

PINE MEADOW MUTUAL WATER COMPANY
BOARD OF TRUSTEES MEETING
SUMMIT COUNTY UTAH
THURSDAY, December 12, 2024

Board Members in Attendance: Eric Cylvick, Steve Anderson, Shaun Baker.

Excused: George Sears and Scott Smith

Ex-Officio: Trevor Townsend

Mr. Cylvick called the meeting of the Pine Meadow Mutual Water Company to order at 6:40 P.M.

Minutes

MOTION: Eric Cylvick moved to approve the regular Minutes of November 14th, 2024, as written.

Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Trevor Townend reviewed outstanding usual and customary invoices, including:

- **Badger Meter:** (monthly fee for the meters)
- **Per Diems:** (for Board member attendance)
- **Delco Western:** (Replacements for automated valves, solenoids, and rebuild kits for Bobcat Springs)
- **Hydro Specialty Company:** (currently holds credit because of returned items)
- **KGC Associates, Inc.:** (Carol's monthly invoice)
- **Pine Meadow Mutual Water Co:** (two transfers, one to the capital account, one to the water purchase account)
- **Rocky Mountain Power:** (office, pump houses, wells)
- **Summit County Health:** (two monthly water sample tests)
- **Utah State Division of Finance:** (two DDW loan payments)
- **Water Conservancy District:** (annual water share invoice for \$57,597)

MOTION: Eric Cylvick moved to approve to pay these bills as presented.

Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

Financial Overview

Mr. Cylvick and Mr. Anderson discussed the company's financial standing, noting a significant improvement compared to the prior year. Mr. Anderson highlighted that the organization had approximately **\$4.1 million** in debt but also a substantial "slush fund" from retained earnings and financial management. Mr. Anderson expressed satisfaction with the financial prudence shown, emphasizing the importance of paying bills promptly to maintain credibility and operational continuity.

Accumulated Depreciation

Mr. Anderson and Mr. Cylvick noted the process of annual updates to depreciation schedules, which occurred at the fiscal year's end (December 31). Trevor Townsend explained that the accumulated depreciation reflected the lifespan and usage of equipment and was adjusted annually to reflect wear and tear, reducing the book value of these assets.

Trevor clarified that some equipment might no longer qualify for further depreciation due to reaching the end of its useful accounting life. Mr. Anderson recalled adjustments made in previous years and supported this method, understanding that it impacted financial reporting without affecting cash flow.

Mr. Anderson also speculated on the potential resale value of depreciated assets, suggesting they could receive a reasonable amount if sold, particularly those still operational or minimally used.

Mr. Cylvick questioned the broader significance of depreciation, noting its relevance primarily for the for-profit entities rather than nonprofits or utility organizations like theirs. He stressed that while the numbers appeared in reports, they did not directly impact daily operations or cash flow. Mr. Anderson agreed, suggesting the data was essential for valuing equipment rather than strategic decisions.

MOTION: Eric Cylvick motioned to approve the **balance sheet with the previous year's comparison** as of December 12, 2024.

Steve Anderson seconded the motion

VOTE: The motion passed unanimously.

Mr. Anderson initiated a discussion about recently sent bills, confirming with Mr. Cylvick that these had been distributed to all customers. Mr. Cylvick agreed, acknowledging the 2025 invoicing process was completed and reflected in the current financial statements.

Mr. Anderson noted a **\$70,000** figure in the 2024 presented data, questioning its significance. After a brief exchange, he highlighted the **\$80,000 excess** revenue generated from additional water usage, which was an encouraging excess for the year. This surplus indicated better-than-expected efficiency and financial control, particularly in comparison to budget projections for water consumption and related charges.

Mr. Cylvick estimated that by the end of 2024, revenue and water costs should align favorably, providing the board with a clearer view of their financial standing for the coming year. Mr. Anderson noted that billing adjustments and water assessments had contributed to a solid cash flow position.

Trevor Townsend provided detailed figures, explaining that **\$515,840** was posted in the budget for December, aligning closely with revenue goals. However, they exceeded projections by **\$21,500**, a positive variance attributed to operational efficiency and higher collections.

Mr. Anderson and Trevor discussed the total water usage purchased from Mount Regional Water, revealing it was reduced to **75,000 gallons for the year**—a significant reduction compared to prior years. This efficiency reduced costs, benefiting the company's financial outlook. Mr. Cylvick commented on this as an operational success, acknowledging the reduced reliance on external water sources.

Mr. Cylvick elaborated on improved collections, noting that **\$133,000** had been generated through assessments and collections for overdue accounts. This figure was nearly double the anticipated revenue for the year and included:

- **\$30,511** from finance charges.
- **\$131,000** from water meter installation assessments.

Mr. Anderson commended the collection efforts, recognizing their role in stabilizing the budget and addressing prior revenue gaps.

The conversation briefly turned to legal fees, where Mr. Cylvick noted they were under budget, reflecting controlled spending in this area. Mr. Cylvick mentioned pending annexation matters and property disputes, including ongoing discussions with Joseph Pentz regarding property near a water tank.

Mr. Cylvick summarized his conversation with Mr. Pentz, explaining that he purchased the property at a tax sale for \$2,400 without warranties, effectively limiting Pentz's ability to contest the water tank's location. The board agreed that while legal rights to the property were defensible, they might pursue formal documentation or easements to secure their interests.

MOTION: Eric Cylvick reviewed the **Profit & Loss Budget vs. Actual** report dated December 12, 2024. After a brief discussion, he motioned for its approval.

Shaun Baker seconded the motion.

VOTE: The motion passed **unanimously**.

Manager's Report

Trevor Townsend provided updates on operational issues:

- Repairs completed for a few fire hydrants damaged by vehicles, including replacements and valve rebuilds.
- Addressed leaks at Bobcat Springs caused by diaphragm and bushing failures, with water loss estimated at 3-5 gallons per minute.
- Repaired issues with pressure reducing valves (PRVs) and other pipeline sections.

Trevor Townsend raised the possibility of acquiring a dump bed or dump trailer for their Dodge truck to facilitate regular truck usage and material hauling. The board agreed to explore options based on cost and functionality.

Detailed Financial Strategy Discussion

Mr. Cylvick detailed the financial implications of reducing the company's liabilities, emphasizing the significant expense tied to water shares and loans. He pointed out that the annual outlay of **\$370,000** was divided between paying off loans and maintaining water shares, which were required as collateral for the company's debts. Mr. Cylvick stressed the difficulty of reducing water share commitments since they were legally tied to the company's obligations and buildout requirements.

Trevor Townsend clarified that the water shares were largely theoretical, tied to watershed planning, and not immediately usable resources. Mr. Anderson expressed frustration over the cost, noting that the **\$57,000-\$58,000** annual payment for water shares went towards assets that had limited utility unless tied to infrastructure buildout or loan mandates.

The board discussed the distribution and valuation of water shares. Each share was linked to an acre-foot of water, and Mr. Cylvick highlighted that they currently hold **248 shares**. He elaborated that the number of water shares and their distribution were based on projected buildout needs. However, these shares were financially draining, costing the company annually while contributing little to operational capacity.

The discussion revealed that while the water shares contributed to the company's preparedness for future development, they also represented an ongoing financial burden without direct returns. Trevor noted that each meter in the system corresponded to a water share, with the company currently managing **510 meters**.

Mr. Cylvick and Trevor explained that the company required water shares to satisfy annexation requirements and shareholder obligations. Mr. Cylvick further clarified that each shareholder's ownership of a water share was contingent upon property development and annexation. This arrangement ensured readiness for future expansion but came at a significant ongoing cost.

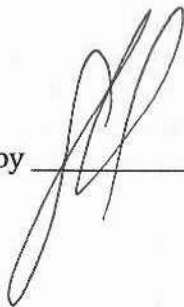
Mr. Anderson referenced the projected buildout water usage, estimating a daily need of **200 gallons per household**. At full buildout, the system would require approximately **58 million gallons annually**.

Historical Water System Challenges

The board reminisced about past challenges, including poor water quality and system inefficiencies. Improvements in infrastructure to date were acknowledged as significant development for the water company.

Mr. Cylvick adjourned the Pine Meadow Mutual Water Company meeting at 7:26 PM.

Approved by



Date

1/9/25