

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, JULY 14, 2011

PINE MEADOW RANCH

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick - President; Cal Cragun, Bill George, Hutch Foster - Board Members

Ex Officio: Trevor Townsend

Excused: Brian Zelch, Brody Blonquist

Guest: Pete Gilwold, Deer Meadows; Jaime Morgan, Leavitt Group; Richard and Jan Brockmyer, Lot I-26.

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

Minutes – June 23, 2011

MOTION: Cal Cragun moved to APPROVE the minutes of June 23, 2011 as written. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Trevor Townsend reviewed the unpaid bills. All West and Catapultion was for the internet. The bill from APCO was to repair the telemetry software because it wasn't working. Banner Life was the annual insurance premium for Trevor. Chem-Tech Ford was for yearly water samples. Farmers Insurance was the insurance premium on the truck.

Cal Cragun pointed out that the bill from Farmers should be deducted from the total

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amount of unpaid bills because that insurance was canceled. He noted that the new insurance premium was \$1296 versus the \$4,403 to Farmers, resulting in a savings of over \$2,000 and with additional coverage.

Trevor stated that the bill from Ferguson was for valves and sleeves to fix Pine Meadow Drive. The bill from Geary Construction was for material to replace what material was dug up on Pine Meadow to fix the leaks. Horrocks Engineers was the retainer. Immersion Development was the annual fee for the internet company. KGC Associates was for Carol's services. The bill from Komatsu was for filters. Mountain States was still showing a credit. Revenue Recovery was the collection agency. The bill from Select Health was health insurance for Brody and Trevor. Sinclair Fleet was the fuel bill. The Summit Health Department was water samples. Hartford Insurance was the new insurance company. The Division of Finance was the monthly loan payment.

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

VOTE: The motion passed unanimously.

Insurance

Jamie Morgan, representing the Leavitt Group, was in attendance to complete the insurance application process with Hartford Group and Glatfelter for the new insurance coverages.

Public Input

Pete Gilwold – Deer Meadows

Mr. Gilwold stated that he came before the Board last Spring. Since that time Summit County instituted a moratorium on SPA applications for six months and he was delayed by that action. He explained that SPA is an acronym for Specially Planned Area that creates its own zone. Mr. Gilwold remarked that the moratorium expires August 9, 2011 and the Planning Commission has been trying to find ways to make the process more user friendly.

Mr. Gilwold intends to re-start the process with his application. He noted that Doug and Vince drilled two wells. One is 450 feet deep and the other was approximately 340 feet deep. He indicated the existing residence and the area where the wells were drilled. The well drilled to 340 feet produces approximately 7 gallons per minute. The well that

was drilled to 450 produces approximately 12 gallons per minute. Mr. Gilwold proposed to use those two wells to service 21 lots, which is two-thirds of his project. He recalled a previous discussion with the Board about the possibility of tying into the Pine Meadows system. He understood that water source was an issue and that the Water Company has been working to increase capacity.

Mr. Gilwold believed he could lose some of his density because the Planning Commission has concerns with the number of lots proposed. He stated that part of the SPA application process is to provide a list of community benefits within the locality of the project. He was looking at either a per lot impact fee that could be used as a road fund, or giving the money to the Water Company to help with infrastructure needs. Mr. Gilwold intended to stay with an HOA in terms of road maintenance and dues. He noted that the benefits have not been defined and he was interested in hearing input from the Board.

Mr. Cylvick remarked that the Water Company has a standard procedure for annexing people into the Ranch and there is an established annexation agreement. In order for the Water Company to service the project, they would need to annex into the system. Mr. Cylvick explained all the property owners within the Ranch boundaries have been paying dues for many years. There is a metered rate and a standby rate for properties without a meter. The Water Company calculates the amount of dues paid over a certain number of years to determine the annexation fee. Mr. Cylvick summarized that there was an annexation agreement in addition to the standard impact and meter fees. If an annexation fee was paid per lot, the Water Company would not necessarily need additional money. He pointed out that the Owners Association was a different situation.

Hutch Foster stated that in addition to the requirements for annexation to the Water Company, the project would also need to annex into the Owners Association before they could be served by the Water Company. The lots served would also be subject to the architectural guidelines and the rules and regulations of the Owners Association.

Mr. Gilwold asked Mr. Cylvick for an example of an annexation fee. Mr. Cylvick estimated that the annexation, the meter and the impact fee would total approximately \$20,000. Mr. Foster remarked that the Owners Association would not charge an annexation fee until someone builds on their property. The impact fee is \$5,000 at construction.

Mr. Gilwold pointed out that a year ago he was looking at the Water Company as the sole provider to service all 21 lots. Currently, it appears the number of lots may be reduced and he may have enough source to service a portion of the lots. Ideally, the lower lots near Uncle Toms would be tied into the Water Company and the back lots would be

served by the two wells that were drilled.

Mr. Gilwold asked when the fees would be due. Mr. Cylvick replied that the fees are due when a meter is requested on a lot. However, joining the Owners Association would be required at the time of annexation. Mr. Foster assumed that Mr. Gilwold had counted new infrastructure as part of the development. If that was the case, it would not be a burden on the Ranch. Mr. Cylvick stated that the Water Company would run water lines to the edge of the annexed property and the developer would be responsible for running the distribution lines, under the supervision of the Water Company.

Mr. Cylvick remarked that currently the Water Company would not have the capacity to service the proposed project. Whether or not they could service the lots in the future would depend on the well production, which was unknown at this point. Mr. Gilwold clarified that the lots would be platted in phases rather than all at once.

Mr. Gilwold asked about the annexation process. Mr. Cylvick stated that Mr. Gilwold should let the Water Company know the location and number of lots to be annexed, and the Board would discuss whether or not it is feasible. Mr. Gilwold believed the process was a long way from the point of platting any of the lots. Mr. Cylvick informed Mr. Gilwold that the Water Company prohibits external water use. Water can only be used for culinary indoor use.

Richard and Jan Brockmyer, Lot I-26

Richard stated that they have lived on the Ranch for 8 years but never attended a meeting. They were in attendance this evening to observe and to hear what was going on, particularly since they see so much activity occurring around the Ranch.

Mr. Cylvick noted that the Water Company previously obtained a \$3.6 million loan that was used for infrastructure. A \$10,000 valve was installed at the base of I-Plat for fire flow and water, however, the valve did not work properly and I-Plat still had problems. Mr. Cylvick remarked that the Water Company applied for another loan and that money would be used to re-do the water line on Pine Meadows Drive. Rather than servicing I-Plat from Pine Meadows Drive, the intent is to go through Lots I-9, D-53, and D-59 and pull a water line off of Elk Road. Therefore, I-Plat would be serviced from the 200,000 gallon tanks rather than the 500,000 gallon tanks. Mr. Cylvick stated that he was working on obtaining easements to go through those lots. Pulling water off of Elk Road for I-Plat would enable them to lower the pressure on Pine Meadows Drive, which should reduce the problems that continually occur on Pine Meadows Drive by trying to pump water to I-Plat.

Mr. Cylvick stated that the new loan was scheduled to close the next week, followed by 30 days of advertising and bidding. He anticipated that they could begin digging on September 1st. Trevor explained that they would come into Birch Circle with the line from Elk Road and tie into the I-Plat water system. They would then go from Birch Circle to Oak Road and tie into the existing line on the lower portion, and replace the upper portion on the Main Road up to Scott Boyle's cabin with a 10" line. He noted that Jan and Richard live on Maple and that road should not be disrupted. Mr. Cylvick pointed out that the bypass up to River Birch service would supply I-Plat with fire flow.

Jan noted that because they are part-time owners, the maximum amount of water used is 2,000 gallons. Mr. Cylvick explained that there is a metered assessment and a standby assessment. The standby assessment is paid by owners who do not have a water connection at their lot. The based rate for the metered assessment started at 10,000 gallons. Jan stated that when they started paying 8 years ago the assessment was \$491. Mr. Cylvick stated that in an effort to raise money to make improvements, the fee was raised to \$491 and included 10,000 gallons of usage. Rates were raised again to secure the first loan in order to bury the lines deep enough to accommodate a 500,000 gallon tank. When the Board voted to increase the rates, he suggested a higher number of gallons to compensate for the increased rate. That was when the usage for the base rate increased from 10,000 to 15,000 gallons.

Jan asked about the average usage broken down by full-time users and part-time users. Mr. Cylvick believed the average usage was 9,000 gallons based on 400+ metered lots. Richard asked if the Board had considered offering an incentive to encourage a reduction in water use. Mr. Cylvick answered no. He pointed out that infrastructure was the biggest issue. Jan understood the problem, but felt that the part-time residents should not have to supplement the full-time residents. Mr. Cylvick replied that full-time residents pay much more than part-timers because all the full-time residents exceed 15,000 gallons. Jan felt that if another increase was required, it should be incrementally raised per gallon usage as opposed to increasing the base rate. Mr. Cylvick stated that anyone who exceeds 15,000 gallons pays a higher rate because the cost goes to \$20 per 1,000 gallons and incrementally increases as the number of gallons used increases. He estimated that full-time residents pay from \$1,000 to \$2500 per year for using 30,000 to 35,000 gallons of water. The full-time residents supplement the majority of the Water Company expenses.

Jan pointed out that Summit County has gone to a gallon per gallon payment schedule and you only pay for the gallons used. She requested that the Water Company consider that approach in the future for residents who only use 2,000 gallons per year. Mr. Cylvick

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stated that the Board is always looking for economical ways to financially support the Water Company and equitably benefit the owners.

Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Cragun pointed out that the collection letters had been sent and they were receiving an influx of money.

Mr. Cragun reported that \$100,000 was moved to Zion Bank for a better interest rate.

Mr. Cylvick stated that he had budgeted for a \$75,900 loss. They were currently \$31,500 under budget. Adding the two numbers together they would be approximately \$107,000 in the red. They were currently at 93.4% and he anticipated making up a portion of the \$107,000.

Mr. Cylvick believed it would be necessary for the Board to discuss another rate increase in September. He remarked that two annexations would be very helpful.

MOTION: Eric Cylvick 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 noted that the retainer was not showing and as a result one of the accounts incorrectly showed a negative. Mr. Cylvick pointed out that there was \$276,869 in the bank.

MOTION: Eric Cylvick moved to APPROVE the balance sheet as presented. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Manager's Report

Trevor noted that most of the projects had already been discussed. They had talked about putting off the Pine Meadows line and actually just doing the I-Plat line. They hoped to finish the top of I-Plat but it was not crucial. They could tie Elk Road to I-Plat and leave it that way for the winter.

He and Brody found a leak on Pine Meadow Drive. It was repaired and they got all the water back on. Hopefully the leaks can be managed once they are able to turn down the pressure on Pine Meadow Drive. If they can install PRV valves on the Pine Meadow Drive line it would reduce the cost of fixing the line from \$360,000 to \$30,000. Mr. Foster remarked that the Pine Meadow Drive line has been a problem for many years regardless of the pressure and he believed it would eventually need to be replaced. He realized the line could not be replaced this year because of timing, but he suggested that they think about it for the future. Mr. Cylvick thought they should watch it for the winter. If they get one leak it should be replaced. If there are no leaks, they should revisit the matter again in March.

Mr. George asked about the status of the Smart Meters. Mr. Cylvick replied that the meters could be purchased as soon as they close on the loan.

Mr. Cylvick reported that the Division of Drinking Water categorized Pine Meadow as a community water system. That categorization has its drawbacks, but the attorney, Ted Barnes, pointed out many advantages. One advantage is that the State cannot take away the water shares, even if they are not being used. One of the disadvantages is that they need to install backflow valves for everyone who has a water storage tank. The total cost to install each valve is approximately \$600, including the cost of the valve. Mr. Cylvick noted that Board already decided to purchase the meters. However, if they do not have to do Pine Meadow Drive, he asked if the Water Company should use that money to purchase backflow valves and let the owners pay their own plumber to install the valve.

Mr. Cylvick stated that the meters have a two-system check valve and the Smart Meter has a backflow. Unfortunately, the State does not accept that and requires separate backflow valves. Trevor explained that the State requires a pressurized system. The meters are qualified for a non-pressurized system, which is ideal unless someone has a pressure pump in their house. If the pressure in that house overcomes the normal pressure, it could back feed into the tank and contaminate the water system. The State requires a backflow valve for each house and it must be tested annually.

Owners Association Update

Mr. Foster reported that the Owner's Association would use the majority of their budget to purchase fill and replace the culverts at the bottom of the Canyon this year. They would change two inefficient culverts to a single 6' or 8' culvert to match what UDOT installed under the highway, to avoid the risk of losing their only access point. The

culvert itself is approximately \$12,000 to \$15,000 plus a significant amount of fill. Mr. Foster believed the County would help with machine time.

Mr. Cylvick asked if the HOA had any interest in paving the rest of the road at the bottom. Mr. Foster stated that if they had more disposable income, the plan was to continue with Jody's grader/rolling version of paving, which held up fairly well on Forest Meadow. He noted that the cost of paving was approximately \$350,000 per mile. The annual disposable road budget is \$80,000. Mr. Foster stated that if budget money is left after repairing the drainages down Tollgate and replacing the culvert at the bottom, the next project would be asphalt work.

Mr. Cylvick asked if anyone had proposed a rate increase to fund projects. Mr. Foster replied that he proposes rate increases regularly. There is a core of Board members who are long time owners who think people would lose their cabins if the rates are raised at all. Mr. Foster stated that each year he points out the amount of infrastructure that needs work. He believes it is preposterous that Pine Meadow Ranch pays the lowest dues of any HOA he has found in the State of Utah. Currently the annual dues are \$350 for a resident, \$200 for empty land, and \$250 for cabin. Mr. Foster encouraged people to contact their area reps if they believe the dues should be raised.

Mr. George asked if the Owners Association would consider borrowing the money from a third party to pave the road and pay for it over a ten year period. Mr. Foster thought the Board might be willing to consider it. He noted that the HOA has never borrowed money for projects. Mr. Foster pointed out that many people believe that a bad, unpaved road has its benefits and they have many arguments against spending money on roads.

Mr. Foster reported that the County Attorney would like Pine Meadow Ranch to create a new version of a SSD, which is a County Service Area. They would like all roads accessed in Tollgate Canyon to be under one Service Area with a new Board that would control all roads within this area and have the power to assess through the County Assessor. The new Board would have the authority to decide the level of service and which roads would be plowed communally and privately. Mr. Foster remarked that the concept of turning over the authority of roads to an unknown Board makes many people nervous. He stated that he is in preliminary discussions with the County regarding the County Service Area. In his opinion, to create a Board with the authority to oversee the legal rights to all the roads, with County backing for taxation and assessment, was a sensible long term plan.

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The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees
adjourned at 8:00 p.m.

Minutes Approved

Date