

PINE MEADOW MUTUAL WATER COMPANY  
BOARD OF TRUSTEES ANNUAL MEETING

THURSDAY, OCTOBER 3, 2024

SUMMIT COUNTY, UTAH

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

Ex-Officio: Brody Blonquist, Trevor Townsend, Carol Steedman, KGC Associates, Inc

Eric Cylvick called the Annual Water Company Board of Trustees meeting to order at 6:32 P.M., noting the attendees: Eric Cylvick, President; Steve Anderson, Shaun Baker, and George Sears as the appointed PMRHOA Representative.

Scott Smith, Treasurer, was excused.

Ex Officio: Brody Blonquist, Trevor Townsend,

Carol Steedman with KGC Associates, Inc. and four guests were also present.

**Approval of Previous Annual Meeting Minutes**

Eric asked if there were any issues or changes to the minutes from the last annual meeting dated Thursday, October 12, 2023. There were no objections.

MOTION: Eric Cylvick moved to approve the Minutes of October 12, 2023, as written.  
George Sears seconded the motion.

VOTE: The motion passed unanimously.

**Profit and Loss Review & 2025 Budget**

Mr. Cylvick led a discussion on the budget versus actuals for the current fiscal year, highlighting various columns representing budgeted and actual numbers up to September 30, 2024. He mentioned that the Revenue collected was at 109.8%, with total collections of \$923,326, while the budget was set at \$841,015. A 2025 budget was also reviewed.

Mr. Anderson raised a question regarding water meter income. Carol Steedman clarified that the income reflected water usage from September 2023 to September 2024. Carol explained the billing cycle, which is based on fiscal year data from September to September.

Carol discussed the alignment between fiscal year data and cash collections, explaining that although the profit and loss statements are annual, the water usage follows the fiscal year cycle.

Mr. Cylvick asked about an increase in licensing expenses. Brody explained that the increase was due to the addition of the Ziptility app, which aids in water system management and customer service. The app allows field staff to locate meters more efficiently, upload photos, and create tasks in real-time.

### **Telemetry System Upgrade**

Brody informed the board that \$70,000 had been allocated to upgrade the telemetry system, which is nearly 20 years old. The upgrade would convert the system to internet-based technology for better control and security, allowing updates and remote monitoring of water tank levels.

MOTION: Steve Anderson made a motion to approve the Profit and Loss statement.

Eric Cylvick seconded the motion.

Vote: The motion passed unanimously.

MOTION: Eric Cylvick made a motion to approve the 2025 Budget as presented.

Shaun Baker seconded the motion.

Vote: The motion passed unanimously.

### **CD Investments and Debt Reserve**

Mr. Cylvick mentioned that the board had moved funds into CDs earning 5.2% interest. He detailed the debt reserve required by the Division of Drinking Water, explaining that \$320,000 had been set aside in an escrow account in case of loan default. Carol confirmed that these CDs had already yielded significant interest gains.

### **Mountain Regional Water Agreement**

Mr. Cylvick discussed the long-term water agreement with Mountain Regional, explaining the symbiotic relationship between the water company and Mountain Regional, which provides a backup water supply during shortages. The agreement also benefits Mountain Regional by allowing the use of the water company's tanks for emergency fire flow.

### **Loan Overview**

Mr. Cylvick stated that the company still owes \$4,138,000 on two Division of Drinking Water of Utah loans. The company is paying \$26,000 a month at 3% interest.

### **Capital and Emergency Funds**

Carol highlighted the various accounts, including the capital facilities account, which has accumulated \$418,000 by adding \$2000 plus the \$1856 a month that was previously paid into the required debt reserve escrow account. Additional funds that are held in high-yield CDs are kept in reserve for emergencies or for purchasing water from Mountain Regional in case of supply issues.

Mr. Anderson inquired about restricted funds, specifically regarding the Division of Drinking Water (DDW) reserves. Carol confirmed that certain funds are restricted for specific uses, like purchasing emergency water from Mountain Regional or significant infrastructure repairs, and these funds cannot be used for general operating expenses.

MOTION: Eric Cylvick made a motion to approve the balance sheet as of September 30, 2024. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

### **Long-Term Water Agreement with Mountain Regional**

Mr. Cylvick explained that the water company has a long-term agreement with Mountain Regional to provide water in case the water system fails or runs out of water. Funds have been allocated to purchase water from Mountain Regional when necessary. Eric highlighted the structure of the fees, noting that shareholders using more than 20,000 gallons of water are charged significantly higher rates, from three to five times what the company pays Mountain Regional for water. This is a strategy to encourage water conservation and manage costs for high-volume users.

### **Water Line and Emergency Situation**

Larry Wood, Lot PI-28, asked about the water line running through Stagecoach. Mr. Cylvick confirmed that the water is supplied through the line near Larry's property. He recalled an incident a few years ago when a 12-inch line broke, causing the loss of 500,000 gallons from a nearby tank in a short amount of time. Mountain Regional was monitoring the system remotely and alerted Brody and Trevor when they noticed the tanks were empty. Before refilling the tanks, they had to locate and fix the leak to avoid wasting more water.

Mr. Cylvick noted the benefit of having a near-endless supply of water through the Mountain Regional system, likening it to having a well that can pump 1,000 gallons per minute. Mountain Regional pumps water in an emergency into the community tank, ensuring a reliable backup for emergencies.

### **Loan Details and Financial Strategy**

Mr. Anderson inquired about the interest on the loan, which Eric confirmed was 3% on a 30-

year note. Carol elaborated, stating the original loan amount was \$6.7 million for the water system, and the company has since paid it down to \$4.1 million. They are making monthly payments of approximately \$26,000.

Mr. Cylvick pointed out that, instead of paying down the loan faster, the company could invest its reserve funds in CDs that yield higher interest rates, up to 5.2%, which is better than paying off the loan early.

Mr. Cylvick discussed the rising costs of materials and services, noting that the price of many necessary resources has tripled in recent years. He gave an example of a 500,000-gallon tank that was built for \$500,000 several years ago. If they were to build the same tank today, it would cost approximately \$1.5 to \$1.8 million. He stressed the importance of having a substantial reserve fund to prepare for any large, unexpected expenses, such as major repairs or system upgrades, emphasizing that the board is mindful of potential large-scale issues.

MOTION: Eric Cylvick made a motion to approve the balance sheet has September 30th, 2024 as presented.

Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

### **Management Report and Mountain Regional Water System Overview**

Mr. Anderson asked for an overview of the water company's accomplishments, focusing on Mountain View Engineering's involvement. Brody provided the management report, detailing the year's progress. He noted that they had completed maintenance on the telemetry system, which tracks water levels and system performance, and had plans to fully upgrade it next year. Brody emphasized that 2024 had been a smooth year for the water company, with no major disruptions, and he expressed hope for continued success.

He also discussed the completion of an engineering evaluation of the water system, conducted by an independent firm. This evaluation confirmed that the system is in excellent condition, which was a major accomplishment. The favorable report ensured that the system could handle current and future needs without significant upgrades. Brody clarified that the evaluation had been done by Bowen Collins & Associates, an independent company that specializes in water systems.

### **Long-Term Agreement with Mountain Regional**

Mr. Cylvick provided further context regarding the relationship with Mountain Regional Water. He explained that the water company had connected to Mountain Regional's infrastructure through a pipeline near Larry Wood's property to ensure an adequate water supply for the community, especially for emergencies or high-demand situations.

Initially, Mountain Regional was hesitant to guarantee water to the water company because the company wasn't one of its typical customers. However, they reached a mutually beneficial agreement, where the water company would help provide fire flow for around 12 lots at the top of Stagecoach in exchange for access to Mountain Regional's water at a discounted wholesale rate. This agreement allowed the water company to meet fire flow requirements and secure a reliable backup water source.

### **Annexation and Negotiations with Mountain Regional**

Mr. Cylvick recounted the challenges in securing this long-term water agreement. At one point, Mountain Regional and the county considered annexing the water company into Mountain Regional's system. This would have made the water company a formal customer of Mountain Regional, but it required a costly annexation process which left some of the water company's employees uncertain about their future. As part of this effort, the water company had to commission a \$75,000 engineering study to evaluate its system.

The results of the study were overwhelmingly positive, showing that the water system was in excellent shape and did not require the multimillion-dollar upgrades that some other communities had needed. Mountain Regional's management eventually decided against annexation. Negotiations continued, and the water company was able to secure a long-term water supply agreement without the need for annexation.

Mr. Cylvick explained that Mountain Regional agreed to provide a long-term water supply at a discounted wholesale rate, lower than even the typical wholesale cost, because of the water company's contribution to the twelve Stagecoach residents. Mountain Regional will decide in a few years whether to continue this arrangement or push for annexation again.

Mr. Cylvick believed that Mountain Regional would prefer not to annex the water company due to concerns about managing a system at 8,500 feet, with difficult terrain and harsh winter conditions. The water company's employees, Brody and Trevor have maintained water service effectively, even during severe winters with heavy snowfall, earning praise for their ability to keep water flowing.

The long-term agreement allows the water company to draw up to 13 to 15 million gallons of water per year from Mountain Regional, which will be sufficient to meet the needs of the community even at full build-out. Mr. Cylvick noted that the water company's original lot count was around 820, but with lot consolidations, this number had decreased slightly.

The board's current goal is to reinvest in the water system, upgrading aging infrastructure—some of which is 20 to 25 years old—before it fails. Mr. Cylvick emphasized the importance of staying ahead of potential issues, using new technology and proactive maintenance to ensure that the water system remains robust. For example, the telemetry system allows them to monitor and control the water system remotely using cell phones and laptops, which is crucial for efficient management with just Brody and Trevor.

### **Fire Flow and Water Pressure Concerns**

Larry Wood, Lot PI-28, raised a concern about water pressure for fire emergencies. Brody responded by confirming that the engineering evaluation included a thorough analysis of fire flow throughout the system, and the water company meets state requirements for fire flow capacity. He also explained that Mountain Regional has automatic fill protocols in place. When the water levels in the main tank drop to 15 feet, Mountain Regional automatically starts pumping water to refill the tank.

Brody emphasized that there is close coordination between Mountain Regional and the water company. If water levels drop suddenly, indicating a possible leak or fire, Mountain Regional contacts him, who then assesses whether it's a fire situation or a leak. If it's a fire, Mountain Regional will continue supplying water to maintain pressure.

Mr. Cylvick added that this system helps prevent unnecessary water loss in case of a leak, avoiding the need to flood the streets with water while they search for the issue. If there's a fire, Mountain Regional will continue pumping water as needed to support the fire response. However, if it's a leak, Brody and Trevor will hold off on refilling the tanks until the problem is fixed, as was the case when a fire hydrant blew off and caused a flood that damaged a property.

Mr. Anderson added that the engineering evaluation also measured the fire flow of each hydrant, and while most hydrants met the required standards, a few fell just below state-required flow rates. Even those that didn't meet the full requirements were close and still had sufficient capacity to handle fires. He emphasized that the theoretical flow rates are based on computer models, and real-world usage may prove the system's capacity to be even better.

### **Proposal to Align Collection Process with Fiscal Year**

Carol presented a proposal to align the collection process with the fiscal year, October to September, including issuing monthly statements and quarterly mailed statements, and shut-off notices for accounts delinquent by more than one year. Water meter shut-offs will take place within 72 hours if payments or arrangements are not made during the 3rd quarter, allowing Brody and Trevor to take advantage of better weather conditions for locating and shutting off the meters.

Mr. Cylvick read the proposal:

1. **“Delinquent Account Review:** Accounts after 30 days with unpaid assessments, will begin to receive statements, finance charges, and late fees and will be reviewed 30-60 days prior to the fiscal year-end on 9/30.
2. **Issuance of Water Meter Shutoff Notices:** For shareholders with delinquent assessments exceeding one year, a **Water Meter Shutoff Notice** will be issued immediately after the fiscal year-end review. The notice will detail the outstanding balance and the steps necessary to avoid service disruption.
3. **Shutoff Timing:** If payment or arrangements are not made within **72 hours (3 days)** of issuing the notice, the water meter will be shut off.
4. **Reconnection of Service:** Reconnection of water service shall only occur once the outstanding assessment, associated collection costs, late fees, and any shutoff/reconnection fees have been paid in full.

**Further Legal Action:** After 1 year or more of unpaid assessments and related charges, the PMMWC may also file a **Notice of Unpaid Assessment** with Summit County, which will be available during any title search performed. Ref: (R & R 3.3.5.1, Bylaws Sec 7.7, Minutes April 14, 2005, Modified October 3, 2024.)”

MOTION: Eric Cylvick made a motion to approve the updated collection process after a brief discussion about statement distribution.

Steve Anderson seconded the motion.

Vote: The motion passed unanimously,

### **Annexation Fee Increase**

Carol proposed increasing the annexation fee per the Bylaws for new members joining the water system to \$24,208. This fee is calculated by adding one annual Standby Assessment currently of \$770 each year.

MOTION: Eric Cylvick made a motion to approve the new annexation fee by adding the current Stand-by assessment of \$770.

George Sears seconded the motion.

VOTE: The motion passed unanimously.

MOTION: Eric Cylvick made a motion to update and approve the 2025 assessment schedule to reflect the new annexation fee increased by the current Stand-by assessment of \$770.

George Sears seconded the motion.

VOTE: The motion passed unanimously.

### **Larry Wood Lot PI-28**

Larry Wood, a shareholder, raised concerns about his driveway being used as a turnaround point and the water runoff causing damage. Brody explained the situation, noting that drainage issues and road changes were impacting Larry's property. Brody and Trevor agreed to assess the situation and involve Jody Robinson, Ranch Manager of the Pine Meadow Ranch Home Owners Association for further action.

### **No Rate Increases**

Mr. Cylvick reflected on the company's financial strategy, noting that it had been five years since the last rate increase. He mentioned that they likely wouldn't need to raise rates again for another few years. The board prefers to make larger, less frequent adjustments rather than small, incremental increases every two to three years. This approach avoids the need for continuous rate hikes and allows the water company to plan more effectively for the long term.

Mr. Cylvick thanked everyone for coming to the meeting. The Annual meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:43 PM.

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Minutes Approved

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Date