaver Circle. Trevor thawed it out and started running water through the fire hydrant. It sucked a rock down into the PRV and the PRV stayed open and sent pressure around and through Beaver Circle. He noted that when the hydrants are open the PRVs are open. Once everything is closed down it takes time for everything to shut down which creates

pressure spikes. Brody stated that the pressure spike went all the way down Elk Road to Beaver Circle.

Mr. Cylvick stated that traditionally the Water Company is not responsible for anything from the meter to the structure.

Brody asked if Mr. Moore was requesting to have his water bill reduced. Mr. Moore replied that he would like compensation from the time of response from calling Brody to when the water was shutoff. He would also like the actual repair and labor to be compensated.

Brody stated that he was in St. George when all this occurred; however, when he hears from Trevor that the meter is buried under a foot of dirt, it is the homeowner's responsibility to have their meter marked and clear of obstructions. Brody clarified that he was not placing blame on Mr. Moore because he was unaware that the meter was there. He pointed out that if the meter had been marked with a PVC pole the shut-off would have taken five minutes. Brody understood that it went through the night because he was gone, and Trevor had a lot going on with pressure around the Ranch and frozen lines. It was a matter of prioritizing.

Mr. Moore was willing to take responsibility for not knowing where the meter was located. However, he believed the master shutoff was next to the hydrant where he has been keeping it clear, but it did not work, and it was downstream of the hydrant. He remarked that there are actually two shutoffs between the road and his house.

Mr. Cylvick thought the Board needed additional information and discussion before making any decisions. Brody thought they needed to get the exact meter reading. Mr. Cylvick stated that in his 20 years as President of the Water Company, anything on the owner's side of the meter has always been the responsibility of the homeowner. The Board offers a one-time reduction, but he could not remember ever negating a water bill. Mr. Cylvick wanted time to speak with Trevor and to get exact numbers and look at the timing. The Board would discuss sit and get back with Mr. Moore on their decision.

Mr. Moore asked if the actual labor to repair it was also on the table. Mr. Cylvick did not believe the Board could consider covering the cost of repair. The only issue on the table was how to handle the water bill, how much water ran through, and how much responsibility falls on the water system. Mr. Cylvick believed the Board could make a decision within a week or two and contact Mr. Moore.

Manager Report

Brody reported that in addition to what transpired in the discussion with Mr. Moore, other property owners have experienced problems. Tom LeCheminant, Lot PI-D-29, had a couple of freezes that need to be thawed. Brody and Trevor have been monitoring the system.

Mr. Anderson wanted to know why they were getting more freezes this year than in the past. Brody replied that it was due to the lack of snow. This is the first year that over five meters froze in the can itself even with insulation. Each year is different.

Steve and Lauren Angerosa – Lot SS-144-D

Brody believed the Board was aware of this potential annexation on Porcupine Loop. He was comfortable with the annexation; however, he was concerned about having the easement finalized before moving forward. In the past, easements were required to be legal and recorded before moving ahead with annexation. Brody remarked that the Water Company could provide water in a different way, but the easiest way is an easement. He would like the easement to be a binding document saying that the Water Company water line can cut through the property.

Mr. Cylvick stated that as it currently reads, the terms of the annexation is that the water line runs southeast of Porcupine Loop 100% on their lot. It would be an expensive alternative, but it would work. If the Angerosa's obtain the easement through the neighbor's property this document can be amended.

Mr. Anderson clarified that even without the easement the Water Company could still annex the Angerosa's, and they would still be able to get water. Mr. Cylvick answered yes, but the line would run a long way and be more expensive.

Brody was comfortable with this annexation in terms of hooking up to the water system with either of the two alternatives. The Board was not opposed to the annexation.

MOTION: Eric Cylvick moved to allow an annexation for Lot SS-144-D using the annexation agreement in place that is notarized and signed. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Potential Annexation

Eric Cylvick reported that the Water Company received a document from Mountain Regional outlining what documentation would be required, including information for Carol Steedman, Dave Dillman from Horrocks Engineering, the attorney Ted Barnes, financials, easement agreements, etc. Mr. Cylvick spoke with Ted Barnes on Tuesday to ask if annexation required a two-thirds majority vote of the shareholders. He wanted to know the process if they are basically being forced into an annexation. Mr. Barnes was not able to get back with Mr. Cylvick with an answer before this meeting with the requested information.

Mr. Cylvick stated that at this point nothing much has changed except for the document from Mountain Regional. The outline of information is lengthy and will be a lot of work for Carol, Dave Dillman, Ted Barnes, Brody, and Trevor. The requested information is available, but the question is how many shareholders are required to approve annexation.

Mr. Cylvick remarked that Pine Meadow Water moved from a community water system to a year-round water system. They do not have enough water and their only source is not willing to sell them water long term. He was unsure whether the Board could make the decision or whether it required a majority of shareholders. Ted Barnes was going to review the Bylaws and the Rules and Regulations to find the answer.

Mr. Cylvick stated that he sent an email to Scott Morrison, the General Manager at Mountain Regional, letting him know that the Water Company will no longer make major repairs on pump stations and booster stations start breaking down and instead will just purchase water. Noted that Mr. Morrison previously made that suggestion and he and Brody had discussed it.

Mr. Anderson noted that if they annex into Mountain Regional it will be harder to get repairs done on the Ranch. If Brody has a wish list of things that would help make the system better, Mr. Anderson thought they should use the assets they have to get the system in the best shape possible before joining Mountain Regional. Brody remarked that one of the requested items in the outline from Mountain Regional is to have engineers go over the water system to see what needs to be done. He would work with Dave Dillman and go through everything.

Mr. Cylvick stated that the Water Company owns lots and they had discussed potentially adding more storage if necessary. He noted that the Water Company started a wish list when the loan money was winding down and they did things such as connecting the

200,000-gallon tanks to the 500,000-gallon tanks so they could share water. Mr. Cylvick pointed out that the cellular meters was the most recent wish list.

Paul Suitor had questions that he thought should be discussed in closed session since they were asked to keep the possibility of annexation from being public until it is settled. Mr. Cylvick replied that he has not been asked to sign a confidentiality agreement and Mountain Regional has never mentioned anything about keeping it confidential. Mr. Cylvick stated that currently they were only exploring annexation. He believed it was already public record because the County Council and Mountain Regional Water have discussed it at their meetings.

Mr. Suitor wanted to know how they are going to protect annexing SS lots in the future so the HOA can assess those lots for road access and repairs. Mr. Cylvick replied that it could be included in the agreement that would be generated with Mountain Regional. Carol reported that she met with the President of the HOA, George Sears, and he intends to talk with their attorney to see if language could be added regarding owners' responsibility for the roads. Mr. Suitor stated that he was more concerned about the annexation fee and people being required to join the HOA. Brody thought Mountain Regional would know how to handle it because they already run Promontory who has its own HOA.

Mr. Anderson thought Mr. Suitor raised a good point because the annexation fee would not go to Pine Meadow. Mr. Suitor pointed out that the annexation fee goes back to the beginning and pays back everyone who has been on the Ranch for all the years that have contributed to the water system. If they lose that money and lose road control as well, the HOA dues would be paying for the roads while the SS lots have free access and free water. Mr. Suitor thought they needed to give the HOA some protection. Mr. Cylvick stated that Mountain Regional will not collect additional fees from Pine Meadow because Pine Meadow will become like every shareholder customer they have, and the same rules will apply. However, he thought they could add language stating that an SS lot cannot connect to Mountain Regional unless they join the Pine Meadow HOA.

Mr. Suitor noted that another issue the Board discussed is that the cleanest thing to do with the Water Company assets is to transfer everything over to the HOA because it belongs to all the owners. If they transfer it over to the HOA at one time, the owners will still own it and the HOA has control of how any property is sold. Mr. Cylvick stated that they would quit claim deed everything to the HOA prior to annexation

Brody thought they needed to work with the attorneys to understand what they can and cannot do legally. He did not think they should be doing any deals without first speaking

with Ted Barnes. Mr. Cylvick clarified that Mountain Regional was not buying all the assets. They were only buying all the water lines in the road. Brody explained that Mountain Regional is only interested in the water infrastructure. Nothing in the document mentions assets. Mr. Cylvick emphasized that the plan is for the homeowners to get the assets. The question is how it transpires and when. Mr. Suitor assumed the owners would need to vote on transferring the assets. Mr. Cylvick stated that Ted Barnes will figure out the procedure and process. Brody did not believe the shareholders needed to vote on transferring equipment or the office building. For example, they have never needed approval from the shareholders to sell a truck because it is no longer used. That is typically a Board decision.

Mr. Suitor clarified that the HOA Board was not implying that the Water Company was making a bad decision. These questions were only raised in the course of their discussion. Mr. Cylvick understood and thought the questions were legitimate. He wanted it clear that the Water Company Board had no intention of handing over cash and any assets outside of the water system infrastructure to Mountain Regional. It was noted that the lots owned by the Water Company are unbuildable lots and the taxes have been removed because they were designated as source protection. The lots that were not source protection were given to the Homeowners Association. All the remaining properties are basically open space, and nothing can be placed on those lots because they are designated source protection.

Mr. LeCheminant clarified that the annexation was not yet set in stone. He asked about timing. Mr. Cylvick anticipated at least a year or longer before all the documents can be compiled and Dave Dillman can do the engineering portion. He noted that Carol is not able to work on it full time and it will take several months to compile what she needs to provide. Ted Barnes will also need time to do his part in the process. Brody stated that the Summit County Attorney will carefully review everything they provide and that will also take some time. Once those procedures are completed, they will take it to the shareholders.

Mr. Cylvick emphasized that there is really no other choice because if Mountain Regional will not sell them water, at 16 gallons per minute there is not enough water to supply everyone and that would leave them open to lawsuits. When concurrency happens, the County could put a moratorium on further building because they do not have enough water.

Brody thanked Trevor Townsend for his 15 years on the Mountain. Trevor has taken a new job and he will be missed. Brody stated that he and Trevor have worked side by side and they have worked through a lot together. Things are changing on the Mountain and it will be difficult without Trevor. Brody was happy that Trevor has a great opportunity to move on and he wanted Trevor to know that they appreciate everything he has done over the last 15 years. Mr. Cylvick stated that after 20 years of running the Water Company he still could

not believe this was real. Mr. Cylvick agreed that Trevor has been a huge asset to the company. He noted that Trevor, Brody, and Carol have done an amazing job and they all communicate with him and each other several times each week. Carol congratulated Trevor on his well-deserved awards from Rural Water.

Brody stated that Trevor has offered to be on-call on weekends when Brody needs time off. He also talked with Jody Robinson who also offered to help. Jody knows where all the valves are located and can shut off the line when Brody is unavailable. Mr. Cylvick stated that he had discussed the potential for Trevor to be available to help when necessary. He will draft a contract and send it to the Board for approval

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 8:01 p.m.



Minutes Approved

4/15/21

Date