

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, AUGUST 12, 2021

SUMMIT COUNTY, UTAH

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

Ex-Officio: Brody Blonquist

Excused: Duane Yamashiro

Guests: Chris Hudak, Lot PI-G-46; Nathan James, Lot PI-D-5; Alex Falkenstein, Lot PI-67; Carey Lutheran, Lot FM-C-71; Bryan Thompson, Lot PI-E-91; Ted Bonnitt, Lot PI-E-56; Tom Deaver, Lot PI-E-71A; Andi Harris, Lot FM-B-29; Cheryl Groot, Lot PI-E-70A; Michelle Sutor, Lot PI-G-27, 28, 36; John Adams, Lot FM-D-136; George Sears, Lot PI-I-3; Pam Slaughter, Lot FM-B-22; Dwaine Anderson, Lot FM-D-92; Roy Parker, Lot G84/85; Chris Petersen, Lot FM-D-150; Nick Jackson, Lot FM-C-51; Chad Folden, Lot PI-C-1; Lori McBride, Lot FM-D-112

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

Minutes

July 8, 2021

Brody noted that at the last meeting Paul Sutor had asked for clarification of the \$1800 charge under repairs for the office. Brody confirmed that the \$1800 was the cost for replacing the water heater and the piping to the water heater.

MOTION: Eric Cylvick moved to Approve the Minutes of July 8, 2021, as written. Paul Sutor seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Brody reviewed the unpaid bills. The invoice from Badger Meter was for the cellular endpoints for July through August. Clyde, Snow and Sessions were legal fees. Brody noted that the majority of the legal expense was due to the Mountain Regional negotiations. Hydro Specialty Company was for the remaining meters that were ordered. Brody was still waiting for 33 endpoints that had not yet come in. The 33 endpoints will not be billed until they are delivered. KGC Associates was Carol's invoice. Pine Meadow Mutual Water Company was the escrow on the two loans. Rocky Mountain Power was the monthly bill.

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Select Health was the health insurance premium for Brody. Utah Local Government Trust was for the true-up for workers compensation insurance. The Utah Division of Finance was the loan. Verizon Wireless was for the cellphones.

MOTION: Shaun Baker moved to pay the Unpaid Bills dated August 11, 2021 in the amount of \$49,762.36. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/ budget versus actual. Mr. Cylvick noted that 94.6% of the assessments had been collected. With the annexation connection and water hookups they were 109% of budget.

Mr. Suitor asked where they stood on purchasing water this year. Brody did not have a total available. Mr. Cylvick noted that they were using approximately 60,000 gallons every weekend during the summer. Mr. Anderson pointed out that it did not show up on the Profit and Loss because they have not yet paid for that water. Mr. Suitor asked if it was paid annually. Mr. Cylvick answered yes.

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

The Board reviewed the balance sheet. Mr. Cylvick noted that they were up \$233,000 from this time last year. Mr. Anderson asked if the Water Company had paid anything extra on the loan this year. Mr. Cylvick answered no. They were only paying the loan payment of \$26,330 per month. They had paid down the loan by nearly \$2 million.

MOTION: Eric Cylvick moved to APPROVE the Balance Sheet dated August 11, 2021. Paul Suitor seconded the motion.

VOTE: The motion passed unanimously.

Manager Report

Brody reported that he was finishing up the meters around the Ranch. He had 70 meters left to install. Five of those were ordered for new meter hook-ups. Brody had 28 endpoints in the shop, and he was waiting for the rest to come in. He anticipated completing all the meters no later than the middle of September. Brody noted that they have averaged 15-18 meters per day. His son, Xander has been helping him during the summer, but he starts back to school on Wednesday. Brody thought he could get Jody or Porter to help with the meters once Xander is gone if they have any free days. His wife also offered to

help if necessary.

Mr. Cylvick asked when the remaining endpoints were scheduled to arrive. Brody replied that he was told two to three weeks; however, he was told the same thing last time and it actually was over a month before they came in.

Brody stated that they first did the Ranch border and worked towards the middle. He only has the Navaho area left to install. Someone asked if the meters operate without the endpoints. Brody replied that they do operate without the endpoints, but he does not get the meter information. Without an endpoint the meters can still be read, and the previous information will be available once the endpoint is connected. Brody was not comfortable putting in the meters without the endpoints because if someone has a significant leak, he does not receive the current reading. He did not want to take that chance if the endpoints are not delivered for another month or two.

Mr. Cylvick asked if the cellular software would continue to work on the old meters through the winter. Brody hoped it would, but he could not be certain. He pointed out that the main reason for choosing the cellular meters was to avoid paying \$60,000 to upgrade the software on the existing meters. Brody stated that it worked fine when he read the meters the first of August and he hoped it would continue. The problem is basically using outdated software. Without upgrading the software, there is no technical support if the system crashes. Mr. Cylvick thought they should have a backup plan if the endpoints have not arrived by the next meeting. He suggested installing the meters without the endpoints if they are still waiting. Brody would contact the rep next week for a delivery update.

Brody reported that he spent a few days with Dwaine Anderson, the Area 1 Rep, going over the water system so Mr. Anderson could understand it better for the HOA report. Brody had also spent a couple hours with George Sears and Dwaine Anderson to go over a few water system points of interest.

Brody stated that everything else was running smoothly.

Someone asked if there was a rush to get the meters in before winter in case there is a major cabin leak. Brody replied that time was an issue regardless. If they do not put in the new meters and the software goes down, the old meters are out anyway. The endpoints are easy to install if they need to install the new meters without the endpoints. Brody stated that there is a fine line between waiting for the endpoints and hoping the software does not crash before everything is installed.

GIS Bid from Anderson Engineering

Mr. Cylvick explained that GIS is a geographic engineering system that is used for mapping. He stated that when Trevor left this Spring after Mountain Regional announced that they would not continue to sell Pine Meadow water, he was concerned about having the meters and the PRVs surveyed and mapped in case they lose Brody. Brody knows where everything is but no one else has that knowledge. Mr. Cylvick remarked that the idea is to have each meter and each PRV surveyed so if they cannot find something

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that is buried under snow a surveyor can identify its location. If there is a leak in an owner's cabin or in the line on their side of the meter, they will be able to find the meter quickly and turn it off. Mr. Cylvick stated that recently they have been able to isolate all the Ranch, but it still takes time to locate which lot is leaking. GIS mapping would allow them to locate the leak within 24 hours and shut it down. Knowing where the meters are is the driving force in stopping a leak quickly.

Brody had a copy of the bid from Horrock's Engineering a few years ago, which totaled \$5,200. Mr. Cylvick explained that Steve Anderson recently sold his company, Anderson Engineering. Since Mr. Anderson was no longer involved, they asked Anderson Engineering to provide a bid. That bid was in the range of \$3,200.

MOTION: Eric Cylvick moved to accept the Anderson Engineering bid for the GIS mapping of the meters. Scott Smith seconded the motion.

VOTE: The motion passed. *Steve Anderson abstained.*

John Zimmerman property

Mr. Cylvick reported on a bid that he sent out to the Board for digging down, putting down insulating foam and adding 24" of road base down Mr. Zimmerman's driveway. The cost was approximately \$17,000. Mr. Cylvick stated that the cost to re-dig the line was \$32,400. Mr. Cylvick stated that only the top 20' of the driveway is being plowed in order to fit two cars. He explained that the Water Company always tries doing insulated foam and road base first to see if it corrects the problem. In most cases it always works. It is a better approach than retrenching and installing a new water line. Mr. Cylvick preferred the \$17,000 solution, which is insulating foam and road base over the top. It would be graded out and the slope would remain the same.

Mr. Cylvick noted that Mr. Zimmerman wanted the Water Company to dig up the water line, but in his opinion, the foam and the road base is the most economical solution that has worked for the Water Company in the past. Mr. Suitor pointed out that there was no long-term advantage to digging up the water line other than to keep it from freezing across the driveway. Mr. Suitor agreed with Mr. Cylvick because the foam insulation and road base has worked in the past, and to their knowledge this is the first year the line across the driveway has frozen. Brody remarked that the line froze because the entire driveway was plowed this year. He noted that 4" of foam and raising the road with 2 feet of road base was previously done on three other properties on the Ranch, and it resolved the problem. Mr. Cylvick stated that in the end Mr. Zimmerman will have a much better driveway with no personal expense.

Mr. Cylvick stated that there is no easement recorded with Summit County for the water line down the Zimmerman property. Mr. Zimmerman's father was the president of the HOA, which was also in charge of the water company at the time, and the line was put in on a handshake deal. Mr. Cylvick noted that the unrecorded deal saved the Water Company a lot of money because it kept them from having to do a big loop, which would cost \$125,000 today. Mr. Cylvick pointed out that if the Water Company decided to dig up his driveway, they would need to go through the process of obtaining an easement. Mr.

Anderson asked if they were willing to give the Water Company an easement. Mr. Cylvick had not had that discussion with Mr. Zimmerman, but he did not believe an easement was necessary for the foam and road base method. However, he thought it was important to obtain an easement since they are now aware that there is a line under the driveway.

MOTION: Eric Cylvick moved to do the foam and road base method to address the water line issue on the Zimmerman property. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Annexation Administrative Fee Agreement

Mr. Cylvick reported that the Agreement was back with Mountain Regional. Steve Anderson had suggested adding a cross indemnification clause, and it was included. The document was submitted to Scott Morrison, the General Manager of Mountain Regional. Mr. Morrison accepted the revision, and he would be taking it to the Mountain Regional Board of Directors for approval next week.

Mr. Cylvick noted that Ted Barnes, the Water Company attorney, reviewed the agreement and he was comfortable with it.

Mr. Cylvick stated that the Water Board could not vote on the Agreement until they receive official approval from the Mountain Regional Board of Directors and acceptance of the cross-indemnification clause.

Mr. Cylvick assumed most of the people attending this evening were interested in hearing about the annexation. He explained that originally the Ranch was not designed with a water system. It was cabins and carry-in water. At a later time, some people decided to put in a water system and buried all the lines 6"-12" deep. It was basically what they had to work with when George Sears took over the water system in 2000. Mr. Cylvick stated that water was turned off in October and turned back on in May or later. A mile of pipe was replaced every year on Navaho Road at an approximate cost of \$200,000 per year because the same line would continually freeze. The line could not be buried deeper because it would create a valley in the line and the water would sit there and stagnate.

Based on the amount of money they were spending each year, Mr. Cylvick thought they could borrow money and use that same amount of money to pay down the debt. He and Brody found Federal and State money and obtained a loan to replace almost all of the water lines. Mr. Cylvick remarked that it would have been better if there was no water system because it would have been easier to start from scratch. Instead, they had to work with bits and pieces of a system. Mr. Cylvick stated that they borrowed another \$3.7 million and built the 500,000-gallon water tank, replaced all the lines, and redid the pressure reducing valves, and put in new meters. They used some of the money to drill two wells that came up dry. They spent money to hire the best hydrogeologist in Utah and did many other things for years trying find water. Mr. Cylvick remarked that the general consensus is that there is no water north of I-80 beyond two or

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three gallons per minute. A well that produces 30 gallons per minute will be down to 7 or 8 gallons per minute after a year. Mr. Cylvick emphasized that based on the formations, there is little to no water on this side of I-80.

Someone asked for the flow of Uncle Tom's. Brody replied that currently Uncle Tom's was producing approximately 15 gallons per minute. Mr. Cylvick remarked that the Ranch has a total of 25-30 gallons per minute between three wells. Brody pointed out that 25-30 gallons per minute is during the winter when the wells are at their best. The production is well below that during the summer. Mr. Cylvick stated that they spent money to revamp Bobcat Springs only to find that it was surface water. Bobcat is just a bunch of clay with topsoil on top. What they were getting out of Bobcat Springs was snow melt going through the topsoil and running along the clay, but everyone thought it was a spring. Mr. Cylvick remarked that every spring, Bobcat Springs was fully contaminated with eco matter, dead animals, and other things. It would clear up and by August it was only producing 2 gallons a minute. After finding it was only surface water, they decided not to have Bobcat Springs as part of the water system. Brody pointed out that the Bobcat Springs well is now dry.

Mr. Cylvick stated that the math is simple. Pine Meadow is sitting at 25-30 gallons per minute in the middle of the winter. They originally thought the wells were producing around 75 gallons per minute, which included 25 gallons per minute from Bobcat Springs, which was not an accurate reading. It was more like 45-50 gallons per minute, and now it is down to 25-30 gallons per minute. Mr. Cylvick remarked that the Water Company spent \$1 million drilling two dry wells over the last 20 years. They drilled the well at Lower Tollgate and negotiated easement agreement with Thomas Broderick to put in a building. The well was working great and producing a lot of water, but within 6 months to a year the production went down to 30 gallons per minute, then to 15 gallons and below. Mr. Cylvick stated that the Contact well and the other well that was drilled on Salt Box barely produced at all. They scrubbed and refurbished Uncle Tom's well to get more water out of it, but it did not improve production. They discovered the Water Company actually owns a controlling interest in the Aspen Ridge well. Mr. Cylvick reported that they had used some of the money from the loan to improve the Aspen Ridge well in hopes that it would produce 100 gallons per minute so Pine Meadow could take 70 gallons per minute and leave 30 gallons per minute for Aspen Ridge. Unfortunately, the well only produces 25 gallons per minute and the people at Aspen Ridge need all of that water.

Mr. Cylvick explained that Stagecoach decided to hand their entire water system over to Mountain Regional. They gave Mountain Regional all the easements to all the water lines and ownership of all the structures. Mountain Regional took it over, assessed everyone \$32,000, and redid their water system. Once that agreement was completed, Mr. Cylvick realized that the water line was only 1400 feet away from the Pine Meadow water line and he approached Mountain Regional to see if they would be interested in connecting the two systems. Mountain Regional told him that they could pump Pine Meadow Water 1,000 gallons per minute if they connected. Mr. Cylvick stated that he negotiated with Andy Armstrong, the General Manager of Mountain Regional at that time, and obtained an Agreement to Attach. Pine Meadow Water paid 100% of the cost of that attachment. The Water Company paid Fred Bacon's balance with Mountain Regional, which was \$28,000 at the time, in exchange for an easement

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for the water line. Mr. Cylvick also negotiated an emergency fire exit in that direction.

Mr. Cylvick found that the HOA had an easement between Bob Merrill's house and Larry's house, and the HOA also owned a piece of land. They ran the water line down the easement and the HOA property and out Fred Bacon's property to Mountain Regional's line at Stagecoach. Part of the agreement was that Pine Meadow Water would back feed the 12 upper lots in Stagecoach, and Mountain Regional would pump Pine Meadow water when it was needed. The relationship with Mountain Regional is how the Water Company has existed for the last six or seven years. Mr. Cylvick explained that Mountain Regional has a meter that calculates the amount of water they pump to Pine Meadow. He noted that for a while Pine Meadow and Mountain Regional were feeding water to each other. Mountain Regional mainly pumped water to Pine Meadow if there was a large leak and the tank was drained. Mr. Cylvick noted that Mountain Regional is primarily their main source of water.

Mr. Cylvick stated that the Water Company is able to sustain the system until summer. Every week during the summer they take approximately 60,000 gallons of water per month from Mountain Regional.

Someone asked about heavy snow years. Brody replied that the wells have gradually been going down each year since he started with the Water Company 19 years ago. He has spoken with hydrologists and well drillers and they all told him that production from snowfall comes from the prior year. Brody noted that in this circumstance it was proven to be wrong because the wells were depleting. 2010 was an epic snow year and nothing changed with the wells that year or years after. Brody emphasized that snowpack does not make a difference. It is a common problem. Stagecoach went with Mountain Regional because they had no water.

Brody stated that when he first started with the Water Company there were a lot of exaggerated numbers from previous water managers who did not take the time to do a bucket test. Instead, they based the numbers off well driller reports, which tend to be exaggerated. Mr. Cylvick remarked that due to better technology, the Water Company has all their sources metered and they know how many gallons per minute each well is producing. Prior to that, he believed that everything was just a guess.

Mr. Cylvick did not believe the water has gone down as much as they think, but the problem is the limited supply of 25-30 gallons per minute. The solution was being able to hook on to Mountain Regional and have a better supply of water than they could get from any well. Mr. Cylvick explained that in March the Mountain Regional Board of Directors said they were not in the business of supplying water to small water companies. Mountain Regional was formed to absorb water companies like Pine Meadow Water. They are a non-profit owned by Summit County. Mr. Cylvick noted that the Water Company's attorney, Ted Barnes, was the attorney who formed Mountain Regional to annex in small water companies who could not provide adequate water service with their infrastructure or their source.

Mr. Anderson stated that to meet State regulations, the Water Company should be pumping 250 gallons per minute to service the current number of connections. At buildout, the requirement would be 440 gallons per minute. Mr. Cylvick noted that they have been operating under reduced requirements.

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Someone stated that in early 2000 a moratorium was placed on new construction. Mr. Sears noted that it was the Special Service District at that time. Brody remarked that Oakley City currently has a building moratorium and moratoriums are possible. However, in accordance with the Division of Drinking Water, the water company still needs to be able to provide water for the existing customers. The problem is that Pine Meadow Water does not have the capability to provide enough water for their existing customers. Brody reported that the Concurrency was scheduled to be in place in Eastern Summit County in 2021, but that was pushed back due to Covid. Once the concurrency steps in, if a water company cannot provide for build out to date, their water system will be shut down. The only option is to find enough water now or to annex into another water system.

Brody remarked that if Pine Meadow did not have the interconnect agreement with Mountain Regional, they would be out of water. The tanks would be completely empty and there would be no fire protection.

Mr. Cylvick emphasized that the Water Company wanted to continue buying water from Mountain Regional as a solution, but it was made clear that they needed to begin moving towards annexation.

Shareholders in attendance thanked Mr. Cylvick and Brody for the update and education.

Someone understood that the solution would affect all the owners, and that the owners would be asked to pay a large sum of money. He asked what steps the Water Board was taking regarding the owner buy-in for the solution. Mr. Cylvick stated that the Annexation Administration Fee Agreement is for Mountain Regional to go through and do a full engineering analysis of the entire Pine Meadow Water system. It is not an agreement to annex in. He noted that because the water system is in good shape and their books are up to date, the cost could be as low as \$200,000 or as high as \$350,000 just to analyze the system. Once the analysis is complete, Mountain Regional could add an additional amount to do any necessary improvements and assess Pine Meadow for the charges. The total amount is rolled into a 20-30-year amortization schedule and paid by all 800 shareholders. As an example, the Water Company borrowed \$6.5 million to redo the water system and the shareholders have been paying for it. Mr. Cylvick thought the cost could be significantly less under Mountain Regional and worth paying to be guaranteed water.

Someone asked what would happen if the majority of owners vote against annexation or not enough people vote. Mr. Cylvick stated that it will be important to educate people when the time comes. At this point, he did not know enough about the annexation agreement or what it will cost. Once he has definitive information from the analysis, the Water Company will have the opportunity to negotiate those projects. Mr. Cylvick remarked that the Pine Meadow water system is the best water system in North Summit. Brody noted that the water system was designed by the Utah State Engineer, and everything meets Utah State Code.

Mr. Cylvick stated that Mountain Regional told him that they cannot continue to sell water to Pine Meadow because if they run low on water, they will shut them off. That also prompted consideration for annexation. Brody agreed that if not enough people vote and the annexation does not go through, they

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would definitely be looking at the possibility of being shut off by Mountain Regional. Mr. Cylvick pointed out that the Water Company would have no control at that point and the State would come in and make the decision.

Cheryl Groot, Lot PI-E-70A, asked if the annexation would need to be voted on by every homeowner. Mr. Cylvick explained that the Bylaws require the Water Company to hold a meeting and vote. The vote result will be the majority of those in attendance. The Bylaws do not state two-thirds of the owners. However, that was a point of negotiation that he was arguing with the Mountain Regional Board. Mr. Cylvick tried to explain to their Board that 800 shareholders are spread out and some never respond to requested information or input. Many pay their dues online by credit card and never communicate with the Water Company. Mr. Cylvick stated that Ted Barnes and Doug Clyde are excellent water attorneys, and they were working on going by the Pine Meadow Bylaws and Rules and Regs, which states 51% majority attending the meeting.

Mr. Cylvick stated that once they get through the Administrative Annexation Fee Agreement and know the projects and the costs, he and Steve Anderson will develop a simple spreadsheet and send a package to all the shareholders. He anticipated sending it to everyone several times. The goal of the Board is to keep the administrative fees closer to the \$200,000 range, and to keep down the cost of the improvement projects.

Paul Suitor pointed out that the Board decided to purchase the cellular meters because they are the same meters Mountain Regional uses. It is less expensive to the owners to have Brody install the meters now rather than wait and pay Mountain Regional to do it.

Many of the attendees said they like the new meters because they are able to track their own usage.

Someone asked if there is a sense of the rate structure and what it will look like. Mr. Cylvick answered no. He explained that initially Mountain Regional said Pine Meadow would have the same fee schedule as every Mountain Regional water customer, which includes external water use. Mr. Cylvick had suggested that Pine Meadow keep with the current requirements and not allow external use of water. He personally believes they are the most conservation minded water company in the State, they have the tightest water system, they do not allow outside watering, and most owners do not care to have a lawn. Mr. Cylvick anticipates that eventually the entire State will need to tighten conservation requirements at some level, and it makes sense for Pine Meadow to remain at their current level.

Mr. Cylvick explained that there is a 6" line coming from Pine Meadow that ties into an 8" line at Stagecoach and because of that Mountain Regional cannot provide the normal flow for external use of water. Mountain Regional is now considering the possibility of keeping Pine Meadow and Forest Meadow at reduced requirements and no external use, which would potentially allow Pine Meadow to keep their own fee schedule. Mr. Cylvick was not certain but doing that could possibly mean lower amounts but the same fee schedule.

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Someone asked about pumping costs. Mr. Cylvick replied that there would be a high-altitude pumping cost.

Tom Deaver, Lot PI-E-71A, asked about the interest rate once the negotiations are finished and Mountain Regional does a 20-year amortization. Mr. Cylvick was unsure about the interest rate, but he pointed out that he talked the State into a 3% interest rate on the loan. Steve Anderson stated that somehow the existing loan will be absorbed by Mountain Regional, and he assumed the Pine Meadow community will have part of a fee to absorb that debt. At this point no one knows what it will be. Mr. Cylvick noted that they have equipment, a shop, and other community assets, and he hoped Mountain Regional would not purge everything the Water Company has accumulated over the last 20 years. Those assets have been part of the negotiations.

Someone asked if the infrastructure would be considered an asset in this case. Mr. Cylvick answered yes. He stated that the water lines, the pump stations, the water tanks, the storage tanks, the PRVs, and the meters are mentioned in the Annexation Administrative Fee Agreement.

Ted Bonnitt, PI-E-56, thanked the Water Company for the education this evening. He thought it was great to hear that Mountain Regional is a non-profit. However, with a serious drought and no end in sight, if Mountain Regional decides not to approve the annexation and the State comes in, he wanted to know the upsides and downsides of a State takeover. Mr. Cylvick clarified that the State taking over was speculation on his part. He stated that Mountain Regional is in the business, and they have not had that conversation.

Mr. Cylvick remarked that Mountain Regional likes the Pine Meadow Mutual Water system, and they are the only small water system that Mountain Regional has ever connected to, to receive water. Pine Meadow supplies water to Mountain Regional customers in Stagecoach. They trust Brody, they trust the water quality, the testing, and the water system.

Mr. Cylvick stated that Mountain Regional is interested in progressing with the annexation. He did not expect to get through everything until July of next year. Annexation is a long process and involves a massive amount of work.

After hearing the explanations this evening, someone asked if the more buildouts they have would spread the amortization among more people, which would lower the cost to annex it. Brody stated that the amortization will be based on 800 lots. Regardless of whether or not a lot has water, all property owners will pay part of the amortization schedule. Owners will pay for their own water usage, but the amortization will be a flat fee across all 800 lots.

Cheryl Groot stated that she knows Marty, the person who originally started Mountain Regional and when she spoke to her she set her mind to rest about the annexation. She also spoke with Scott at Mountain Regional, and he was wonderful to talk to. Ms. Groot stated that she is usually a skeptic, but she felt very good about this annexation. However, she wanted to know what would happen to the Water Board and

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the ability to still have a say in what goes on. She was also concerned about Brody. Mr. Cylvick replied that they were still working on it. Brody pointed out that his wife works for Mountain Regional and that is usually a problem with Summit County. Mr. Cylvick stated that he and Scott are on the phone at least once a week and they are trying to work out those details. His preference would be to have some presence on the Ranch. If the State allows them to continue operating under reduced requirements, he believed that would be some leverage in discussions with Mountain Regional. Ms. Groot noted that Scott told her that they could have someone from Pine Meadow on their Board, but they need to get it approved through Summit County. Mr. Cylvick thought the main problem is that Mountain Regional has never absorbed a private water company with 800 shareholders. It is a large system over a vast amount of land. Mountain Regional is not afraid of it, but they thought Pine Meadow could be treated like all other customers until they started looking at it.

Mr. Cylvick stated that Pine Meadow Mutual Water Company is fully engineered, and they have all the documents from Horrocks Engineering. They already have a master plan and as-builts, and they know where everything is. Mountain Regional will review all the documents, but they will not need to dig to look at lines. They will be looking at the stamped engineering package.

Brody asked if everyone understood that Mountain Regional is Summit County. Some were not aware. Someone questioned how they can be a non-profit and still be part of the County. Brody explained that Mountain Regional is a Special Service District, similar to Snyderville Special Service District, which is also governed under Summit County. Jordanelle Special Service District is governed under Wasatch County. They are special service districts of the County. Brody stated that once everything is approved by the Mountain Regional Board, it will then go through the Summit County Council.

Someone asked how Pine Meadow is not already a customer of Mountain Regional if they were buying water from them. Mr. Cylvick replied that one of the reasons why he got the MOU was to set a precedent six or seven years ago that Mountain Regional was supplying water. Mr. Cylvick stated that it was different than being a customer where water rights and water shares are transferred to Mountain Regional. He noted that Weber Basin arbitrarily drew the line from A-plat down the top to Marty Seelos old property. Weber Basin would not allow anyone on one side to transfer their water shares into the system. The advantage is that Mountain Regional has been selling Pine Meadow water in another location, which is why he got Doug Clyde involved. Mr. Cylvick emphasized that Pine Meadow Water wants to transfer their water shares. They do not want to get rid of the water shares and buy new water shares at today's rate. He pointed out that they have enough water shares, they just do not have enough water. The preference is to have Mountain Regional apply the existing water shares rather than having to buy new water shares.

Someone asked about connection fees with Mountain Regional. Brody replied that Mountain Regional's fee is similar to the Water Company. Mr. Cylvick noted that the fee schedules for both companies closely match; except the Water Company's usage fee schedule is much higher than Mountain Regional.

Someone noted that their water assessment could go down with Mountain Regional. Mr. Suitor pointed out that the property owners would still need to pay off the existing debts. Mr. Cylvick used a worst-case

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scenario cost of \$1 million dollars for the Administrative Agreement. In comparison, if the water Company tried to drill another well the cost would be \$2.5 million, and it would come up dry. He thought even the worst-case scenario would be a good deal. Mr. Cylvick pointed out that annexing into Mountain Regional is a solution that will guarantee water. He thought it might be possible to negotiate a 30-year amortization. Mr. Cylvick remarked that the work Brody and Trevor have done and getting the system to where it is now saved the most amount of money in the long run.

Mr. Deaver thanked the Water Company for doing an amazing job, and for the forward thinking and planning ahead to help the owners get ready for this annexation. Mr. Cylvick reiterated that they do not know definitive numbers at this point. Once they know the numbers all the information will be sent to every property owner, including a comparison of the existing Water Company fee schedule to the Mountain Regional fee schedule and the amortization schedule. Once Mountain Regional completes the system analysis, they will know the actual costs. In terms of timing, Mr. Cylvick anticipated annexation a year from the time of signing the Administrative Agreement, which could be next week.

Someone asked if the Board would be open to virtual meetings just to get the word out throughout the process. If not, he asked if they could do more outreach through email. Mr. Cylvick thought the best solution would be to post the Administrative Agreement on the website, so everyone has the opportunity to read it. He clarified that the Board could sign the Administrative Agreement. They will need to find a way to reach out and involve more people before signing a final annexation agreement. Mr. Cylvick stated that once the Annexation Administrative Agreement is approved, the Water Company will pay \$25,000 to begin the process.

Someone wanted to know when the annexation will be put out for a final vote. Mr. Cylvick stated that once the analysis is complete, they will find out what was spent in legal and engineering fees and what projects will be necessary. Mountain Regional will bid out the necessary improvement projects and let the Water Company know the total cost. Once they have the actual numbers, they will put everything on a spreadsheet and send it to everyone along with other pertinent information so all the shareholders will know what they will be paying under Mountain Regional.

Mr. Cylvick stated that unlike Pine Meadow Water, Mountain Regional does not charge an annexation fee when a property wants to annex into the water system. He is trying to negotiate with Mountain Regional to continue charging an annexation fee when someone annexes into Pine Meadow and use that money to pay down their debt. Mr. Cylvick emphasized that he wants to retain the right to assess a fixed annexation fee.

Someone asked if the shareholders would vote at the Annual Meeting or if it would require a special meeting. Mr. Cylvick believed it would be a special meeting. Once all the information is compiled and sent to the shareholders, they will schedule a meeting date.

Brody stated that he was asked to show transparency of the Water Company. He met with Dwaine Anderson, the Area 1 rep, several times and asked Mr. Anderson to update those in attendance on what

was discussed.

Mr. Anderson stated that he purchased his property in 1983 but he is not a full-time resident. He recently became a member of the HOA Board, and he was surprised when he heard that Pine Meadow was running out of water. He is a civil engineer and he worked for Salt Lake City for a decade as their pump well engineer. Mr. Anderson was concerned about giving away all their rights and he asked for information. In the process he met with Brody and asked for information. He has known Brody for many years. He thinks he is A+ and Brody proved again after their meeting that he is still A+. Brody was extremely open and provided access to all the Water Company records. Mr. Anderson believed that going with Mountain Regional is a plus. His biggest concern is what Pine Meadow will do without Brody because he is a major asset. Mr. Anderson was still analyzing the information he was given, but in terms of what they should do, he thought they were lucky that Mountain Regional exists. They were also lucky to have the Water Board that has been working for them. Mr. Anderson thought one of their goals should be to find a way to keep Brody working for them.

Mr. Anderson emphasized that the transparency he was looking for is there.

Brody wanted everyone to understand that the work the Water Company did was for the community. The people in the community are the Board's number one interest. It has nothing to do with personal gain or personal issues. It is for the people. Brody stated that he has been the water manger for 19 years and not once has he thought about taking another job, even though he has had several offers. He loves Pine Meadow because of the community and because of the Board who looks out for the community. Brody appreciated all the favorable comments and all the concern for his future, and he assured them that he will be fine.

Fire Station

Mr. Cylvick asked about the fire station. He was told that the Fire Safety Committee met with Chief Nelson two weeks ago. The Fire District has funding from Summit County, and they are ready to move forward. The Committee visited the Mountain Green facility, which is a model for the Pine Meadow station. The North Summit Fire District has three acres of land, and they need to figure out how to give them a water letter. Mr. Cylvick asked for the location of the three acres. The Committee and the HOA was trying to help the Fire District move forward with the Fire Station because it is a community project. It will be Fire Station #24 and it will represent the Pine Meadow community and everyone on Tollgate.

Mr. Cylvick clarified that the Fire District needs a water letter to take to Summit County before they can move forward on the fire station.

Brody had a few concerns and he suggested getting a legal opinion from their attorney. His first concern was the statement requiring one meter per lot. He noted that the Water Company shop and the HOA shop has one meter connection; however, after looking at the redrawn map that is no longer an issue. Brody stated that another issue is that the Bylaws state that Pine Meadow Water cannot allow any

governmental or commercial buildings. Mr. Sears recalled that it pertained to lots outside the actual Ranch itself, which are the SS lots. Mr. Anderson believed the Bylaws allow for other entities based on the Board's discretion. Brody thought they should still consult the attorney to make sure it does not come back at a later date. He understood that was different because it is outside the Ranch and connecting to the water system is still considered annexing into the water system. Mr. Cylvick offered to contact Ted Barnes.

Mr. Cylvick stated that once the issues are addressed, the Board could vote on providing the water letter through email.

Annexation Documents

Mr. Cylvick commented on a document provided by Mountain Regional outlining the annexation process. It would be posted on the website, and he encouraged everyone to read it. Once the Administrative Agreement is formalized, he will post that on the website as well. Mr. Cylvick noted that Steve Anderson had prepared a case for why PMMWC needs to annex into Mountain Regional and he encouraged everyone to read that document. Mr. Cylvick would talk to Carol about setting up a separate Annexation link on the website where people can click on it to see all the annexation documents.

Mr. Cylvick anticipated having more than one annexation meeting with the shareholders. Scott with Mountain Regional is willing to attend one or more of those meetings to answer questions.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 8:16 p.m.

Minutes Approved

Date