

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, MAY 12, 2011

SUMMIT COUNTY, UTAH

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

Ex Officio: Brody Blonquist, Trevor Townsend

Guests: Jamie Morgan, Leavitt Group; Mr. Lee, Your Way Insurance Brokerage.

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

Minutes – April 14, 2011

MOTION: Cal Cragun made a motion to APPROVE the minutes of April 14 2011 as written. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Public Input

Jamie Morgan noted that the Water Company had the Glatfelter program on the equipment, directors and officers, and general liability package. However, the auto insurance was under a separate policy with Farmers Insurance. He stated that Glatfelter is a great program for Water Districts and Water Companies. Mr. Morgan had prepared an auto quote for their consideration. He noted that the information on the Farmer's policy showed the vehicles insured much heavier than the new VIN modern rating system. For that reason, his quote was much less than Farmers. For comparison, Mr. Morgan suggested that the Board ask the Glatfelter agent to quote the auto costs as a package. If they prefer to keep the auto as a separate policy, they could continue doing so. Mr. Cragun wanted to know why the auto was separate in the first place. Mr. Morgan did not know the policy history to answer his question.

Mr. Morgan remarked that Hartford's premium was under \$1300. As shown in the summary, the trailer was added to the policy. He pointed out that the Farmers policy only insures the Ford Super Duty truck and the service truck. He clarified that a trailer is

insured when it is connected to the truck, but it is considered its own vehicle when sitting by itself. Mr. Morgan explained that trackhoes, backhoes, etc. used to be defined as mobile equipment and it was covered under general liability. However, in 2006 the definitions changed and the State now considers mobile equipment as cars. Therefore, skid steer vehicle are included in the auto policy for a small charge. If the State calls a piece of equipment a car, it is insured like a car, regardless of whether or not it is licensed.

Mr. Morgan cautioned the Board against “rocking the boat” with Glatfelter on their general liability program because they build water professional activity into the policy. It also includes Good Samaritan liability for members and volunteers. Pollution is also built into the policy. They also provide failure to supply coverage. Mr. Morgan reviewed a summary of quotes from different companies.

Mr. Morgan pointed out that the Water Company does not currently have property coverage. The premium is minimal; however, many of the underwriters would not insure Pine Meadow property based on location.

Mr. Morgan noted that the Water Company has an agent with Glatfelter, so he was unable to step in. However, if they were interested in re-appointing an agent, he could step in as the broker of record. He advised the Board not to make that change until the water system was operating more consistently.

Mr. George questioned the limits of liability umbrella, believing that an opposing attorney would ask for the maximum. Mr. Morgan replied that limits of insurance are not discoverable and an attorney would not have a right to subpoena that knowledge.

Brody explained that he pursued the insurance quotes because Dave Hales wrote the insurance nine years ago and they have built the shop and purchased equipment in the past nine years. Mr. Cragun did not think the big tanks were covered under the insurance.

Mr. Cylvick thought they should adjust the gross vehicle weight for a less expensive auto policy, and add property coverage. Mr. Cragun stated that rolling everything into one package was more cost effective. Mr. Morgan would email a copy of the quotes to Mr. Cragun.

Mr. Lee with Your Way Insurance Brokerage provided copies of insurance quotes he had prepared. Mr. Lee stated that he received information from Carol regarding their existing general liability policy. He used that information to prepare his quote. Mr. Lee compared each phase of their coverage in detail and showed the difference in cost. Understanding

that there was no property coverage, he had estimated the replacement cost of the building at \$182,151, based on the square footage. He outlined the specifics of property coverage, including the business property, personal equipment, and the pump house. Mr. Lee stated that if the water was shut down for any reason and they suffered income loss, the loss would be insured 100% with documented proof, and 80% co-insurance. Mr. Lee stated that the cost of the building and personal property coverage was \$1753 per year.

Mr. Lee reviewed the coverage for equipment and unscheduled property. He noted that the Water Company was currently paying a premium of \$1782. His proposal was \$1454 for the same amount of coverage. Mr. Lee noted that the current general liability was \$1 million occurrence and \$3 million aggregate. Under his proposal the amounts were the same, however, he also proposed an additional umbrella.

Mr. Lee stated that the existing policy was for a public municipality. Pine Meadow is a private water company, which requires different coverage. By combining an umbrella and general liability, they would have \$2 million per occurrence and \$3 million aggregate on the general liability. The premium for the umbrella was \$750 per year/million. He noted that currently the Water Company pays \$2914 for general liability. Under his proposal they would pay \$1476.

Mr. Lee remarked that the umbrella also covers the commercial auto policy. The only difference was that under the Farmers policy they paid a \$100 deductible on physical damage and a \$500 deductible comprehensive and collision. Under his proposal the deductible would be \$500 and \$500. The savings from a higher deductible would be \$1551. Mr. Lee also presented a proposal for Worker's Compensation with a premium of \$4865.

Mr. Lee remarked that as proposed, the premium for a combined coverage package would be \$12,362 per year. There would be no coverage gap because one company covers everything. Mr. Lee stated that if they add the tank to the policy, he believed the premium on \$100,000 would be approximately \$1,000.

Mr. Cragun remarked that the premium on their Worker's Compensation policy was \$3800. Brody noted that the Worker's Compensation is through Utah Local Governments Trust. Mr. Cragun recalled that they get back 5% of their premium to spend how they want. Brody explained that they go through Utah Local Governments Trust because he and Trevor are considered public employees. Mr. Lee stated that the information he obtained showed the Water Company as a corporation. If they ever supply to people outside of the subdivision, they would be categorized as a public entity. Within the subdivision they are

still a private water company.

Mr. Cragun asked Mr. Lee for the definition of “outside the subdivision”, because they supply water to people who live outside of the Ranch but were annexed in. Mr. Cylvick clarified that once the lots are annexed they become a member of the Water Company. Mr. Lee stated that the annexed lots would be considered incidental. However, the insurance needs to be managed as the Water Company grows to make sure they are adequately covered. Mr. Lee noted that his proposal was from the Liberty Mutual Group.

Jaime Morgan clarified that Glatfelter was originally created for public entities. They protect entities related to utilities and water, as long as they are not municipal. He clarified that the Water Company is a non-profit corporation, and their bylaws should state that the corporation would reimburse and indemnify the Officers and Directors for any liability they receive for doing their due diligence on behalf of the Board. If that were to occur, the money would be paid from the D & O policy.

Brody clarified that he had suggested new insurance quotes because he felt the Water Company was paying too much for auto insurance.. Brody stated that they were currently paying \$3615. The bid from Allstate for auto insurance only was \$1296. They could save approximately \$1400 by switching just the automobile insurance.

Brody was also concerned that the new building was not insured. Mr. Cragun was unsure why the Board made the decisions they did at the time, but now they need to do what is best for the Water Company. He pointed out that Utah Local Governments Trust also provides casualty insurance. He would compare all the proposals and report back to the Board.

Mr. Cylvick stated that at a minimum, they should revamp the auto insurance and insure the property. Mr. Cragun noted that he would be leaving town for three weeks and would not do anything with the insurance until he returns. Brody understood that Carol had already paid the premium on the auto insurance so there was no rush to make a change.

Water Share Extension

Mr. Cylvick reported that he had received notice of an extension from the State Engineering indicating that a Permanent Change Application Number that was filed July 15, 1993 and approved on March 22, 2006 was extended to March 31, 2015. He clarified that the Water Company had requested an extension on the water shares. The extension would allow time to drill Tollgate, complete work on Oil Well and shift around the water

rights.

Unpaid Bills

Brody reviewed the unpaid bills. Allwest and Catapulsion were for the internet. Horrocks Engineering was the retainer from the loan. KGC Associates was the bill for Carol's services. Mountain State Water Works still showed a credit. Regence Blue Cross was insurance. Sinclair Fleet was for fuel. Suburban Propane was the tank rental. Utah Division of Finance was the monthly loan payment.

Mr. Cylvick reported that Dave Dillman had an invoice that would be applied against the retainer with Horrocks Engineering

MOTION: Eric Cylvick moved to pay the unpaid bills dated May 12, 2011. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cragun stated that he would cancel the Blue Cross life policy because they now carry it through Select Health.

Manager's Report

Brody reported that everything was turned on with the exception of I-Plat. I-Plat is still off because they cannot find the leak down Pine Meadow Drive. I-Plat would be without water until the leak is fixed. Brody noted that many Pine Meadow Drive residents still have water because they have been pumping the well to supply water. Because the pressure was shut off at the switchback, I-Plat cannot get water.

Brody stated that Bobcat was producing approximately 40 gallons per minute. The problem is that Bobcat starts to dry up over time. However, based on the amount of snow, he expected Bobcat would keep producing long enough to allow time to find the leak on Pine Meadow Drive.

Brody remarked that everything else was going well. There was a leak on either Aspen View or on Woodchuck and they were losing seven gallons per minute. Because it was minimal, he planned to do nothing about the leak until they started switching the meters. Brody noted that Grandview was shut off on top of the hill because there is a large leak in that area. He estimated a loss of 30 gallons per minute from that leak. They were also

able to fix the second leak on Tollgate. He noted that after the first leak was fixed, the PRV shifted due to the amount of pressure that came through the line, which caused another leak. He explained what was done to fix the problem so it would not occur again.

Brody stated that everything was running smoothly and there had been no complaints. He remarked that the focus for the next two weeks would be to find the leak on Pine Meadow Drive.

Brody noted that last year they used the suction trailer from Mountain Regional to suction the valves and the PRVs. He believed that if the Water Company purchased their own suction trailer, it would be used more than any equipment they have. Brody commented on projects where the suction trailer would be useful and beneficial. The cost was high at \$16,000, but he felt it would be a valuable piece of equipment. Brody originally thought they could put the trailer on the loan, however, he has since found that if equipment was not originally itemized for the loan as an original purchase, the State would not fund it. Mr. Cylvick stated that he would look into finding a way to put it on the loan.

Mr. Cylvick reported on the discussion that took place when the loan was approved, and noted that the interest rate was lowered based on financial contributions the Water Company paid towards projects. The interest rate was reduced from 2.61 to 2.51 on a 30 year note. The balance of the first 3%, 20 year loan would be rolled into the new loan under the reduced interest rate at 30 years. Mr. Cylvick suggested that they follow the same process they did for the last project in terms of hiring part-time labor and doing as much work as possible. He believed that process resulted in a \$600,000 savings.

Mr. Cylvick noted that the intent was to do the Pine Meadows Drive line and at least a portion of the I-Plat connection this summer. It is necessary to do the two projects together because I-Plat needs water before Pine Meadow Drive is shut down. Mr. Cragun asked about obtaining easements to complete the work. Mr. Cylvick stated that Brody and Trevor would research the names of the property owners so he could write letters. Mr. Cylvick stated that he would offer a free meter and hookup on one lot in exchange for the easement. The other lot already had a meter so he would need to negotiate another benefit.

Mr. Cylvick stated that an environmental impact study needs to be done for Tollgate and Oil Well Road. The wells need to be studied for 250 days, which is why they cannot be drilled until next summer. In the meantime he will continue to pursue easements.

MOTION: Eric Cylvick moved to ACCEPT the \$3.1 million dollar loan at 30 years, 2.51%

interest rate from the Division of Drinking Water. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Brody reported that he and Mr. Cylvick had discussed hiring summer help. He stated that Cody Sorensen, with the North Summit Fire Department, had an interview scheduled with the County on June 1st for the wood chipping crew. Mr. Cylvick asked when Mr. Sorensen could run heavy equipment or if he would be a laborer. Brody replied that he would primarily be a laborer, but he believed he could run the backhoe. He would only be part-time help.

Mr. George knew of a foreman contractor who had skid steering equipment. He was out of work and looking for a job. Brody doubted that he would be willing to work for \$13.00 per hour. Mr. George assumed he would be willing to take whatever is available. Brody reiterated that Cody Sorensen had an interview on June 1st and he did not want to lose him to the County. He is a hard worker and very trustworthy. Brody noted that 80 hours every two weeks at \$13.00 per hour would be \$1,000. Mr. Cylvick assumed they would need to hire more than one person as the summer projects progressed. Brody suggested that they hire Cody and one other person.

Mr. Cragun preferred to hire Cody since Brody knew him and was confident about his work. Mr. Cylvick suggested that they hire Cody and when they need a second person, they could consider the person Bill George mentioned. Brody should hire Cody to start June 1st at \$13.00 per hour.

Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Cylvick noted that they were only \$75,000 below what was budgeted for income. He noted that a significant amount of the income received had been collected by Revenue Recovery.

MOTION: Eric Cylvick made a motion to APPROVE the profit and loss/budget versus actual dated January 1st through May 12th, 2011. Bill George seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet.

MOTION: Eric Cylvick moved to APPROVE the balance sheet dated May 12, 2011 as presented. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Follow Up Business

Mr. Cylvick referred to a request from Elizabeth Peck for a one-time reduction and recalled that the Board had previously approved a one-time reduction for her lot. Brody noted that the Board discussed it but it was never voted on.

MOTION: Eric Cylvick moved to grant Elizabeth Peck a one-time reduction on her water bill. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Mr. George asked about a lawsuit Carol had mentioned. Mr. Cylvick stated that MyCorp had sued the Water Company but he was unsure of the outcome. Dan Heath explained that Pine Meadow was awarded a small portion. The court process itself had been a learning experience, primarily for the HOA. Mr. Heath remarked that the Homeowners Association had their hands slapped a little. He pointed out that Revenue Recovery took the biggest hit at a loss of \$25,000. Mr. Cylvick asked if the Water Company was implicated. Mr. Heath replied that once the Water Company took away the water share they were out of the matter. He explained that MyCorp owed the Water Company approximately \$16,000. When it was not paid and the Water Company placed a lien and then took away the water share, they only had to bid \$1.00 with the right to pursue the remaining balance in court. However, the Water Company gave up that right by bidding the amount owed. Mr. Cylvick stated that the Water Company was never informed of the procedure and they acted without that knowledge. Mr. Heath pointed out that the Water Company still has the water share and the property owner has a dry lot. He assumed the lot would go up for sale, but no one would bid on a dry lot.

Mr. Cragun thought it would be advantageous to have Dan and Carol attend a meeting and explain the court process and what occurred, to protect them in the future. Dan noted that Frieda, with Revenue Recovery, had commented that it was an expensive lesson to learn. Mr. Cylvick asked Mr. Cragun to have Carol and/or Frieda bullet point some items while it was fresh in their mind, and ask them to attend a meeting possibly in July.

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Brody clarified that Carol would notify him if any shares need to be foreclosed on this year. Mr. Cragun noted that the Community Association Law was holding a seminar regarding new laws and new legislation that directly impact HOA's. The charge to attend was \$25. Seminars would be held on May 14 and 28 and June 11. Mr. Cragun would attend the session on June 11th.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:57 p.m.

Minutes Approved

Date