

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, SEPTEMBER 8, 2011

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Cal Cragun, Brian Zelch, Hutch Foster-Board members

Ex Officio: Brody Blonquist

Bill George was excused.

President Eric Cylvick called the meeting to order at 6:32 p.m.

**Minutes – August 11, 2011**

MOTION: Cal Cragun made a motion to APPROVE the minutes of August 11, 2011. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

**Unpaid Bills**

Brody reviewed the unpaid bills. Allwest and Catapultion were for the internet. Brighton Bank was the Escrow setup fee. Chem-Tech Ford still showed a credit. Coalville Auto and Farm Supply was a filter. Geary Construction was for road material to fix Pine Meadow Drive in the area where a leak was repaired. KGC Associates was the bill for Carol's services, Mountain States Water Works still showed a credit. The bill from Neptune was for the new Smart meters. PMMWC was the monthly debt reserve amounts per the ten year contract.

Brody noted that Regence Blue Cross Health Care had been canceled. Mr. Cragun explained that it was a \$10,000 life insurance policy on Brody and Trevor that was canceled.

Brody stated that the bill from Revenue Recovery was for collections. Mr. Cragun reported that Frieda had re-negotiated the fee for a lower amount for a bank sale.

Rocky Mountain Power was the power bill. Select Health was insurance. Utah State

Division of Finance was the monthly payment on Loan #1.

Brody submitted Invoice #187924 from Erckenbrack Trucking for \$1,785 for the dates 6-28, 6-29 and 6-30, to haul in gravel for Pine Meadow Drive when the pipe was repaired.

MOTION: Eric Cylvick moved to pay the unpaid bills dated September 8, 2011, and Invoice #187924 from Dane Erckenbrack. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

### **Financials**

The Board reviewed the profit and loss/budget versus actual. Mr. Cragun noted that they were at 100% of budget. Some accounts with smaller balances were negotiated and that should bring in additional prior year income. Mr. Cragun suggested that Mr. Cylvick contact Dave Nielsen to see if he was still interested in annexing so they would know whether or not to order a meter for his property. That would give the Board an idea of whether or not they could expect that revenue.

Mr. Cylvick stated that he had budgeted \$557,125 for total expenses, and they were currently at \$425,000. He had shown a net loss of \$75,925. At this point they were still in the black at \$13,549; however, they still needed to get through September, October, November and December.

MOTION: Eric Cylvick moved to APPROVE the profit and loss/budget versus actual dated January 1-September 8, 2011. Brian Zelch seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Mr. Cylvick stated that the Water Company received a check for \$469,000 from the Division of Drinking Water. It was a \$500,000 draw, but the loan origination fee was taken out and they received \$469,000. Mr. Cragun understood that this was the draw for the \$3 million. Mr. Cylvick replied that this was correct. They were currently paying interest on \$500,000. A \$100,000 of that amount would go towards the meters. They had also intended to do the I-Plat connector from the draw.

Brian Zelch asked about the I-Plat connector. Mr. Cylvick stated that they would not be

able to do I-Plat this Fall. The loan closing was delayed until last week and they did not have enough time to complete the bidding process and do the work before the weather turned bad. Brody and Trevor are installing the Smart meters this year and I-Plat will be the first project next Spring. Mr. Cylvick believed he was making progress on the easements. He had spoken with the owner on Elk Road, Lot D-59, and told him the Water Company would improve his driveway and re-vegetate the disturbed area. When the property was surveyed it was determined that the meter was not on his property. Mr. Cylvick offered to relocate his meter when they install the Smart meter.

Brody referred to page 3 of the profit and loss and noted that \$30,000 was budgeted for property taxes. Since they no longer have to pay property taxes, that \$30,000 should have been removed. Mr. Cylvick agreed, however, he preferred to continue showing the \$30,000 because it was budgeted. They just need to remember that the money is there.

MOTION: Eric Cylvick moved to APPROVE the balance sheet dated September 8, 2011. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Brody noted that the back sheet of the financials was a request for reduction from the owner of Lot FM-B-291. He had submitted the appropriate documentation showing that the leak was repaired, including pictures and a receipt from person who did the repairs. The one-time reduction would save the owner \$547.00.

MOTION: Cal Cragun moved to ACCEPT the documentation as sufficient to grant a one-time reduction of \$547 on FM-B-291. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Mr. Foster asked if the one-time reduction was per service or per owner. Mr. Cylvick replied that it was per owner.

### **Manager's Report**

Brody reported that in terms of leaks everything was good. One PRV shut down over Labor Day but he and Trevor were able to fix it quickly. The problem was with the speed control on the PRV.

Brody stated that the fire hydrants need to be exercised but he would not do it now because the well was only pumping 32 gallons of water per minute.

Brody stated that the water system has been running great. He and Trevor have been installing new meters. Unfortunately they were only given 50 meters to start and those were installed in two days. He hoped to receive another 50 to 75 meters next week. Brody and Trevor planned to have all the meters installed by mid-October.

Mr. Cylvick asked if Brody was labeling the old meters. Brody explained that they were pulling out the old meters and reading them. The old meters need to be turned in since that was a condition of the price reduction for the new meters. Mr. Cylvick wanted to know how they would address potential questions on the readings without the meters. Brody stated that the meters were carefully read and three people were present. He thought that would be sufficient.

Brody explained the procedure for installing the new meters. They are able to use a crane, which is much faster and easier. Mr. Cragun suggested doing a video of the installation to show people how much Trevor and Brody do for the Water Company.

Brody remarked that the meters read in 100<sup>th</sup> of a gallon and picks up very minute water activity, which was not a function of the old meters. Brody anticipated high water bills for the first year until they can figure out who has the 24 hour leak. Once that is cut down the water usage should be more accurate. Mr. Cylvick stated that they could call the owner and if they have a shut-off valve in their house they could shut off the water. That would enable the Water Company to determine if there is a leak between the house and the meter, and possibly avert a large leak. If the meter stops when the water is turned off, it would tell them that the leak is in the house.

Brody stated that the meters read at 70 meters per second during the summer. He was unsure how it would work in the winter time and assumed it would slow down to 40 or 50 meters per second. They should be able to pick advantage points around the Ranch and read the meters from those high points. Mr. Cylvick asked if it was possible to put up wireless antennas once they establish the vantage points, to allow for remote meter readings each morning to look for a 24 hour alarm. Brody replied that it was possible. Mountain Regional has a remote system and he would talk to them.

Brody believed that overall, the meters would pay for themselves. They have a 21-22

year battery life. The meter does not need to be changed out because the battery can be changed. However, meters typically need to be replaced every 15 to 18 years. The life of the battery is basically the expectancy of the meter life.

### **Follow Up Business**

Mr. Cylvick reported that the loan closing went well. He reviewed his budget for the loan money and asked the Board members for input. Mr. Cylvick estimated that if they just do the I-plat connector, the meters, the Tollgate well, and miscellaneous improvements, they could easily stay under the \$1.8 million, which is the new loan amount. If they have to do Pine Meadow Drive and the well at Aspen Ridge, they would exceed \$1.8 million. That would be an increase per month of \$938. The next line item was the amount of \$315,960, which is what the State requires them to accumulate in an escrow reserve account over a ten year period. That amount was based on using the total amount of the loan; however, Mr. Cylvick suggested that they continue escrowing that amount, even if the full loan is not used, to build "rainy day" fund. It would be \$2.30 per month per shareholder. He put the current budget gap as \$100,000, which is \$10.30 per month. The original loan amount was \$3,041,000. The annual payment previously budgeted for loan #1 was \$24.21 per shareholder. Mr. Cylvick estimated an increase of \$14.00 per month per shareholder or a total of \$168.00. Mr. Cylvick explained the incremental increases for standby fees and metered fees. Mr. Cylvick stated proposed increasing the rates by \$14.00 per month and splitting that number in two; \$7.00 for 2012 and \$7.00 for 2013.

Mr. Cylvick reviewed a list of projects as follows: New Smart meters, field survey and all the PRVs and all the valves to the I-Plat bypass line, the new well in Tollgate Canyon, small equipment purchases and general improvements.

Mr. Cylvick commented on the situation with the Amoco well at Aspen Ridge. If at some point the Tollgate well was contaminated or dried up, they could go back to the Division of Drinking Water for additional funding. They could also work a deal with Aspen Ridge if Aspen Ridge requested to tie into the Water Company.

Mr. Cylvick felt that a \$7.00 per month increase in 2012 and another \$7.00 per month increase in 2013 should give the Water Company enough money for the planned projects, as well as funding the escrow account. Mr. Cragun believed that \$7.00 was a manageable increase for people to pay.

Pine Meadow Mutual Water Company  
Monthly Board Meeting  
September 8, 2011  
Page 6

Brody pointed out that all the other Water Companies were putting in generators, because if a fire breaks out the Power Company would probably cut the power and that would turn off the well pumps. Mr. Cylvick clarified that they would need to run the Tollgate well and the booster, and the booster at Bobcat. Brody also noted that they would possibly need to run the Contact well. Mr. Cylvick asked Brody to determine exactly what they would need and to research prices for the appropriate size generator. Mr. Cragun agreed that they should spec it and build the housing before an emergency arises. Mr. Cylvick stated that they would need three generators if they put one at the Tollgate well, one at the booster, and one generator to service both Bobcat and Contact.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:15 p.m.

Minutes Approved

Date