

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, SEPTEMBER 9, 2021

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Steve Anderson, Scott Smith, Duane Yamashiro arrived late, Paul Sutor – Board Members

Ex-Officio: Brody Blonquist

Excused: Shaun Baker

Guests: Chris O'Rourke, Lot PI-E-16; John Adams

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

Minutes

August 12, 2021

Steve Anderson corrected the Minutes to reflect that he had abstained from voting on the GIS Contract.

MOTION: Eric Cylvick moved to Approve the Minutes of August 12, 2021, as corrected. Paul Sutor seconded the motion.

VOTE: The motion passed. Scott Smith and Duane Yamashiro were not present for the vote.

Scott Smith arrived.

Unpaid Bills

Brody reviewed the unpaid bills. The invoice from Badger Meter was the monthly fee for the Eye on Water App. Chem Tech Ford was for yearly water samples. Ferguson Enterprise were parts for the new meter installs. KGC Associates was Carol's invoice. Brody noted that the Mountain Regional Water invoice had not yet come, but it was expected any time. It was added to the unpaid bills for this month so Carol can pay it when she receives the \$25,000 invoice. Pine Meadow Mutual Water Company was the escrow. Rocky Mountain Power was the monthly bill. Select

Health was the health insurance premium for Brody. Summit County Public Health was for water samples. The Utah Division of Finance were the loan payments. Verizon Wireless was for the cellphones.

Mr. Suitor asked if the amount set aside for Mountain Regional was only an estimate since they did not have the actual invoice. Brody replied that it was the actual amount that Mountain Regional requires upfront as a down payment towards the Mountain Regional administrative analysis fee. Mr. Anderson asked if Brody had calculated how much the Water Company owed Mountain Regional. Brody stated that they were 815,000 gallons in the hole as of September 1st, which he estimated to be approximately \$13,000. Brody explained that the invoice they were waiting for was unrelated. He noted that the Water Company told Mountain Regional that they preferred to make one payment for the water purchase at the end of the year.

MOTION: Eric Cylvick moved to pay the Unpaid Bills dated September 8, 2021, in the amount of \$62,362.30. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Brody reported that Hone Propane filled the propane tank for the winter. That invoice was \$1,169.43. The bill was received yesterday, and it was not included in the unpaid bills.

MOTION: Eric Cylvick moved to approve the Hone Propane invoice in the amount of \$1,169.43. Paul Suitor seconded the motion.

VOTE: The motion passed unanimously.

Financials

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

MOTION: Steve Anderson moved to APPROVE the Profit and Loss/Budget versus Actual dated September 8, 2021. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Brody referred to the second category on page 2 of the Profit and Loss, which says Mountain Regional Annexation and Legal Fees. Carol added a separate line item to show the breakdown of the legal fees to track expenses specific to the Mountain Regional Annexation.

The Board reviewed the balance sheet. Mr. Cylvick noted that they were ahead of where they were this time last year by \$217,000. The annexation and hookup fees were at \$140,000. He noted that the annexation and hookup fees are not included in the budget because it varies on how much building each year, and they cannot count on those fees.

MOTION: Steve Anderson moved to APPROVE the Balance Sheet dated September 8, 2021. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Manager Report

Brody reported that he had been doing new meter installs. He was also doing small maintenance on the water system. Brody stated that he was still short 35 endpoints and there was no indication of when they would arrive. Therefore, 35 meters still need to be installed and he was uncertain whether they would be installed before winter. Brody stated that when the endpoints come in, he plans to talk to Mountain Regional to see if they want 35 of those put in the ground, if they would rather wait. He will have that conversation after he receives the endpoints. Brody clarified that he will not install the meters without an endpoint. It is better to leave in the old meters until then because he can still read those meters if they are buried in snow.

Duane Yamashiro arrived.

Mr. Suito understood that the new meters send out a Wi-Fi signal and have a battery that lasts ten to 12 years; however, the battery needs to be charged. Brody explained that the battery has a 15-year warranty, and after 15 years it is prorated. The meter itself does not use a lot of battery power because the meters only send the signal to the endpoint. The endpoint uses the battery. Brody pointed out that the endpoint is under the lid, and it is easy to change it out. The endpoints do not recharge but they are supposed to have a 20-year battery life. Brody stated that the old ones have been in the ground for 13 years and he never had a problem with a battery dying. He noted that the old endpoints use more battery power because they send out a signal 24/7.

Mr. Cylvick reported on an email he received stating that North Summit Fire District agreed to the Annexation terms for a water service letter. The terms he set requires the Fire District to join the HOA and pay the Water Company for water usage and the road maintenance assessment to the HOA. If those terms are met, the Water Company will supply a water share. Carol had already contacted Weber Basin to make sure they could supply the water share. Mr. Cylvick noted that the

Water Company will reduce the annexation fee for that lot from \$32,000 to \$40, which is the filing fee for the annexation. Mr. Cylvick clarified that they need to sign something in writing indicating that the Fire District agreed to the terms, and he was satisfied with the email. Mr. Cylvick stated that the terms the Fire District agreed to are the standard terms with a few slight changes, and he would ask Ted Barnes to make those changes in the documents. In the meantime, the Water Company could move forward with the water letter.

MOTION: Eric Cylvick moved to provide the North Summit Fire District with a water service letter, and that formal documentation will be completed in the next week or two. Paul Suitor seconded the motion.

VOTE: The motion passed unanimously.

Brody wanted it clear that the Fire District would be treated the same as any other water customer. A contractor will do the connection at the pipe and the Water Company will supply materials as they supply them for all other customers. Mr. Cylvick stated that when they emailed the terms to the Fire District, they included the Rules and Regs and other pertinent documents. He clarified that the only difference is that the Water Company was waiving the annexation fee and providing a water share.

Chris O'Rourke – Lot PI-E-16

Mr. Cylvick understood that Mr. O'Rourke had obtained the lot line adjustment. Mr. O'Rourke remarked that the Water Company attorney, Ted Barnes, had a good idea. Mr. Barnes had suggested shifting the 50' box up and over to the road easement on the property. Mr. O'Rourke stated that this could be accomplished in two ways. He could either slide the box up or stretch the box. He noted that it was drawn out by his surveyor, and once everything is finalized, the surveyor will come out and survey everything.

Mr. O'Rourke stated that the next step is to submit everything to Summit County; however, he needs a signature before he can go to the County.

Mr. Cylvick reminded everyone that Mr. O'Rourke wants to build a garage and has asked the Water Company for an easement. Due to the configuration of the land, the driveway needs to be located in a certain area. Mr. Cylvick noted that the Water Company requested the same amount of land by Arapaho in exchange for the easement. Mr. Cylvick stated that Ted Barnes was comfortable with everything as long as the new 50'x50' easement is up against the driveway. The Board had no issues with the final proposal.

MOTION: Eric Cylvick moved to approve the lot line adjustment for Chris O'Rourke, PI-E-16, with the stipulation that the 50'x50' easement for the garage is pushed up against the existing driveway easement. Duane Yamashiro seconded the motion.

VOTE: The motion passed unanimously.

Zimmerman Driveway – Lot FM-D-154

Brody reported that he and Carol both tried to contact John Zimmerman and he had not responded to either of them. He asked how the Board wanted to move forward. Mr. Cylvick did not think they should move forward until they get some acknowledgment from Mr. Zimmerman. Brody agreed. He thought Mr. Zimmerman was not responding because what the Water Company decided was the best approach is not the route Mr. Zimmerman wanted and he is upset.

Mr. Cylvick pointed out that they do not have an easement nor Zimmerman's acknowledgment. He assumed the line in the driveway would freeze again. Mr. Anderson thought they should just leave the line where it is. Brody agreed. The Water Company can only do so much, and they were now going into winter weather. Brody stated that the HOA Rules state October 1st as the final date for digging in the roads. The Water Company Rules have a final date of October 15th. Mr. Cylvick noted that it was also contingent on weather.

Mr. Suitor suggested that the Water Company inform Mr. Murdoch, the other property owner who was affected when the line froze, that the Water Company tried to contact Mr. Zimmerman with a solution, and he has not responded. Brody would ask Carol to send the emails to Mr. Murdoch that were sent to Mr. Zimmerman to make him aware that the Water Company tried to communicate with Mr. Zimmerman.

Brody stated that if they can get ahold of Mr. Zimmerman and he agrees with the Water Company doing the work, he would be comfortable doing the work without an easement. They could then work on an easement during the winter and get it recorded with Summit County.

Brody's Severance

Mr. Cylvick stated that Mr. Anderson had developed three severance options for review. He thought Brody should be involved in their discussion. The three ways of calculating severance includes Method A, Method B, and number of years equals weeks of pay x factor. Mr. Cylvick

remarked that the number of years has a 3% inflation rate, annual rate of pay, adjusted for inflation, weekly rate. The number for the last was the highest at \$62,246.53. He recalled that the Board previously said that on January 1st they would put Brody's health insurance towards his salary. Mr. Anderson stated that it would affect the annual salary number. He would add next year's salary, which would be the current salary at separation. Mr. Anderson stated that the amount shown was bumped 3% for inflation. He would need to adjust it for the insurance premium. Mr. Cylvick emphasized that the severance would be higher than the \$62,246.53 shown.

Mr. Cylvick noted that the other options resulted in \$54,200 and \$52,900. Mr. Anderson thought they were all legitimate separation methodologies that should be fair to someone in Brody's position with a long tenure. He thought the shareholders would find the methodology acceptable. Mr. Anderson outlined the three formulas. The first is a formula used by the Federal government. The second is based on number of years employed. The third formula is based on salary. He pointed out that the third option works better in Brody's favor.

Mr. Cylvick gave Brody the opportunity to discuss all three options with his wife and email the Board with any questions. He thought the Board should consider voting on the severance sooner rather than later. If Brody was already comfortable with a specific option, the Board could vote this evening. Mr. Anderson had written a stipulation agreement outlining the obligations on Brody's part. Mr. Smith asked how the severance would be paid out. Mr. Anderson replied that it could be paid out as continued salary twice a month for a certain amount of time. He believed that method had a better tax advantage than being paid in one lump sum.

Brody appreciated anything the Board was willing to do for him. He knows they have his best interest in mind because they always have, and he was open to anything they thought was best. He appreciates everything they did for him in the past and everything they are doing going forward. Mr. Cylvick remarked that the Board was trying to follow a standard metrics that can be supported when they present it to the shareholders. Mr. Cylvick believed that all the Board members and everyone else felt strongly about giving Brody the highest amount of the three options because he has done an amazing job.

Mr. Cylvick thought it was important to vote on the severance now, and if something changes, they will have something in writing showing that the Board agreed to one of the three options, with the understanding that Brody would be willing to sign a severance agreement. If Brody has any issues with the agreement drafted by Mr. Anderson, those terms can be negotiated.

MOTION: Eric Cylvick moved to approve number of years = weeks of pay x factor, in the amount of

\$62,246.53 as shown on the spreadsheet, which will be adjusted for the annual rate of pay for 2022 and include the health insurance premium in the salary. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Mr. Anderson noted that the severance agreement basically says that Brody will stay until the end, and he will not sue or badmouth the Water Company when he leaves. It also stipulates that the total amount specified is the final amount.

Miscellaneous

Mr. Cylvick had heard from other shareholders that Paul Suitor was telling people that the “The Water Company Board Members were getting kickbacks from Mountain Regional, or some form of payment from Mountain Regional”. Mr. Suitor denied saying that. Mr. Cylvick restated that two unrelated people had told him the same thing, “that Paul Suitor was going around telling people that the Board Members are getting some form of kickback, getting some form of payment.”

Mr. Suitor stated that those comments were absolutely untrue. What he has said is that “there is no way to know whether that is true or not”, but he never said they were getting kickbacks. Mr. Anderson asked Mr. Suitor if people were asking him if the Water Board was getting kickbacks. He was curious as to why that would even come up in a conversation. Without saying names, he asked if Mr. Suitor could create a specific conversation of how it came up.

Mr. Suitor replied that it started at an HOA meeting. One of the newer HOA Board members is a part-time resident and has a background in water engineering, and he started asking questions that Mr. Suitor was unable to answer. He informed this Board member that he needed to speak with Brody. Mr. Anderson asked if the Board member specifically asked if the Water Board was getting kickbacks. Mr. Suitor answered no. He stated that it was a long story, but the Board member had asked for specific information. Mr. Suitor remarked that “this Board member was then being stonewalled”, and George Sears said he needed to talk to Brody or Eric. Mr. Suitor stated that he told him the same thing because he was not able to answer his questions. Mr. Suitor remarked that the Board member asked for information, but Brody was busy, and he was not getting the information he wanted. Mr. Suitor knew Brody was installing meters, but he did not understand why Eric or Brody could not provide the requested information. Mr. Suitor stated that the Board member felt that he was getting the runaround and Mr. Sears encouraged him to continue trying.

Mr. Suitor stated that the Water Board was supposed to have the annexation vote, and Mr. Suitor had said he was not comfortable taking a vote on the annexation until the Board member who has

a water background and can be a voice to the rest of the residents after he gets the information he wanted. He wanted this Board member to be comfortable with what was happening, and Mr. Suitor wanted it transparent.

Mr. Suitor stated that in the June meeting, and recorded in the Minutes, that Eric Cylvick had said that the Water Company needed to be open and honest with everyone on the Mountain. He used that comment to encourage this Board member to contact Eric Cylvick and seek out the information. Mr. Suitor remarked that when the Board member was not given the information, he personally sent out an email stating that he had never seen any of the documents himself, and he was only taking the word of Eric Cylvick and Brody. Mr. Suitor remarked that he had been to enough meetings over the years, and he was 100% confident that annexation was the only way to go until this Board member was denied the requested information. Mr. Suitor stated that at that point he started wondering himself why an HOA Board member was not being given the information, even though Mr. Cylvick had said the Water Company would make it available to anyone because they wanted to be transparent. Mr. Suitor pointed out that he had not seen any internal documents to know any better.

Mr. Suitor explained that he made the statement that “there was no way for him to know if maybe there was money being handed under the table. One hand washing the other. You know, well give Eric \$10,000 if he makes the Mountain Regional deal work. There was no way for him to know one way or the other if that was transparent or not”. Mr. Suitor emphasized that was the extent of what he said.

Steve Anderson recalled that Dwaine Anderson attended the last Water Board meeting and offered to help in any way he could because he had a background in engineering. Mr. Suitor stated that the Water Board meeting occurred after everything else had transpired. Mr. Anderson noted that Dwaine Anderson wanted history and information on the water system.

Mr. Cylvick explained that this all transpired because Paul Suitor wanted Dwaine Anderson to get involved. Mr. Cylvick noted that he had said, “he did not know Dwaine Anderson, and the Water Company was not going to hand out information to anyone they do not know. Dwaine Anderson could come to the next Water Board meeting so the Board could meet him and determine whether he is a legitimate engineer. If the Board felt comfortable after meeting him, they were more than willing to provide the requested information”. Mr. Cylvick noted that he is an engineer, Steve Anderson is an engineer, Dave Dillman is an engineer, Bill Loughlin was an engineer, and they all worked on the water system. Until he meets Dwaine Anderson, he has no way of knowing if he is a water engineer. Mr. Cylvick said he wanted Dwaine Anderson to come to a meeting so they could meet him, and he and Steve Anderson could talk to him as engineers and find out who he is. If he is

legit, they would let him see the information.

Mr. Suitor remarked that he was not the one who wanted Mr. Anderson to see the information. Mr. Cylvick remarked that Mr. Suitor had accused the Water Board of taking bribes.

Brody referred to an email from Eric Cylvick dated 7/21/21 inviting Dwaine Anderson to attend the next monthly Water Board meeting on August 12th, 6:30 at the gravel pit, to discuss his request. Brody did not understand why anyone was saying that Mr. Anderson was told no, he could not have the information he wanted. Brody clarified that when Dwaine Anderson first emailed him, he said "no, not at this time" because Brody did not have the time. Brody stated that he took three days out of his schedule to take Dwaine Anderson around the Ranch and show him everything. He remarked that if that starts with every customer who wants to see everything, he could not do it. Brody stated that he told Dwaine Anderson to wait until the middle of September when the meters would be installed and everything would be slowing down, and he would meet with him.

Mr. Suitor stated that the problem is that they were supposed to have a vote on the Assessment contract and spending up to \$350,000 before the middle of September. It came down to the fact that Dwaine Anderson is a member of the HOA Board, and he was asking questions whether it was viable to spend \$350,0000.

Mr. Cylvick asked Mr. Suitor if that was reason enough to accuse the Board of taking bribes.

Brody cautioned Mr. Suitor to be careful of what he says because he was also accusing Summit County of paying a bribe to a water system. Mr. Suitor replied that he never accused anyone. Steve Anderson stated that Paul Suitor made an offhanded comment about why he thought Dwaine Anderson was not being given the requested information. He asked if the HOA needed to approve the Water Board's approval of the annexation. Mr. Suitor answered no. Mr. Cylvick firmly pointed out that the HOA has no say in it.

Mr. Cylvick thought Mr. Suitor should understand the serious situation and why the Board members do not trust him. It was a low blow to the integrity of Mr. Cylvick and he anticipated that Mr. Suitor would do the same thing again. Mr. Cylvick wanted it on the record, and he wanted the shareholders to understand what Mr. Suitor had done. He was willing to leave it at that, but he thought it was important for Mr. Suitor to understand how the Board felt. Mr. Cylvick stated that the Board members and a lot of the shareholders were very disappointed in how Mr. Suitor acted in the situation.

Mr. Suitor clarified that he approached it from the point of view of what he saw when the HOA

Board spent \$20,000 on trying to redo the CC&Rs and the repercussions that came from that. Mr. Cylvick pointed out that the HOA spent \$110,000 on the CC&Rs. Mr. Suitor noted that it was still less than \$350,000. He thought it would be a good idea if all the HOA Board members had their questions resolved before the vote so they could help dissipate any repercussions that would come from spending \$350,000.

Brody pointed out that any of the HOA Board members could come to a Water Board meeting to find out what is going on and to ask their questions. It is on those members if they do not make the effort to attend. Mr. Suitor agreed. He thought it was ridiculous that more people do not come to the Water Board meetings when their lives on the Ranch depend on water. Brody commented on the group of shareholders who did attend the last Water Board meeting and how they all got their questions answered. The Board had nothing to hide, and it was a productive meeting.

Mr. Cylvick was disappointed that after a year of attending Water Board meetings Mr. Suitor did not have the ability to understand the numbers. Mr. Suitor replied that he understood the numbers, but he did not understand why they were not showing the information to another HOA Board member. Mr. Cylvick emphasized that the Board member did receive the information once he came and introduced himself to the Water Board. Mr. Cylvick believed the point was made and ended the discussion.

Mr. Smith added that he personally respects the time and energy Paul Suitor puts into the HOA and the ways he tries to help the Mountain. He thought Mr. Suitor was under pressure to get a decision and to get information to people in the HOA in a certain amount of time. However, his offhanded comment about the Water Board possibly hiding something because they were getting bribes was a “bomb”, and people need to be careful because rumors and gossip spread faster than truth. As a Board, they need to figure out how to get the Mountain educated on what is actually happening with the annexation to get out the facts and the truth. He suggested that maybe Mr. Suitor did not mean for his comment to be a bomb.

Mr. Suitor explained that he only wanted Dwaine Anderson to get his information so he would be on board with this. He was concerned if it got out that an HOA Board member was ignored by the Water Company when he had an engineering background. Mr. Suitor reiterated that his only intent was to get the issues and questions resolved before the Water Company voted to spend \$350,000.

Steve Anderson pointed out that even though they are all in the same community, the HOA Board is a separate organization. Dwaine Anderson is one shareholder who had questions. Mr. Suitor noted that as a Board Member Dwaine Anderson represents another group of owners. Mr. Anderson reiterated that the HOA Board is still totally separate from the Water Company. If

Dwaine Anderson had a question as a shareholder he could come to the Water Board, which he did, and his questions were answered.

Mr. Anderson agreed with Mr. Smith, and he hoped Mr. Sutor had learned from his mistake and misjudgment. However, after a year and a half with the Board, he hoped Mr. Sutor would have enough confidence in the Board members as individuals to know they were not accepting bribes under the table.

Brody read an email that Carol had just sent addressed to Mr. Cylvick. Attached to the email was the last candidate statement bio from 2019. She asked Mr. Cylvick to make any changes and email it back to her because it was due the next day.

The email also stated that Duane Yamashiro was up for re-election and asked if he was interested in running again.

Mr. Yamashiro stated that he has been overly busy at work. If he could be of any help, he was happy to help. However, if the Board replaces him, he would like it to be someone who is very supportive of the direction they were going. The Board has always been very upfront and honest and would never take anything under the table.

John Adams, Vice-President of the HOA, thought the manifestation of ideas that may or may not make sense can easily crop up with this Board or with the HOA Board. He believed part of the disconnect happens because people like Brody are in the trenches every day; while there is back and forth dialogue in the community asking what everyone is doing. Mr. Adams stated that the owners have the same type of questions for the entire HOA Board in general. He posed the question of how to deal with it and how to stop it. The issue is how to get enough relevant information to people so these types of situations do not crop up and spin out of control. Mr. Adams recognized that the Water Board has a lot of important things on their plate that they were trying to get over the finish line, and they need community support to get it done. It is important for everyone to handle everything as smoothly and professionally as possible offering support.

Mr. Cylvick stated that the Water Company has done a herculean amount of work to make sure people have water, and no one understands the amount of work it took to do what they have done to get the water system to this point. After all they have done, it was beyond appalling to be stabbed in the back by an HOA Representative. He told Mr. Sutor that the blatant accusation "drove him crazy". Mr. Cylvick commented on the number of hours he spends every day for the Water Company aside from the monthly meetings. The other Board members are very supportive, but they do not interact on a daily basis. Mr. Cylvick stated that securing \$7 million in loans from

the Federal and State governments to redo an entire system, saving the community \$10 million was herculean. No one has ever hidden the numbers or done anything under the table. Anyone can come to a Water Board meeting, and anyone can ask for anything they want. After everything he has done over 20 years as the President of the Water Company to get the water system to where it is today, Mr. Suitor's comment was very insulting. Mr. Smith also recognized the many years and all the time and effort Brody has put into the water system beyond just doing his job.

Mr. Cylvick noted that the next meeting is the Annual Meeting, and he intends to summarize his comments from the last meeting beginning with the history starting in the late 1960s. He will explain the situation and present the Annexation Administration Agreement, as well as any other available documentation. He noted that there is a tab on the website for the Mountain Regional annexation, and the Administrative Agreement is there for anyone to review. Mr. Cylvick pointed out that no one knows how much the administrative assessment will actually cost in the end.

Mr. Yamashiro thought a good next step for the HOA would be to recognize what damage has been done and to begin repairing it.

Mr. Suitor stated that another reason this came up was because Eric stood up at a CC&R meeting and told everyone there was plenty of water and there was nothing to worry about. The mistrust on the Mountain that was vocalized to him was due to Mr. Cylvick's comment. Mr. Cylvick clarified that his comment was accurate at that time because they were connected to Mountain Regional. He remarked that the HOA was trying to use the Water Company to say there should be a moratorium on building and there should be a limit on house size. The HOA was trying to say it was the Water Company's fault because there was not enough water to build big houses. Mr. Cylvick remarked that once again the Water Company was getting "shafted" by the comments from the HOA. Mr. Suitor stated that last week there was a threat on Facebook about that very scenario and the HOA has taken the position that it is Summit County's problem. It is not the problem of the HOA or the Water Company. Mr. Cylvick recalled that this was not the first time the Water Company has been stabbed in the back by the HOA.

Mr. Cylvick reported that the Board had voted to approve the Annexation Administration Agreement via email, and he would sign the contract.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:39 p.m.

Pine Meadow Water Company
Monthly Board Meeting
September 9, 2021
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Minutes Approved

Date