

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, FEBRUARY 10, 2022

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Shaun Baker, Scott Smith, John Adams – Board Members.

Ex-Officio: Brody Blonquist, Trevor Townsend

Excused: Steve Anderson, George Sears

Guests: Tom LeCheminant, Lot PI-D-29; Gianni and Rocky Donati, Lot FM-D-87B and FM-D-98.

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

Frozen Line – Lot FM-D-98

Rocky Donati stated that their home on Lot FM-D-98 had a frozen pipe, and they were without water. Brody was very helpful and tried to run a hose from a different meter, but it froze instantaneously. Rocky remarked that they purchased 400 gallons of water tanks that are now in their basement with a pump. The plan is to fill those water tanks and pump water through the house as a short-term solution. She was hoping to find a long-term solution.

Mr. Cylvick stated that he and Brody met regarding the situation, and he was familiar with the lot. Mr. Cylvick contacted the attorney and they looked up the history of that line. They believed that the line was installed sometime in the 1970s but there is no record of it being installed. It is unclear who installed it because at that time there was very little regulation. Mr. Cylvick explained that one option discussed is that the Water Company could pay to relocate the meter onto Forgotten Lane. Brody stated that another option is for the Donati's to request and secure an easement onto Artist Point so the water meter could be moved down by Artist Point Road. Without an easement, the only choice is the Forgotten Lane side. Mr. Cylvick clarified that the Donati's would be responsible for the water line from the house to the meter.

Rocky asked if it was possible to get some help because from the beginning they tried to make sure everything was acceptable before they purchased, and they were told it was good. Brody remarked that the Water Company would already be paying \$8,000 to relocate the meter. Eric noted that paying for the relocation was only his suggestion and the Board would still need to vote on it. To his knowledge, there was no other solution. It should be a permanent solution if the line is

buried deeper.

Gianni Donati asked about the timeline. Brody replied that he would not be able to dig until June or July. Relocating the meter should take about a day. Brody clarified that he could not trench up to the house. For insurance purposes, the Water Company is not allowed to go onto the homeowner's side of the meter. The Water Company can only go up to 15' from edge of road to put in the meter. After that, they have no legal easement to go onto private property.

Gianni Donati appreciated that the Water Company was willing to help with the meter. However, he was concerned about running a line all the way up there. It was disappointing because they recently regraded the road and put in road base. He noted that they also dug down 6' to put in the meter. Brody explained that the water line was installed on their side of the meter. The problem is that the meter is in the middle of their driveway that gets shoveled in winter. Mr. Cylvick stated that he needed to walk the property to get a better understanding. Gianni replied that Brody has their phone number and whenever Mr. Cylvick has the time, he will walk him through it.

Brody asked if the Donati's had decided where they were going to haul water from. They answered no. They only got the tanks a few hours earlier. Brody stated that the Water Company will work with the Donati's on adjusting their water bill while they are hauling water.

Mr. Cylvick assured the Donati's that the problem would get resolved and they would end up with a better meter and a better setup. Rocky clarified that they were most concerned with getting a long-term solution.

MOTION: Eric Cylvick made a motion for the Water Company to pay for the relocation of the meter from Artist Point to Forgotten Lane for Lot FM-D-98 when the weather permits. Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

Minutes

January 13, 2020

MOTION: Eric Cylvick moved to Approve the Minutes of January 13, 2022, as written. Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Brody reviewed the unpaid bills. The invoice from Badger Meter was the monthly service on the cellular meters. KGC Associates was Carol's invoice. Rocky Mountain Power was the monthly power bill. Summit County Public Health Department was for testing water samples. Utah Local Government Trust was Workers' Comp. Utah State Division of Finance were the two loan payments. White's Auto Parts was a diesel hose for the Dodge.

MOTION: Eric Cylvick moved to pay the Unpaid Bills dated February 9, 2022. Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the Profit and Loss/Budget versus Actual.

Brody stated that Carol asked him to point out the line item for the Mountain Regional Annexation at the bottom of page 1. Mr. Cylvick asked if anyone had questions regarding the budget for legal fees for the Mountain Regional Annexation in the amount of \$350,000 at the bottom of page 1.

Mr. Cylvick reported that two weeks ago Mountain Regional pulled the plug on the Annexation. He was prepared to discuss the details of his meeting with Mountain Regional later in the meeting. Mr. Cylvick anticipated the \$350,000 line item budgeted for the Annexation would be reduced. He noted that the engineering analysis was approximately \$72,000.

MOTION: Eric Cylvick moved to Approve the Profit and Loss, Budget versus Actual dated February 9, 2022. Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the Balance Sheet.

Brody referred to the plow under the fixed assets and noted that they have not had the plow for several years. He would talk to Carol to see if it still needs to show as an asset or if it could be removed.

MOTION: Eric Cylvick moved to Approve the Balance Sheet and Previous Year Comparison as of February 9, 2022. Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

Correspondence

Brody recommended eliminating the overages on the 2021 bill for Adam Harmon. He explained that the valve on the street had failed. The owner opened up a drain valve in their cabin to drain the cabin; however, the valve on the street side was still allowing water to seep through even though it was off.

Brody stated that the other property owners were asking for a one-time reduction. He had read through all of the correspondence and knew that the leaks were fixed. They all fall under the category of qualifying for a one-time reduction.

MOTION: Eric Cylvick moved to waive all the excess water fees for PI-F-66, Adam Harmon at the base rate of \$1,050.68. Also, to grant a one-time reduction for PI-D-33; FM-C-59, PI-D-37; and PI-F-14. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Mountain Regional

Mr. Cylvick handed out copies of the agenda from the Mountain Regional meeting, as well as a timeline that stretches out the Annexation through the end of 2023. He explained that Scott Morrison was leaving Mountain Regional and the head of operations toured Pine Meadow and decided not to take over the water system at this time because it is “too difficult and too dangerous”. Mountain Regional sent Mr. Cylvick an email stating that the annexation was put on hold, and they would reach out again in a couple of years.

Mr. Cylvick stated that he called Scott Morrison in an effort to find out what happened. They held another meeting later that day and Mr. Cylvick reminded them that originally Pine Meadow only wanted to purchase water from Mountain Regional and remain an independent water company. However, the Board of Mountain Regional would not allow that and required Pine Meadow to annex. They lost Trevor because of it and Brody had basically been working 24 hours a day seven days a week and was ready to take another job. Mr. Cylvick tried to make them understand what backing out now would do to the shareholders and the Pine Meadow community.

Mr. Cylvick reported that on Tuesday, they held another meeting with the Mountain Regional Board at the Kimball Junction Library. The meeting went extremely well, and Mr. Cylvick laid out some terms. If Mountain Regional does not intend to annex, Pine Meadow Water wanted a guaranteed long-term water supply for ten years, and a guaranteed annexation after that time. Mr. Cylvick stated that Mountain Regional agreed to the terms, except they asked for a five-year term. At the beginning of the fourth year, Mountain Regional will make a decision on whether to annex in Pine Meadow and take over the water system or give Pine Meadow a perpetual water supply in perpetuity.

Mr. Cylvick pointed out that with the growth of Pine Meadow, the conversation focused on more roads being plowed, more houses, and more year-round residents, and how access to the lines in five years will be more significant than it is now.

Mr. Cylvick remarked that the Water Company's attorney, Ted Barnes, created the Charter of Mountain Regional, and the Charter is basically to annex in substandard water systems or water systems that do not have enough source. Mountain Regional was formed for that purpose, and it is what they have always done. Mr. Cylvick believed Scott Morrison would have pushed through the annexation, but things have changed with his leaving. It is a County-run organization, and these things move slowly.

Mr. Cylvick emphasized that Pine Meadow will still have water. They will either annex in after five years or Mountain Regional will guarantee water in perpetuity. Mr. Cylvick stated that because Pine Meadow has sufficient storage and supplies water to Stagecoach, allowing Mountain Regional to eliminate a system, Mountain Regional was willing to potentially reduce their wholesale rate for Pine Meadow.

John Adams asked if there would be a usage cap. Mr. Cylvick replied that there will be a usage cap to safeguard against outdoor use of water. Mountain Regional was concerned that people could potentially begin using water outdoors. Mr. Cylvick informed Mountain Regional that if Pine Meadow remains an independent company, they already have rules and regulations in place that prohibit outdoor water use. He explained that Mountain Regional will look at Pine Meadow's usage and give a graduated increase.

Brody recalled that during the meeting the discussion was that Mountain Regional would provide about 62-acre feet of water per year, which equates to 20 million gallons of water per year. Mr. Cylvick clarified that 62-acre feet was only metered water. It did not include leaks. Brody stated that including Stagecoach they were currently at 7.2 million gallons of metered water. Mr. Cylvick

summarized that Mountain Regional will implement a cap that will be a significant number but not include leaks. He remarked that Mountain Regional was not concerned about water usage because Pine Meadow has the lowest water usage of any of their customers.

Mr. Cylvick noted that the engineering analysis would still continue, but Mountain Regional now wants to take a couple of years to complete the analysis instead of completing it by July.

Mr. Cylvick stated that Brody's wife works for Mountain Regional and now has health insurance through Mountain Regional. He and Brody talked about taking the health insurance premium Pine Meadow has been paying for Brody and turning it into salary. It would not change the budget. Mr. Cylvick stated that they would like to offer Trevor his position to come back, and he would be given the same benefit because his wife also has health insurance. In addition, Brody was requesting another company truck to be used by the next employee, or by Trevor if he decides to come back.

Mr. Cylvick noted that the Board previously voted on the on-call pay. It is in line with Mountain Regional's policy. If someone is on call, the cost is approximately \$8,000 per employee or \$16,380 for 2 employees, and that amount would be added to the payroll. Mr. Cylvick stated that Brody also requested an employment contract for he and the second employee, which would include a guaranteed severance package. He spoke with Ted Barnes about it. They can write it into an employment contract, and it could also be pro-rated. If an employee, leaves there would be no severance package. However, if after three years Mountain Regional decides to take over the water company, the contract would be folded into the bond. For example, if Pine Meadow decides not to pay down their debt and not to pay for the deficiencies, Mountain Regional would take over the debt and the cost of the deficiencies, as well as the employment contract.

Mr. Cylvick stated that if Trevor is willing to accept the position based on those terms, they need him to start on March 1st. Mountain Regional will not be voting until mid-March, but he did not believe there was another alternative because Mountain Regional will not annex them in at this time.

Brody thought it was important for the Board to vote this evening on the employee compensation and benefits that Mr. Cylvick outlined so Trevor would feel comfortable coming back to his position.

Mr. Cylvick asked Trevor if he was going to accept the position. Trevor answered yes.

MOTION: Eric Cylvick moved to offer the position to Trevor Townsend and that the Water Company take the monthly health care premium for Brody and Trevor and apply that amount to

their salaries or another option that works best from a financial and tax standpoint. The motion includes keeping the on-call pay that is already in place for approximately \$8,000 per employee per year and to include Trevor in that policy. In addition, the Water Company will develop an employment contract in the near future that will guarantee a severance package for Brody and Trevor after five years.

Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick stated that they first need to do the engineering analysis to figure out any deficiencies. He believed the only deficiencies they would see is that Mountain Regional would want Pine Meadow to add more fire hydrants in specific locations. Once that is done, they could ask the shareholders if they want a special assessment for the outstanding debt so they can annex into Mountain Regional debt free. He pointed out that without a special assessment, Mountain Regional was willing to amortize the debt and the deficiencies over 30 years with low interest. He noted that the cost for water usage will be very low.

Brody stated that water is not supposed to be sold to anyone outside of Weber Basin and the different points of diversion. He noted that Mountain Regional was originally under the assumption that Pine Meadow was not in the same points of diversion. He thought things changed when Mr. Cylvick and Ted Barnes met with Mountain Regional and determined that they were within the same points of diversion. Mr. Cylvick explained that he was able to get Andy Armstrong to sign an MOU stating that Pine Meadow gets 50% of the meter and hookup impact fees if they were to annex. However, the MOU was signed before the rule that water cannot be sold outside of the points of diversion. The MOU was grandfathered in, and they are to date completely operating on that MOU.

Mr. Cylvick clarified that Mountain Regional still has good intentions. The problem is that Scott is the only one from Mountain Regional who was dealing with the annexation and with his leaving the others needed more time. Mr. Cylvick stated that Ted Barnes was on the phone when the terms of the contract were being written, and Mountain Regional specifically said they would offer Pine Meadow water in perpetuity if the annexation does not occur. He expected to receive the draft contract well in advance of the March 17th Mountain Regional Board meeting. Brody had spoken with Scott and Lisa and their goal would be to sign the contract on March 18th. Mr. Cylvick stated that once he and Ted Barnes review the draft and he will email it to the Board members for their review. It needs to be done quickly but he would like feedback and responses from the Board.

Mr. Adams understood that it was disappointing that the annexation was not moving forward, but

he thought Mr. Cylvick had negotiated a very good deal for Pine Meadow. Mr. Cylvick agreed. They have a great water system and good employees, and from the beginning all they wanted was for Mountain Regional to provide water.

Manager's Report

Brody reported that other than the issue with the Donati's, he has been dealing with another frozen line in Forest Meadow that they addressed by using garden hoses the same as they did last year. The owner now has water.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:42 p.m.

Minutes Approved

Date