

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES ANNUAL WATER MEETING

THURSDAY, OCTOBER 13, 2022

PINE MEADOW MUTUAL WATER COMPANY OFFICE

SUMMIT COUNTY, UTAH

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

Ex Officio: Brody Blonquist, Trevor Townsend, Carol Steedman with KGC Associates, Administrative Secretary

Excused Board Members: Steve Anderson, Shaun Baker.

Eric Cylvick opened the Annual Meeting at 6:35 p.m.

Approval of 2021 Annual Meeting Minutes

MOTION: Eric Cylvick moved to approve the 2021 Annual Meeting Minutes dated October 14, 2021, as written. John Adams seconded the motion.

VOTE: The motion passed unanimously.

Approval of Financial Report and 2023 Budget

Mr. Cylvick reported that the Water Company has been out of a construction phase for a while; however, they will be moving back into a construction phase to do a couple of projects. One project is to put in an 800' water line on Forgotten Lane next year. Funds for that project were included in the 2023 Budget. The line will be less than 1,000 feet and will be put in an area where there are currently no cabins. The line needs to go in for people who want to build in that area.

Mr. Cylvick stated that another project is to put in a metered vault between Mountain Regional and the Pine Meadow Mutual water system in A-plat on the emergency exit. He explained that currently Mountain Regional provides Pine Meadow water whenever they need it, and Pine Meadow supplies water to the top 12 lots of Stagecoach through its 500,000-gallon tank. Mountain Regional could not provide adequate fire flow for those cabins, and Pine Meadow Water offered to supply water in exchange for connecting the water systems and having a perpetual source of water. Mr. Cylvick stated that the Mountain Regional meters do not record low volume flows and the larger meters will not

Pine Meadow Mutual Water Company
Annual Water Meeting
October 13, 2022
Page 2

measure 5-gallons or 10-gallons per minute. He pointed out that 10-gallons per minute is a lot of water for Pine Meadow. Mountain Regional and Pine Meadow Water will split the cost of putting in a vault. Half of the total cost is approximately \$90,000. The budget shows half; however, when the Water Company put in the connecting line, they paid 100% of the cost. Mountain Regional agreed to share those costs and Mr. Cylvick believed they should have credit with Mountain Regional for half of what they paid for the line and that would help pay their half of the vault cost.

Mr. Cylvick stated that having the metered vault will enable the Water Company to track the water better and record the water that is not currently being recorded.

The third project is the engineer analysis that should be completed by December and was not part of the 2023 budget. Mr. Cylvick stated that Mountain Regional is analyzing the water system through a private third-party engineering contractor. The contractor took all the drawings and all the system information and did an analysis of the water system looking for deficiencies. Mr. Cylvick noted that six months ago the Water Company negotiated a long-term water agreement with Mountain Regional. Per the agreement, Pine Meadow will have 150 GPM (gallons per minute) guaranteed in perpetuity from Mountain Regional. In five years, the Water Company will either annex into Mountain Regional or continue to operate as a private water company and Mountain Regional will feed Pine Meadow 150 GPM.

Mr. Cylvick stated that the Water Company paid \$25,000 last year as a deposit on the engineering analysis, and the balance of the \$72,000 will be paid next month. The cost should not carry over to the 2023 budget.

Mr. Cylvick noted that \$350,000 was allocated for the 2022 budget because they originally thought the Water Company would be annexed, and they assumed they would need to pay the \$72,000 and possibly pay for improvements on the deficiencies. Mr. Cylvick clarified that they like the idea of running their own water system, but they needed a water source. They continue to operate as they were, and Brody and Trevor know the water system better than anyone. Mountain Regional was working on annexation, but Mr. Cylvick did not believe they could have provided the same customer service that Brody and Trevor provide.

Mr. Cylvick stated that he was in the process of negotiating an amendment to the existing agreement because Mountain Regional never anticipated Pine Meadow Water providing more water than Mountain Regional has provided to the Water Company. Pine Meadow Water has a credit now and eventually Mountain Regional will provide water to even out the balance. Brody estimated that currently the Water Company has a credit of 250,000 gallons of water. Brody noted that the last time they needed to pump water from Mountain Regional to fill their tanks was over the 24th of July weekend.

Mr. Cylvick noted that the telemetry systems for both entities are connected. Mountain Regional can monitor the Water Company tanks and they called them when they detected a massive leak.

Pine Meadow Mutual Water Company
Annual Water Meeting
October 13, 2022
Page 3

Mr. Cylvick stated that the remainder of the budget was like last year. They budgeted \$841,000 for 2022 and collected \$932,000. A lot of the excess came from an annexation, connections, and water hookups. Mr. Cylvick explained that any funds from annexations, connections, and water hookups are not used for annual operations. Money from the assessments pay for operations. Any money collected above and beyond is put in reserve.

Mr. Cylvick referred to three restrictive fund balances on page 3 of the budget. One fund is used to purchase water from Mountain Regional and the Water Board arbitrarily chose to keep \$100,000 in that fund. Another fund is the Legal Reserve Fund, and the Board keeps \$20,000 in that fund in case they are faced with a lawsuit. The third fund is an escrow fund, and the Water company needs to keep \$300,000 in that fund as the required escrow for the loans. Mr. Cylvick pointed out that the Water Company has cash on hand for repairs or emergencies.

John Adams asked about fire hydrants and what they should tell new owners who come in and do not meet the 600' minimum. Brody stated that if an owner is not within 600' of a fire hydrant, they should be responsible for putting fire suppression in their own cabin and a fire suppression tank. Someone asked if an owner could pay to put in another hydrant closer to their property. Brody explained the different variables that could occur and why the Water Company was not willing to allow it. It also opens up expanding the water system from where it was originally designed and changes the engineered model of the water system. Brody clarified that he struggles with the idea of putting in personal fire hydrants because it puts too much of a burden on the water system. Mr. Cylvick pointed out that the rules have changed over time. Originally it was 500' as the crow flies to the corner of the property and the master plan was based on that rule. The current requirement is 600' from the driveway.

Brody stated that the Water Company was looking into the situation, and he thought George Sears made a good point about looking into a variance. He noted that 80% of the fire hydrants are not accessible during the winter. He thought the Water Company would begin to investigate some type of variance. Mr. Cylvick recommended that anyone building should put in internal fire suppression because the rules will change again, and the insurance companies have their own rules. He clarified that the Water Company has not made a definitive decision on fire hydrants, but people need to understand that most of the hydrants are not accessible 6 months out of the year and internal fire suppression is the only chance they have if their house starts on fire.

Mr. Cylvick reviewed the balance sheet. He noted that all the accounts were healthy pending the annexation. There was \$319,000 in the debt reserve account. Mr. Cylvick noted that there was currently \$1,215,000 in available cash.

MOTION: Eric Cylvick moved to approve the Profit and Loss Budget versus Actual Comparison December 2021 to October 12, 2022, and the Summary Balance Sheet as of October 12, 2022. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick stated that every year they annex people into the water system. They are usually people on the periphery who want to join, and they are charged more than \$25,000. The intent is to make sure the new people are not getting a benefit that others have paid for. Each year at the Annual Meeting the shareholders need to vote and approve an increase in the annexation by \$770 for standby. Anyone who wants to annex in next year must pay the annexation fee, plus \$770.00.

Carol explained that all 800 lots pay \$770 per year for standby. Those who have water pay a higher base and some pay for water usage. Charging new shareholders coming into the water system the annexation and the current year \$770 keeps it fair for everyone.

MOTION: Eric Cylvick moved to approve the increase in annexation fee by \$770. Bill Groot seconded the motion.

VOTE: The motion passed unanimously.

Elections

Carol reported that elections end on Friday, October 21st. Scott Smith and Steve Anderson were the only two candidates. Both were incumbents.

Mountain Regional Update

Eric Cylvick and Brody explained why Mountain Regional put the annexation on hold or possibly not at all. Brody stated that when someone from Mountain Regional came up to meet with him, they were terrified of the roads and questioned how Brody and Trevor were able to manage the water system. Mr. Cylvick stated that Scott Morris, who started working with them on the annexation, left Mountain Regional and the new manager preferred to wait rather than pursue the annexation. Currently, there are no issues with the PMWMC water system, there is plenty of water. Mr. Cylvick was able to negotiate a five-year agreement for water supplied from Mountain Regional in perpetuity if the annexation never occurred.

The Annual meeting of the Pine Meadow Mutual Water Company adjourned at 7:30 p.m.

Minutes Approved

Date

Pine Meadow Mutual Water Company
Annual Water Meeting
October 13, 2022
Page 5