

PINE MEADOW MUTUAL WATER COMPANY
BOARD OF TRUSTEES MEETING

THURSDAY, OCTOBER 9, 2008

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Anderson, Cal Cragun, Bill George, Dan Heath - Board Members.

Ex Officio: Brody Blonquist, Trevor Townsend

Eric Cylvick was excused.

Guest: Joe Rush, Lot, PI-D-5

Eric Anderson called the meeting to order at 6:37 p.m.

Minutes

MOTION: Cal Cragun moved to APPROVE the minutes of September 25, 2008 as written. Dan Heath seconded the motion.

VOTE: The motion passed unanimously.

Public Comment

Joe Rush stated that he was before the Board for the fifth time hoping to resolve his billing matter. He first met with the Board in March 2003 and made an attempt to mail a check sometime between 2003 and 2006. He attended two meetings in 2006 and brought a check to both meetings to pay his water bill for all his lots in full. At that time a vote was taken on whether or not to accept his check. The Board members voted to accept his check with the exception of Dan Heath. Mr. Heath had recommended that the Board ask their attorney to review the situation and then get back with Mr. Rush. That was in March 2006 and since then he claims to have made over 20 phone calls to all the board members to figure out what was happening.

Mr. Rush stated that he was in attendance this evening because it was the first time he could coordinate his schedule with an actual meeting that was not canceled. He has unsuccessfully attempted to attend a Board meeting over the past six to nine months. He found out yesterday that he could not refinance his house to pay for necessary surgery for his daughter because the Water Company has a lien on his property. He contacted an attorney who told him to get names and numbers of neighbors and others and to prepare for a possible lawsuit. Mr. Rush stated that he preferred to resolve the matter without a lawsuit. He had available papers that were prepared by his attorney's legal

assistant, as well as a check that covered all his lots. This was the same check he had brought to a previous meeting that the Board had voted to accept. The check showed each lot number and the amount owed on each lot. He pointed out a typographical error and noted that the check was written for more than what was actually owed.

He had called and asked that his meter be re-read on his personal cabin, but he never heard back from anyone. Mr. Rush stated that every single digit on the water meter was on the water billing, except the first digit, which was a one. After he requested that his meter be re-read, his water meter was taken and he assumed the Water Company had removed it for non-payment. He later found out that this was not the case.

Mr. Rush again presented his check and expressed an interest in resolving the matter. He did not know what else to say or do but it has gone on way too long. He pointed out that the check was for the amount due on each meter and for standby fees, but it did not include late fees and penalty and interest.

Eric Anderson stated that the Board could not accept a check that was two years old. He was unsure of the total current balance but he thought they could take the check as payment on Mr. Rush's accounts. Mr. Anderson pointed out that the Board had to cancel three meetings this summer but they were very willing to talk to Mr. Rush about this matter. He apologized if there was a problem when he asked to have his meter re-read. As a Board, they are responsible for looking at issues and instances where there was a mis-read meter or a valid reason why the bill was not paid. The Board understands that people get in a bind and things happen and they are always willing to listen to what the property owners have to say.

Mr. Anderson stated that the Board would like to see the total that is currently owed. He asked if Mr. Rush had paid his yearly dues up to this point. He recalled being at some of the meetings Mr. Rush had attended and he understood that the Board wanted to look into his request for a meter re-read and to evaluate the amount of water that was used.

Mr. Rush stated that he needed to have the matter resolved by 9:00 a.m. on Tuesday of the following week. Mr. Blonquist asked if Mr. Rush knew the total amount currently owed. Mr. Rush did not have that information with him.

Mr. Rush pointed out that the secretary at the time had made an error when the meters were read. For four or five years it said zero gallons used, and then all of a sudden it said 30, 40 or 50 thousand gallons on it. Mr. Heath asked if Mr. Rush was talking about the vacant lot. He answered yes. He clarified that he had used 4 to 6 thousand gallons and the zero gallons used shown on the billing was incorrect.

Bill George asked for Mr. Rush's lot number. He replied that it was D-5. Mr. Rush stated that the attorney's assistant went through every bill from the first year and came up with the amount on the check. That was why it excluded the late fees and penalties and interest.

Mr. Anderson clarified that Mr. Rush was asking that the regular water consumption be considered for Lot D-5. Mr. Rush stated that he reads his meter every Halloween and logs it in the computer. He has been doing that since day one. Dan Heath asked if Brody Blonquist had the billings on computer. Mr. Blonquist stated that Carol keeps the billings on computer. Mr. Heath asked Mr. Rush if he was only disputing the billing for his house and the property across the road. Joe stated that he was advised not to pay D-3, D-4, D-5, D-24 and D25. Mr. Heath understood that he owned a number of lots and a meter was missing from one. Mr. Blonquist stated that the meter was missing from lot D-5, which is the house. D-3, D4, and D-25 are all standby. D-5 and D-24 are the only properties that have meters. D-24 is the vacant lot across the street.

Mr. Anderson asked if any of the lots were paid up-to-date. Mr. Rush answered no. Mr. Anderson stated that the Board would at least want the minimum paid, which is the standby fee on the lots that do not have meters and the yearly meter charge on the other two lots. Mr. Anderson understood that the amount Mr. Rush wanted to pay were the charges up to 2006. Mr. Rush stated that it was up to the last billing of 2008. He noted that because of a misprint the dates were wrong.

Mr. Anderson stated that the Board needs to find out the amount of the regular payments that are due. If Mr. Rush has a dispute with an excess water use charge, the Board can look into that relatively quickly. Mr. Anderson proposed that the Board look at all the lots get a complete total due. He felt they could find a way to work through the problem if Mr. Rush was willing to pay his bill in full. It would be up to the Board to determine the exact total and decide if it should include late fees and interest. Per the by-laws of the Ranch, these charges are included. Mr. Rush stated that Eric Cylvick had told him that no penalties or interest would be charged until they figured this out. It was the secretary who had put in those charges. Mr. Rush noted that Eric Cylvick had said this during the March 2006 meeting. Mr. Anderson stated that the Board would honor what Mr. Cylvick said. He was confident that the matter could be resolved prior to Tuesday. It was not out of character for the Board to do things for property owners in the Ranch under special circumstances. Mr. Anderson stated that he would look through the minutes of past meetings and talk to Eric Cylvick to find a solution for determining a final total.

Mr. Rush preferred to work it out with the Board instead of having both parties pay for attorneys. He knows most of them personally and wanted to avoid that type of action.

Mr. Rush commented on the amount of vandalism done to his house. Mr. Cragun asked if that was the one with the lake. Mr. Rush answered yes. Someone took his water meter, poisoned his pond and killed all his fish. Someone riddled his house with paint balls and he had two trailers stolen. He wanted the Board to know this so they understood that he no longer believes they took his water meter.

Mr. Blonquist remarked that the decision the Board needs to make this evening is whether or not to accept full payment, with the exception of late fees, interest and penalties, and the one overage. Mr. Anderson explained that the Water Company can grant a

one-time payment reduction for excess water usage. He stated that they would look back at the meter reads and asked if Mr. Rush could prove that he was living in the house when he had those zero meter reads. Mr. Rush believed it was 2000, 2001, 2002 and 2003 that all the billings said zero gallons used. When responsible parties took over, they read the meters and gave the secretary accurate numbers. All of a sudden, his meter matched exactly what Brody had read and what the secretary had accounted.

Mr. Blonquist stated that Mr. Rush's total bill up to September 27, 2007 was \$6,595.16 for Lot D-5. The bill for that same period was \$1,404.18 for Lot D-4 and \$923.43 for Lot D-3. The three together totaled \$8,922.76. Mr. Anderson clarified that the total included interest, finance charges and late fees. Mr. Rush pointed out that the check he had submitted in the amount of \$5,138 paid the balance on these three lots, as well as Lots D-24 and D-25. Mr. Blonquist noted that the difference was \$3,784.76.

Mr. Anderson stated that before making a decision, he wanted to have Carol confirm the total and Eric Cylvick confirm that he did tell Mr. Rush that he would not be charged interest and late fees. Mr. Blonquist felt the Board needed to resolve this problem quickly so Mr. Rush could move forward and obtain the financing he needed for his child's surgery. Mr. Anderson remarked that each lot needs to be handled individually and they need separate totals from Carol. He was not interested in setting precedent, but he believed there have been situations in the past where the Board voted to waive finance charges and late fees. If the other Board members agreed, Mr. Anderson was willing to waive all interest and late fees if Mr. Rush would pay in full all the dues owed for each lot, whether it be a standby fee or active meter fee.

Mr. Cragun calculated the amounts and stated that the correct amount of everything owed on five lots was \$12,417. He assumed that the initial difference between \$5138 and \$12,417.06 was penalties and interest. Mr. Rush noted that the overage on Lot D-5 was nearly \$4,700. He believed it was a mis-read meter because it was exactly 100,000 gallons over. Mr. Anderson reiterated his request that Mr. Rush submit utility bills or something else to prove that he was living there. Mr. Rush stated that everyone knows he lived there full time until the last two years. Mr. Anderson understood that if the case can be made that no one read that meter and it was zero for three years, that Mr. Rush was asking the Board to spread that 100,000 gallon reading over those three years. Mr. Rush replied that the 100,000 gallons never went through the meter and that amount was never used. Mr. Blonquist questioned that Mr. Rush lived there for three years and never had a reading on his meter. Mr. Rush clarified that it was the lot across the street. The overage that he was accessed was for 2004 and 2005 for the lot across the street. Mr. Rush stated that the house meter used 10,128 gallons but the bill showed 110,128 gallons used. He believed an extra digit was added in error. Mr. Anderson clarified that Mr. Rush believed his meter was read incorrectly and when Mr. Blonquist went to re-read the meter, it was gone.

Bill George wondered if it would be appropriate for the Board to accept the check Mr. Rush had this evening as payment towards his bill, with everything else put in abeyance

for decisions between the Board and Mr. Rush at a later date. This would allow him to obtain the refinancing he needed for his daughter's surgery.

Mr. Anderson asked if the meter was read in 2004 before it disappeared. Mr. Blonquist stated that the meter reading for Lot D-5 was 39,540 in 2004. The meter reading in 2003 was 20,930. In 2005 the meter reading was 53,780. In 2006 it was 155,160. Mr. Rush stated that going all the way back to 1992, they would see that he has never used more than 12,000 gallons. Mr. Anderson was confused as to the discrepancies.

Mr. Rush remarked that the missing meter was not replaced until 2007. Mr. Blonquist reported that there was not a meter on Lot D-5 in 2007. Mr. Anderson clarified that a new meter was installed in 2007, at which time Mr. Rush asked Mr. Blonquist to re-read the meter. Mr. Blonquist explained that the meter was read in Fall 2006 and then it disappeared. There was no meter on Lot D-5 when he read the meters in the Fall of 2007. Mr. Anderson understood that the bill for 2007 showed the meter reading from October of the previous year. Mr. Anderson clarified that in October 2006 Joe made a request to re-read his meter based on a possible mis-read, but there was no meter. Mr. Blonquist stated that he read the meter on October 12, 2006. Mr. Rush would not have received his bill until January 2007. When Carol had called him for a re-read, he was not able to do the re-read until May of 2007, and that was when he discovered the meter was gone. Mr. Rush clarified that he moved off the mountain full time the middle of 2006 because of his daughter. He still lives there part-time. Mr. Anderson clarified that the bill Mr. Rush received in 2006 was for the meter reading that was done in October 2005. Mr. Blonquist acknowledged that he may have mis-read the meter because no one is perfect. The problem was that when he went to re-read the meter it was gone and he could not get another reading.

Mr. Rush questioned how that much water could have gone through the meter because there was not a leak in the cabin and they did not live there the whole year. He believed very little water was used from 2005 until now. Mr. Rush offered to email the Board the meter reads he has personally recorded since the beginning of his time at Pine Meadow. Carol or Mr. Blonquist could then concur or disagree with those numbers. He noted that his numbers are all within a 100 gallons of the Water Company's meter readings. The difference could be a matter of two weeks usage because he reads his meter every Halloween.

Mr. Anderson proposed that the Board look at the meter reads from 2000 to the meter read in 2004 and take an average use for that time period and apply it to the 2006 read. He asked Mr. Rush to email his totals to Carol. Mr. Blonquist read the numbers he had beginning in 1999. The water used in 1999 was 9,970 gallons. Water used in 2000 was 6,890 gallons. Water used in 2001 was 1,990 gallons. Water used in 2002 was 7,220 gallons. Water used in 2003 was 4,830 gallons. Water used in 2004 was 18,610 gallons. Water used in 2005 was 13,240 gallons. Mr. Blonquist noted that the bill Mr. Rush received showing 100,000 gallons would have been for 2006. The average from 2000 to 2005 was 8,964 gallons. Mr. Anderson clarified that the meter read corresponds with the usage. Joe stated that his personal meter read for 2006 was 55,160 gallons. Mr.

Anderson noted that the reading for 2006 was not being considered because it appears to be incorrect.

In an effort to resolve the matter, Mr. Anderson proposed that Mr. Rush be billed the regular meter use for the year in discrepancy and that he pay his bill in full minus interest and late fees. Mr. Cragun asked if that would include the billings from last and this year. Mr. Anderson stated that the bill must be paid in full up to 2007. Cal Cragun accepted that proposal.

Mr. Rush stated that he was advised not to pay any of the bills until everything was straightened out. When he met with Eric Cylvick at his home, Mr. Cylvick realized why he was following his Counsel's advice and Mr. Cylvick did not think it was fair that he was getting billed for a regular zero balance used on the meters and then several years later he was billed for the overages. Mr. Anderson stated that Eric Cylvick has a lot of experience with the Water Company, particularly with meter reads and conflicts. He advised Mr. Rush to pay the minimum on any bills due. The reason for charging interest is to cover what is lost when people do not pay. He believed that whoever advised Mr. Rush not to pay his yearly dues did him a disservice because he is responsible for the balance. Mr. Blonquist pointed out that one incorrect meter reading did not affect the standby fees on his other properties. Mr. Rush agreed that he may have been advised incorrectly not to pay his standby fees.

Mr. Rush stated that the \$5138 was the total of all his lots and all assessments for standby and regular meter fees. Mr. Blonquist suggested that Mr. Rush wait until tomorrow when they can ask Carol to verify the total charges, minus interest and late fees, and without the overage, based on 9,000 gallons.

Mr. Anderson restated his proposal to have Carol look at the time period from when Mr. Rush stopped paying his bills, that the Board forfeit interest and late charges on all accounts, and that the 2006 bill that Mr. Rush claimed was a mis-read be billed as a regular meter charge. This proposal was conditioned on Mr. Rush paying all amounts current to date. He believed this could be resolved before noon the next day. He was willing to accept the check from Mr. Rush as long as he changed the date and initialed the change. Mr. Anderson told Mr. Rush that the Board would need a couple of days for his check to clear the bank before they could release the Notice of Unpaid Assessments on his properties. Mr. Cragun suggested that Mr. Rush pay with a cashier's check to avoid the waiting period.

MOTION: Eric Anderson made a motion regarding Joe Rush's bill, related to lot numbers PI-D-5, D-25, D-24, D-3, and D-4. The first part of the proposal is that the Board remove interest and late fees if Joe Rush agrees to pay all charges up to the current billing of 2007 usage. The second part of the proposal is that on Lot D-5, the bill dated 2006 for the 2005 meter read of 155,160 be reduced down to the allotted water for a metered lot and that Mr. Rush pay the fee for that metered lot. Once those are all paid in full and his accounts are brought current, the Board will accept his payment and release the Notice of Unpaid Assessments for his lots. If Mr. Rush chooses to only pay on

specific lots, the notice would only be released on the lots paid in full. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Mr. Rush provided a copy of the paperwork the bank requires showing release of the liens. Mr. Anderson pointed out that none of the Board members are able to sign anything until payment is made. Mr. Rush clarified that he was giving the paperwork to the Board members now so it could be signed and ready to hand back to him when he submits his payment. Mr. Anderson stated that the Board's policy is to have their attorney review any documents that require a signature.

Unpaid Bills

Brody Blonquist reviewed the unpaid bills as of October 9, 2008. Coalville Auto Farm and Supply was for parts for the truck. Geary Construction was the bill for road base and sand. There was a bill from Humpty Dumpster. The bill from KGC was for Carol's services. Revenue Recovery was the new collection agency. Rocky Mountain Power was the monthly bill.

Mr. Cragun reported that Revenue Recovery had collected \$7,000 and they found people the Water Company has not been able to find for years. He expected another check for approximately the same amount.

MOTION: Eric Anderson moved to APPROVE the unpaid bills dated October 9, 2008. Dan Heath seconded the motion.

VOTE: The motion passed unanimously.

Mr. Blonquist submitted bills from J.E. Excavation. Statement #172 from 9/24/08 was for the trackhoe time, backhoe time and labor in the amount of \$28,000. Statement #152 for trucks in the amount of \$14,350.

MOTION: Eric Anderson moved to APPROVE J.E. Excavation for the project, statement #172 for the total of \$28,000 and statement #152, trucks in the amount of \$14,350. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Mr. Blonquist submitted Invoice #134 for \$475 from Beaded Up Waterproofing for the damp proof coating that was done on the pump houses.

MOTION: Eric Anderson moved to APPROVE Beaded UP Waterproofing, invoice #134 in the total amount of \$475 for damp proofing of the pump houses. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Manager's Report

Brody Blonquist reported that Forest Meadows is done and everyone has water. Mr. Anderson asked if all the new meters and lines were in and Mr. Blonquist answered yes. Mr. Blonquist stated that it will be a waiting game this year to see what freezes and what doesn't. Mr. Cragun asked if Mr. Blonquist recommended insulating the meters. Mr. Blonquist replied that insulating does help. Mr. Blonquist reported that they still have two PRV's to put in Forest Meadows so there are places where the water will be shut off, but for no more than 24 hours.

Mr. Blonquist stated that they are working on Pine Meadow Drive and one of the main roads is finished. He believed they were close to being finished on another road. Mr. Heath asked if they were still filling lines in Forest Meadows. Mr. Blonquist replied that it was full and Forest Meadows should have whatever water pressure it is going to have. Mr. Heath stated that he had a call from someone this morning who said they were low on pressure. Mr. Trevor stated that the pressure might have been lower because they replaced the meters yesterday.

Mr. Blonquist stated that the electrician has already done three pump houses and it looks really good. They are waiting on the heaters that were ordered but have not arrived. Mr. Anderson asked if the heaters would be on a thermostat. Mr. Blonquist answered yes. He noted that all the old pump houses have baseboard heaters and every pump house has flooded. He was unsure if the baseboard heaters even work anymore. Mr. Anderson assumed the new heaters would be efficient.

Mr. Blonquist reported that a leak at the intersection of Porcupine and Forest Meadow Road will be fixed tomorrow. Apparently a valve was hit a while ago. Bill George understood from an email that Uncle Tom's well would be cleaned next year. Mr. Blonquist replied that they ran out of time to clean it this year. Mr. Townsend pointed out that they spent the time replacing and flushing the lines. They did not want to leave people without water any longer than necessary.

Mr. Blonquist requested an end of the year bonus for Antonio. He was unsure what they did last year but he felt a bonus was well-deserved this year.

The Board set Friday, October 24th at 6:00 p.m. for the annual appreciation dinner. Spouses were invited.

The Board discussed a bonus amount for Antonio. Mr. Anderson would talk with Eric Cylvick and let him know that the Board was thinking of giving Antonio the same amount that others were given last year. Mr. Blonquist recalled that it was approximately \$1200. He would ask Mr. Cylvick to send out emails with a motion to vote.

Miscellaneous Business

Cal Cragun stated that he signed a document today stipulating that he was not aware of any fraud or illegal activities related to the project. He was hesitant to sign until he realized that it is federal money for this project and it has nothing to do with the Water Company. He was also hesitant to sign without having the research done as to why they discovered buried trailers in the yard. He commented on the need to do that research. Mr. Cragun stated that he was speaking with an attorney and he mentioned the fact that they found these buried trailers. That attorney recommended that the Water Company make some effort to find as much information as they can.

Mr. Anderson asked if Mr. Cragun had a suggestion as to where to start. Mr. Cragun preferred to talk with Eric Cylvick first and if he agreed with moving forward, they could contact the past presidents to see what they know. Mr. Anderson stated that the Board would do its due diligence.

Mr. Cragun reported that he had moved \$45,000 into the checking account on October 2, 2008. He believed he would have to move additional money. Mr. Cragun stated that they went to court and were awarded a judgment against Now Recovery. The bond expires tomorrow. Carol received an email showing that Now Recovery received it and they are working on it. If they file before the bond expires, they have a claim on the \$10,000 bond. Mr. Cragun stated that they did not go after the two \$300 checks that went into Now's account. They did go after the \$6,000 check. Including court costs the total would be \$6,704.66.

Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Heath wanted to know why they were 50% over on the automobile expense. Mr. Anderson recalled having that discussion at a previous meeting and it was determined that it was a fuel expense that should have been part of the project. He asked Carol to verify the automobile expense. Mr. Anderson noted that the excess water was an estimate and they were over the projected amount for metered water. They were 100% of the standby for the year. He felt these were the best numbers they have ever had going into October. Mr. Anderson assumed the license and permits were for the new building.

Mr. Heath referred to the loss on equipment sale and asked if the trackhoe had been sold. Mr. Cragun thought the Board had decided to hold off until next Spring. Mr. Anderson wondered if the loss was due to money they owed or possibly repair expenses. Mr. Anderson asked Carol for an explanation of the loss on equipment sale and what is under escrow fees. He assumed they may have sold it for less than what they still owed.

Mr. Anderson believed the new shop expenses were close to the amount they had estimated. Mr. Anderson questioned the amount budgeted for seasonal labor projects and stated that he would ask Brody about it.

MOTION: Eric Anderson moved to APPROVE the profit and loss/budget versus actual. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Mr. Cragun stated that the \$7,000 minus the \$400 was from the debt collection. He expected another check shortly. The additional \$6700 from Now Recovery would also go into that account.

Mr. Anderson thought they had a loan payment due fairly soon. Mr. Cragun was unsure when they had made the last payment. Mr. George wanted to know why the balance sheet does not show any depreciation. He was told that the depreciation is shown separately. Mr. Anderson commented on the accumulated depreciation. Mr. George thought that was for the water system. Mr. Anderson believed it included everything because it was under fixed assets.

MOTION: Eric Anderson moved to APPROVE the balance as presented. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Minutes

MOTION: Eric Anderson moved to APPROVE the minutes of the September 11, 2008 Board of Trustee meeting. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Anderson thanked the Board members for their time and announced that he had put in his notice to not run again. He felt that he was no longer able to give the Board, Brody, Trevor, and Carol as much time as he needed to. He had to miss meetings and he did not do his job getting the newsletter out. Mr. Anderson felt that it was time to let someone else dedicate time to the Board. He loves doing it and he loves supporting what they accomplish. They have done a lot of great things but it is good to let new people come on and learn about the Ranch and do their part.

The regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 8:36 p.m.

Minutes Approved

Date