

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, MAY 22, 2008

PINE MEADOW RANCH

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Cal Cragun, Bill George, Dan Heath - Board members

Ex Officio: Brody Blonquist–Water System Manager; Trevor Townsend, Carol Steedman

Guests: Jane and Charles Goldstein, Lot C62, Forest Meadows. Marsha Sicklesmith, Lot 22A, Forest Meadows. Robert Lindsay, F78A, Pine Meadow. Catherine Blais, Lot D94, Forest Meadows.

President Eric Cylvick called the meeting to order at 6:30 p.m.

Minutes

MOTION: Eric Cylvick moved to APPROVE the minutes of May 8, 2008 as written. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Public Comment

Jane Goldstein had received a postcard stating that their water would be shut off anywhere from June 1st to late Fall.

Brody Blonquist clarified that late Fall was added because they cannot set a time line on how long the work will take. He noted that late Fall would be the worst case scenario. Mr. Cylvick reviewed a map showing where the work will take place. Most of the line is already in place and the trench is deep enough; however the problem is that the 6" line is not big enough for fire flow and needs to be replaced with 12" pipe. The advantage is that the trench has already been dug so many of the unknowns have possibly been mitigated. Mr. Cylvick remarked that the water would be turned on in sections of Forest Meadow as the work progresses. Mr. Blonquist stated that work on the main line would begin June 1st. Mr. Cylvick recalled from the last meeting that if things run smoothly and they do not hit ledge rock, the project could be completed in five weeks.

Ms. Sicklesmith clarified that the project would go from Arapaho all the way down to Forest Meadow, take a right, come up past Porcupine Loop, and then up Forest Meadow to Grandview. She pointed out that anyone between Porcupine Loop and Grandview are at the tail end of the project and she was concerned that the reserve water would run out before their water is turned on. They only have 1,000 gallon tanks and many of the owners are concerned about fire protection.

Mr. Blonquist stated that he and his crew care about people and it is more than just a job to them. He is always concerned about people being out of water and he tries not to shut off the water. However, in order to do this project in the time frame the Water Company wanted, certain things need to happen in order to get the job done.

Ms. Sicklesmith asked if it would be possible to turn on the water for a day or two if the project drags on. Mr. Blonquist remarked that there are places they can possibly back feed water through but they will not know if it works until they try it. He will keep the website updated throughout the project.

Robert Lindsay reported that Jim Kearney at Forest Meadow has not been able to get to his cabin to fill his tanks and he is concerned that he will not get them filled before the water is shut off. Mr. Blonquist stated that the road to his cabin is now open.

Ms. Goldstein worried about the fire situation. Mr. Cylvick stated that if a hydrant was opened now there is a good chance the line would collapse. Mr. Blonquist believed they could take care of one house fire with the existing lines but it would only be one house fire. Mr. Blonquist pointed out that five years ago there was no fire protection at all.

Mr. Cylvick stated that this is the last big project on the loan and once that is completed, they will re-wire the pump houses to meet Code. They will scrub out and clean Uncle Tom's well, which is the main water source. A hydrologist studied the well sites and other things, and one thing he found from an old well pump test was that the well pumped 190 gallons a minute when they first opened it up. He noted that the perforated pipe gets clogged and the well underperforms because the water cannot get in through the casing.

Mr. Cylvick noted that in addition to replacing the line, the pressure reducing valves at Forest Meadow will be upgraded. By the end of the season, they should have a system as good, if not better, than anything in Park City. Mr. Cylvick provided a brief summary of all their wells.

Mr. Lindsay remarked that he is on the other side of the coin because he would like the water to be turned off at least one week every year. As a long time owner he is concerned about the potential impact and cost of a full time water system. He provided a brief history of the Ranch and how they barely escaped becoming a full time water community years ago. Mr. Lindsay commented on the requirements for being considered full time and noted that from a legal standpoint, if the water is completely shut off to the entire Ranch for one week, they would not be considered full time. He personally believes no one would be harmed by losing water for one week. He suggested shutting

down the water in June and drain all the lines. Once that is done and they certify that every connection does not have water, they can turn it back on and recharge the lines. Mr. Lindsay believes that is less expensive than fixing a leak in the middle of winter for someone who demands water and under State law can require that he have water within 24 hours. Mr. Lindsay recognized that Pine Meadow is working with the State and he recommended that they require everything to be in writing. Mr. Lindsay stated that a separation between the Water Board and the Association needs to be looked at because the Water Board is not responsible for the cost of maintaining roads. If they become a full time water system, the Association might be forced to plow the roads all winter to meet the Water Company's requirement to have access to the water lines.

Mr. Cylvick stated that when the Special Service District was dissolved and the Homeowners Association and the Pine Meadows Mutual Water Company, which is a private, non-profit company, was formed, the bylaws were written and agreed upon. Part of the bylaws state that when it is economically feasible they will upgrade the water system to a point where they can provide year-round water. Mr. Cylvick remarked that he spearheaded the decision to get a loan and they should have a full system by the end of this year. Mr. Cylvick clarified that the water system was dictated by the bylaws and the Board found the resource to do it. By doing it in a 2-3 year time period, they probably saved the Ranch \$6-7 million dollars based on inflation costs.

Mr. Lindsay understood Mr. Cylvick's comments, but he was also concerned over what they were getting into financially. He is on a fixed income and he does not have any more money. He does not want to be forced out of a place that he loves because they are being forced to spend money. He is very concerned that the Homeowners will be forced into huge costs to keep the roads open in the winter time. Dan Heath assured Mr. Lindsay that there was no intent for doing that. Mr. Blonquist commented on the number of people with equipment who would help him get in to fix a water leak during the winter without keeping the roads plowed.

Mr. Cylvick remarked that the State has been willing to work with Pine Meadow because they have been willing to pay for themselves and they have been able to upgrade the system to such a high level. Because of this, he felt the State would be more understanding if they have a leak they cannot find.

Dan Heath told Mr. Lindsay that as the Homeowners representative he could not be more pleased with what the Board has done. Mr. Lindsay agreed that they have done great things; but he worried that somewhere down the road this could escalate to point where they may wish they had thought it through a little better. Mr. Cylvick stated that the Board does not want runaway costs. They all want to live up there and have a good water system but they want to keep the costs down.

Catherina Blais, Lot D94 had arrived late and asked for a brief synopsis of the water shutdown and how that will affect where she lives. Mr. Cylvick replied that the best case scenario is five weeks to completion. The worst case scenario is November. He provided the same explanation he had given earlier in the meeting.

Ms. Blais stated that when people purchase property they should make sure their tanks can be filled externally. She cannot fill her tanks externally and no one told her that when she purchased. She now has a leak underground. She was more concerned about insurance ramifications and fire protection. Mr. Cylvick replied that she would have more problems with the insurance if they do not replace the line, because currently there is no fire flow.

Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Cylvick noted that the metered water assessment for 2005 was over budget at 174%. However he had under budgeted for the excess water assessment for 2008, which was showing 48%. Carol noted that there are still a lot of people on the quarterly and semi-annual payments and the quarters came in pretty good. She believed they would get closer to budget. Mr. Cylvick was sure they would get at least one annexation fee from Matt Brown.

Carol reported that two water letters came through and those were reflected in the financials. Everyone wants to know when they can bring up their materials and she suggested that they get their building permit first. Mr. Cylvick clarified that they have had five water letters. Carol replied that this was correct. Mr. Cylvick stated that he figured the budget on ten water letters. He noted that the total income is \$113,000 and he hoped to eventually close the gap. Carol pointed out that overall they are doing well. They have collected 83% in the first six months.

Cal Cragun clarified that the bank service charges are the credit card charges to collect the debt. Carol explained that it was not to collect the debt. The charge is a processing fee for credit card use. The fee is 2.3% and it is a merchant service through Quickbooks.

Mr. Cylvick questioned the managerial category. Carol was unsure why they would use it and noted that it was there when she took over from Karen. Carol stated that the seasonal employee was Cole. Mr. Cylvick noted that Cole technically works for the loan. Mr. Blonquist remarked that Cole had been working with he and Trevor the last two weeks moving parts up there. Mr. Cylvick felt that work should be considered part of the loan. Carol would make that change and put Cole under the water system. Mr. Blonquist noted that Trevor will be doing loan work beginning June 1st. Mr. Cylvick suggested that they back date Trevor's salary to May 1st, which is when he started doing the prep work.

Carol noted that the audit is coming up. Mr. Cylvick stated that he had not budgeted for that. Carol believed the previous audit cost was approximately \$4,000. Once the water system is complete, they should only have an audit every five years. Mr. Cylvick should budget \$2,000 each year to cover the cost of the five year audit.

Mr. Cylvick clarified that the financials do not show anything going in the restricted funds but the money is shown on the balance sheet.

Mr. Cylvick stated that he budgeted \$312,000 more for this year but that did not include the shop.

The Board reviewed the balance sheet. Mr. Cylvick asked Carol to identify the Water Company money and the Division of Drinking Water money. Carol stated that the Division of Drinking Water is \$5200. Everything else belongs to the Water Company. Currently they have \$400,000 in the bank. Carol explained that the \$5,000 in escrow is the balance left over from the state portion of the federal loan. From now on she expects to see more federal money than the state split.

Mr. Cylvick asked if the assets should be depreciating. Carol replied that they do not depreciate individually but they do as an accumulation. She noted that the accumulation is \$785,395. The CPA calculates the accumulated depreciation and she will see that it gets included in the financials. Mr. Cylvick noted that they have borrowed \$2,503,000 on the loan to date.

Mr. Cylvick asked Mr. Blonquist about the cost to scrub out the well. Mr. Blonquist replied that he had not received an actual estimate but last Fall it sounded like the cost would be \$25-30,000.

Mr. Cylvick asked Carol if her husband was bidding on the electrical work. Carol stated that her husband was called away. He will be working in San Diego and unable to do the work for Pine Meadow. Mr. Blonquist stated that he needed more estimates. Mr. Cylvick stated that he would figure out the loan payment for the next meeting. He noted that the DDW on the balance sheet does not reflect the payment for this year. Carol replied that this was correct.

Mr. Cylvick clarified that the equity, the restricted fund balance, the contingencies, and the legal reserve money is shown and that is covered in the \$413,000 and is not additional money. Carol explained that it is earmarked out of the \$400,000 that is restricted. Mr. Cragun asked if the \$400,000 needs to stay in there for comfort or whether some can be taken out. If they are earning 2% on the money market and spending 3% on the loan money, he felt it was better to move \$100,000 and pay more on the loan. Mr. Cylvick replied that it would reduce their cash on hand. Carol recommended putting the money into a CD over on paying the loan. The bank has a savings account at 4.5% interest and she will look into moving all that money but keep it accessible.

MOTION: Eric Cylvick moved to APPROVE the profit and loss/budget versus actual and the balance sheet for January 1 through May 22, 2008. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Mr. Blonquist reviewed the unpaid bills. The Capitol One bill was for shirts and a car wash in Heber. The Catapulsion bill was for the internet. Home Depot was for shovels, paints, and other items. Komatsu Equipment was for new filters on the trackhoe. Mountain States Water Works still showed a credit. Qwest was for the phones and Sinclair Fleet was for fuel.

MOTION: Eric Cylvick moved to APPROVE paying the unpaid bills for May 22, 2008. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Manager's Report.

Mr. Blonquist reported that they have been working a lot on the shop. They started the permit process and they are a week away from hearing back on the permits. There was a transportation fee and Mr. Cylvick had written a letter. Carol submitted paperwork from the Planning Commission that needed to be filled out. They need to pay the fee and then ask for a reimbursement. Carol explained that the Board would submit their request for a variance and then write a letter that summarized the issues and why they are requesting the variance. After that they can go back to Kent Wilkerson and he will help the Water Company plead their case. A Board member will need to attend the County Commissioner's meeting. Mr. Cylvick authorized paying the transportation fee so the permits are not held up. Mr. Cylvick will write the letter and they will go through the process.

Mr. Blonquist noted that he had to pay \$530 for a bond. That money will be refunded if they abide by the laws.

Mr. Blonquist presented bids he had received from BDH Construction, Daniel Kreiger, and Slivers Inc. Bill George stated that his neighbor has a full crew and is light on work if they are interested in a fourth bid. Mr. Blonquist was anxious to move forward and it took three weeks for the others to submit their bid. He wanted to start digging and moving dirt before they lost the trackhoe to the project on June 1st. Mr. Cylvick was certain they would build the shop and felt they could start digging. Mr. Cylvick noted that one bid was \$164,000 with no contingency and another came in at \$152,000 with no contingency.

Mr. Cylvick stated that he would call Karen at the DDW to find out what they require and they need to make sure each of the contractor's know those requirements. After they obtain information from the State they can figure out which contractor to use.

Mr. Blonquist reported that the projects will start on June 1st. Things are ready for Memorial Day weekend and the only thing they have left to do is bleed the air off the new valve they put in over at I-Plat.

Mr. Blonquist requested that the Board consider a cost of living raise for he and Trevor.

Mr. Blonquist reported that Cole will be the main operator on the trackhoe this year. Mr. Blonquist told Cole that if he came back he would work out the same agreement as last year and he would get a dollar raise to come back because he knows how to run the water system and the equipment. Mr. Blonquist believes Cole is the best summer help out there.

MOTION: Mr. Cylvick moved to give Cole Sorensen \$1.00 raise per hour. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick asked Brody to get another bid from Mr. George's neighbor.

Miscellaneous Business

Mr. Cylvick informed Carol that the Small Claims was scheduled for August 20th, at 3:00 p.m. in Park City.

Carol asked about the new collection company. Mr. Cragun replied that the Board had decided to move forward with the new company. At the Board's direction she had presented it to Ted Barnes and his recommendation were noted on the new contract. She had discussed this with the collection company and they are comfortable with it. Carol stated that the first contract, which are the first group of collections, will be on a straight 35%. After that the accounts are six month, that percentage jumps to 70%. Carol will add that percentage to the bill when she turns it over for collection. A letter would go out that week letting everyone know that was their last chance to pay before it goes to the collection agency.

MOTION: Bill George made a motion to move ahead with the new collection company. Call Cragun seconded the motion.

VOTE: The motion passed unanimously.

Carol noted that the collection company is bonded.

Mr. Cragun felt the Board should look at using a digital recorder. Their tape recordings are hard, the tapes break and it is getting harder to find tapes. The cost is approximately \$60 to \$70.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 8:20 p.m.

Minutes Approved _____

Date _____