

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, MAY 14, 2009

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Cal Cragun, Brian Zelch - Board Members.

Bill George was excused.

Ex Officio: Hutch Foster, Trevor Townsend, Dan Heath

Guest: Dewey Peterson

Eric Cylvick called the meeting to order at 6:33 p.m.

**Scubbing Uncle Tom's well**

Eric Cylvick had asked Dewey Peterson to attend to discuss the procedures for scubbing Uncle Tom's well and the risks involved. He noted that Uncle Tom's is the most reliable source of water and they are hoping to improve the production of the well source.

Mr. Peterson stated that the well was drilled to 4,000 feet as an exploration well. It was eventually backed up to 750 feet. As far as he could tell it looked like the well was cased at 8/12. According to the logs, the well yielded 90 gallons a minute and 146 gallons per minute in a 24 hour period. Mr. Peterson stated that the static water level was 50 feet from the top.

Mr. Peterson explained that the wells in the area tend to be depleted. He commented on other wells and well production in other areas. Mr. Cylvick stated that because the well log indicates 90 gallons and 146 gallons per minute, if they could get another 30 or 40 gallons a minute out of one of their other sources, it would provide enough water for build out.

Mr. Peterson noted that the log references silt, shale, water sand hard shell and water sand blue shale, etc., but there was no gravel. That is important in a well for that area. He explained that Uncle Tom's probably did pump 90 to 146 gallons at one time, but there should be additional information on the pump test that was performed in order to know the accurate draw down. Mr. Peterson explained why the gravel test is important.

Mr. Cylvick asked about the risks involved in the scrubbing process. He wanted to know if the tool could break off and get stuck in the well. Mr. Peterson stated that it would not break off. The worst that could happen is that the casing could severe and the tool

could get stuck in a hole. He has never had that happen, but if it did, the well could still be used.

Mr. Cylvick stated that the logic behind calling in Mr. Peterson was to clean out a source that they know has already produced a significant amount of water.

Mr. Cylvick asked Mr. Peterson to explain the process. Mr. Peterson stated that he would first pull out the pump and drop a camera down the hole to see if it goes down 750 feet and what the well looks like. After finding the well bottom, he would run a baler down to collect the material. Following that, he would drop a brush down and start brushing out the slots and perforations. The intent is to open up and flush out the area. Mr. Peterson commented on a chemical called New Well 220 that he could put in to break down the mud and formations. He noted that the chemical is expensive and it was not included in his proposal. He estimated that the cost of the chemical would be approximately \$350 plus his fee.

Mr. Peterson stated that after the procedure is complete, he would do a pump test to see if the water holds up. At the same time, he would run a tube with a probe alongside the test pump to get an accurate reading. He noted that running the chemical could agitate the well and it may take some time to clear up.

Mr. Cylvick did not think timing would be a problem because they would have enough water with Tollgate and Bobcat. He understood that Mr. Peterson had previously told Brody Blonquist that the scrubbing would take three or four weeks. Mr. Peterson stated that he told Mr. Blonquist to allow 30 days to complete the process. He preferred to re-write his proposal if they want him to do the surge-block.

Hutch Foster asked if the 30 days included pumping water or if it was 30 before they could begin pumping. Mr. Peterson stated that it was 30 days from start to finish. Mr. Cylvick asked if there would be a period of time after the 30 days where the water would be silty and might not pass the test. Mr. Peterson replied that it was possible. However, if the water is clean now, that would be a benefit towards the possibility of pumping clear water after the well is scrubbed.

Mr. Cylvick asked if Mr. Peterson could start at the end of May. Mr. Peterson stated that he was busy, but thought he would be available by the end of May.

The Board and Mr. Peterson discussed the pump size necessary to produce the amount of water they need. Mr. Peterson suggested that they could pull the pump, use the camera, scrub the well and then pump test to see how much the well produces. If it does not produce enough, he could then use the New Well 220 chemical and bring up a cable rig to sputter it and surge it with a surge block.

Mr. Cylvick thanked Mr. Peterson for attending the meeting to explain the process. He believed the Board was still interested in having him scrub the well.

Mr. Peterson explained that sometimes a 24 hour pump test is not long enough to give an accurate reading. He commented on a transducer electronic device that can be put

down the well to constantly record production. If that needs to be done, it would be an additional charge. Mr. Peterson estimated that cost to be \$1500.

Trevor Townsend asked if the transducer could be tied into the Water Company telemetry system. Mr. Cylvick suggested that Mr. Peterson include the transducer when he rewrites his proposal. He asked Mr. Peterson to contact Brody Blonquist and Trevor Townsend when the proposal is complete. He would like him to start working as soon as possible after Memorial Day.

### **Minutes - April 16, 2009**

MOTION: Cal Cragun moved to APPROVE the minutes of April 16, 2009 as written. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

### **Unpaid Bills**

Trevor Townsend reviewed the unpaid bills. All West Communications and Catapultion were internet charges. Clyde Snow and Sessions was a legal expense. He was unsure about the bill from Coalville Auto and Farm Supply for 3.50. Mountain States was to purchase three bottles of chlorine. The bill from Geary Construction was to haul a load of 3 minus for the sink hole in the middle of the road.

Brian Zelch stated that he spoke with a property owner who works at Parsons and he told Brian that they could have gravel and sand mix for free if they were willing to haul it.

Trevor stated that the bill from Home Depot was for shelving and other miscellaneous items. The bill from KGC Associates was for Carol's services. Mountain States Water Works still showed a credit. Rocky Mountain Power was the typical monthly bill. Sinclair Fleet was for fuel. Suburban Propane was to fill the propane tank. USA Blue Book was for parts ordered to repair the flow meter and rebuild valves at Bobcat Springs.

Brian asked how tied they were to Suburban Propane. Trevor stated that he was not happy with Suburban Propane. Brian stated that he put in a co-op schedule with another distributor and they were consistently 30 cents to 60 cents less than anyone else.

MOTION: Eric Cylvick made a motion to pay the unpaid bills presented on May 14, 2009. Brian Zelch seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick stated that Brody had wanted to purchase a chain saw. He found an inexpensive chain saw; however, Mr. Cylvick had authorized him to pay the extra money to purchase a steel chain saw in a larger size.

## Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Cylvick noted that \$11,000 had been received from collections for 2008 balances. Mr. Cragun asked if that amount included the \$12,000 that was collected from Clark. Mr. Cylvick did not believe that was reflected on the profit and loss.

Mr. Cylvick informed Mr. Foster that the Water Company allows quarterly billings for people who make arrangements. Therefore, the monthly numbers appear to be low and then suddenly there is a surge in the total amount collected.

Mr. Cragun asked Carol to provide an explanation for the \$77,345 on page two of the profit and loss. After further review, the Board assumed it was money received by credit card for quarterly billing.

Mr. Cylvick noted that Carol had paid property taxes in the amount of \$27,600. He had budgeted \$35,000 for property taxes. He commented on the possibility of no longer having to pay property taxes.

Mr. Cragun referred to page 4. He noted that \$1500 was budgeted for propane and the cost is \$133.50. He asked if that takes into account the paid Suburban Propane of \$2425. Mr. Cylvick did not believe that amount was reflected. Mr. Cylvick stated that they have two tanks and it cost \$2300 to fill one tank.

Mr. Cragun noted that the total expense shown was \$168,000 and underneath was a net ordinary income of \$210,000. Mr. Cylvick noted that it was the expenses against the income.

Mr. Cragun noted that page 5 indicated total materials as a negative \$6,962.02. He asked if that relates back to Mountain States. Trevor believed that was a credit. Mr. Cragun pointed out that Mountain States showed over \$20,000 credit. He asked Carol for an explanation. Mr. Cragun stated that page 5 also showed a budget of \$2,000 and a net income of \$218,000. Mr. Cylvick replied that they are non-profit and should not show any income. The budgeted numbers should be zero. He had put \$2,000 as other income that would not be allocated for net ordinary income because it is outside of Pine Meadow.

MOTION: Eric Cylvick made a motion 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. Cylvick noted that \$413,000 had been collected to date.

Mr. Cragun stated that he is constantly checking different banks to find a higher rate than what they are currently getting on the money market. So far Zions bank still has the best rate.

Mr. Zelch asked if the Board had decided on a charge for renting the backhoe and trackhoe. Mr. Cylvick recalled that Mr. Blonquist was going to research the current rental rates. He asked Trevor or Brody to see if it fits in the building to keep it out of the weather. They might as well protect it until they sell it.

Mr. Cylvick reported that they have used nearly \$3 million of the loan. The well scrubbing would be added to the loan but he did not expect to add much more. Mr. Peterson's original proposal was approximately \$30,000. Mr. Cylvick stated that he asked for a \$2.7 million loan, anticipating that they would use \$2.6 million. However, he had not anticipated building a new shop or buying new equipment.

MOTION: Eric Cylvick made a motion to APPROVE the balance sheet dated May 14, 2009. Brian Zelch seconded the motion.

VOTE: The motion passed unanimously.

### **Correspondence**

Mr. Cylvick read a note from Carol regarding a letter she had received from Don, indicating that his brother, Dale, does not use water and will not pay for it. Carol noted that the account has not gone to collections and suggested that the Board discuss making it a dry lot. Mr. Cragun suggested that Mr. Cylvick read the letter from Don that was sent on behalf of his brother, Dale, because it indicates that he requested information that was never received. He wants the Board to quit sending him invoices.

Mr. Cylvick stated that he had emailed to Don a letter from the attorney regarding a withdrawal from the Water Company. He noted that Mr. Barnes' letter states that withdrawal is a practical impossibility for anyone in the Pine Meadow and Forest Meadow subdivision who wishes to build on a lot, either now or at some later time. He felt the only issues for not foreclosing on this property or sending it to collections was that people were afraid of what the property owner would do. If the property owner wants to make it a dry lot that can be done. They would just foreclose on the water share.

Dan Heath asked if the property owner could deed back the water share or if it needs to go through the whole process. Mr. Cylvick replied that it needs to go through the process and the Water Company is the only one who can buy it.

Mr. Cylvick stated that he would resend the letter to Don.

Mr. Cylvick read a note from Carol regarding Joe Rush indicating that she had enclosed the letter from Ted and a copy of two checks that were received. Carol stated that no

payment has been received since the letter was sent to Ted. She asked the Board to discuss whether or not to update the lien information with the current amounts.

Mr. Cylvick stated that he had received correspondence from Mr. Rush's attorney stating that Mr. Rush only owed \$7,000. He noted that the two checks Mr. Rush sent do not say paid in full; however, the letter that accompanied the two checks said it was payment in full.

Mr. Cylvick stated that the Boards needs to ask Carol to send a letter to Mr. Rush or his attorney asking him to sign a letter saying that the checks are payment in part and not payment in full.

Mr. Cylvick stated that the letter from Ted Barnes talks about the decision the Board made to eliminate finance charges and late fees on the D-5 lot only, bringing the total amount from \$19,286 down to \$17,672. Mr. Cylvick reported that Carol had just filed a Notice of Unpaid Assessment with Summit County so they would eventually get their money. The foreclosure process is primarily to collect the money faster.

Mr. Cylvick outlined the process from the time invoices are sent to the worst case scenario of foreclosing on a water share for non-payment. This was spelled out so all property owners could know and understand the process without having to read through the Bylaws. Mr. Cragun suggested that a second step is to send a letter to the membership announcing the process. Mr. Cylvick noted that the second page was the letter that goes out to everyone.

Mr. Cylvick stated that the water share foreclosure notice would be posted on the website. The notice of assessments for all shareholders will be mailed. The fee schedule will be sent in the same envelope. When someone is delinquent they would receive the last page.

MOTION: Eric Cylvick made a motion to approve the stated procedure and to have the documents mailed out and posted on the website. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick stated that he and Carol had modified the letter Ted wrote that is being sent to the membership. Ted had been more specific and Mr. Cylvick felt the letter need to be broader. He had informed Mr. Barnes of the changes.

Regarding Joe Rush, Mr. Cragun felt they should resume the interest penalties since Mr. Rush had not met the obligation of the option he was given. The Board agreed. Mr. Cylvick directed Carol to resume finance charges and late fees on all of Joe Rush's lots. Mr. Cylvick would write a letter to Mr. Rush's attorney letting him know of the Board's decision.

Mr. Foster commented on the re-issue of a water letter that was created a long time ago. He believed the property owner, Lot PI-52, Marla Janusz, was in the process of getting approval from the Homeowners Association. She is within the Ranches and was part of the old service. Mr. Foster believed there should be an existing water letter that

was created during that time. He wanted to find a way to keep the process intact so water letters are not issued until property owners get plans approved by the HOA.

Mr. Cylvick explained that the Water Company has been told by their attorney that property owners could bring lawsuits against the Water Company if they refuse to issue a water letter. He noted that the Board policy is that because installing a water meter impacts the roads, the meter would not be installed until the HOA is compensated for impact fees or other required fees.

Mr. Foster understood that a property owner could not obtain a water letter unless their fees are paid and an agreement has been signed with the Homeowners Association. He felt this was different from not having the meter installed. Mr. Cylvick stated when George Sears was President, the Water Company ran into legal problems by withholding a water letter. The reason was because they are a separate entity from the HOA. In an effort to help the HOA get their money, the Board felt a feasible solution was to postpone installing the meter until impact fees are paid. Mr. Hutch agreed that the policy helps the HOA from a financial aspect.

Mr. Foster explained that the Ranch CC&R's stipulates that a property owner needs to go through a planning process with the HOA, but the actual process is vague. The problem is that the HOA Board has no leverage to make sure people follow the planning process. Mr. Cylvick offered to talk to Ted Barnes and meet with Mr. Foster next week to discuss the possibility of a better solution.

Mr. Foster commented on Kim Watkins, a property owner on Arapaho, who pulled a water letter last year and paid her impact fees. Due to the economy, the Watkins' decided not to build and the HOA will refund her impact fees. He had informed Ms. Watkins that she probably could not get her fee refunded by the Water Company because a water meter was already installed. Mr. Foster understood from Ms. Watkins that after a six month lapse, Summit County cancels the permit application and they would need to obtain a new water letter if they decide to build again.

### **Manager's Report**

Trevor reported that he and Brody have been busy. Last week Tollgate was not getting water and they had no idea why. Mr. Cylvick clarified that the well was pumping but water was not getting up. Trevor stated that between Booster Two to Bobcat the water disappeared. They walked around and found that when the pump line was hooked up, they brought it right through Bobcat Springs instead of the main road. The meter was going backwards and the water was coming from the Spring and overflowing Bobcat. Trevor explained that they poked around in the swamp and found a manhole with a two inch line. They plugged the line and fixed an old Salt Box line and now it works just fine.

The meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:45 p.m.

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Minutes Approved

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Date