

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, MAY 16, 2013

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Cal Cragun, Kelly Cox, Bill George, - Board members; Tony Tyler, PMROA representative.

Ex Officio: Brody Blonquist, Trevor Townsend

Eric Cylvick arrived later in the meeting.

Guest: Tom Deaver, Lot E-71-A

Cal Cragun called the meeting to order at 6:35 p.m.

Minutes – April 11, 2013

MOTION: Kelly Cox made a motion to APPROVE the minutes of April 11, 2013 as written. Bill George seconded the motion.

VOTE: The motion passed unanimously. Eric Cylvick was not present for the vote.

Public Comment

Tom Deaver, Lot E-71-A, thanked Brody and Trevor for their attitude and quick response to repair a problem when the PRV valve froze in March on the other side of the Mountain. His neighborhood lost their lateral at the same time and Brody and Trevor were able to fix it in 15 days. The freeze was between the main line and the meter on the Water Company's side. Mr. Deaver wanted to know if there was a plan to keep the same problem from occurring again. Brody had mentioned the possibility of adding insulation, and Mr. Deaver asked if that would be sufficient or whether the line needed to be buried deeper.

Brody replied that every time this occurred in the past they added insulation and the line had never frozen again. He pointed out that frozen lines are on a year-to-year basis and you can never predict which lines will freeze and in which year. Whenever a line freezes, they put insulation over the top and it typically takes care of the problem.

Mr. Deaver pointed out that he is a full-time resident and in 13 years this was the first time he has had a problem. Mr. Deaver reiterated his appreciation to Brody and Trevor and the Water Company, and he deferred to their experience and wisdom on the solution.

Brody informed the Board that Mr. Deaver's water bill would need to be adjusted when he receives it. He noted that the reduction is to calculated based on the usage averaged over the last three years. Mr. Deaver pointed out that two years ago he had heavy usage because of a massive reconstruction from 700 square feet to 3500 square feet. They removed the stain from the outside of his house with pressure steamers for two weeks. He noted that last year was the finished building year and his usage was 41,000 gallons.

Mr. Deaver noted that Bill and Cheryl Groot have a child who is getting married the end of June and they plan to have a reception on the Ranch in July. He asked Brody if it was possible to take that into consideration when they schedule the time to insulate the pipe. Brody stated that it would only take four hours or less to do the work, and he did not believe that scheduling around the reception would be a problem.

Unpaid Bills

Brody reviewed the unpaid bills. Allwest Communications and Catapultion was the Internet. Armstrong Drilling was for the test pumping and pulling the well at Aspen Ridge. Chem-Tech Ford was for samples. Clyde Snow and Sessions were legal fees. Horrocks Engineers was for various projects and building plans. KGC Associates was Carol's services. Loughlin Water was for an analysis on the well after it was test pumped. Pine Meadow Mutual Water Company was money retained in a debt reserve fund. Revenue Recovery was for money they had received and this was the collection fee. Select Health was the health insurance premium. Suburban Propane was to fill the propane tank. Summit County Public Health Department was for water samples Utah Division of Finance was the monthly payment on the loan. Valcon Tech was the retainage. Brody noted that the retainage were funds withheld from the bill until the job was completed and approved by the State.

MOTION: Cal Cragun made a motion to pay the unpaid bills as presented. Kelly Cox seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/budget versus actual. Brody pointed out that they had already collected 85% of the current metered assessment and 84% of the current standby assessment. Mr. Cragun assumed the new collection program that was initiated was working. Brody believed; however, that customers are finally happy to pay for something they are getting. Mr. Tyler thought the improved economy also helped.

Mr. Cragun commented on the automobile expense and noted that they were nearly half way through the year and they had not used half of what was budgeted. Brody explained that they budget higher than expected because it is an expense that cannot be anticipated.

Eric Cylvick arrived.

Mr. Cragun asked why they had not budgeted for contract labor. Brody explained that they were not hiring a summer helper this year.

MOTION: Eric Cylvick made a motion to APPROVE the profit and loss/budget versus actual dated May 16, 2013. Kelly Cox seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. There were no questions or comments.

MOTION: Eric Cylvick made a motion to APPROVE the balance sheet dated May 16, 2013 as presented. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Correspondence

Mr. Cylvick read correspondence from property owners Nathan and Cristy James, Lot PI-D-5, requesting a waiver on the overage due to a leak. Brody confirmed that he and Trevor had found the leak by the hydrant. Mr. Tyler noted that the owners were full-time residents and he suggested that the Water Company look at the usage from prior years. He was certain the owners had used more water than what they were claiming. Trevor noted that Carol had notified the owner as soon as the leak was discovered. Brody verified that the owners had fixed the leak.

Mr. Cylvick was willing to grant the one-time reduction if the owners wanted to use it for this situation.

MOTION: Eric Cylvick made a motion to off Nathan and Cristy James the one-time reduction in water fees. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick read correspondence from Carol indicating that a letter he had sent to Lawyer Brothers LLC was returned with no other address available. Brody believed the returned letter represented one that was sent to property owners regarding the easement in the Canyon.

Mr. Cylvick read correspondence stating that PI-E-16, the old Bruhl property, was foreclosed, and the new owner has offered to pay \$6,105 as payment in full through 2013. Carol asked if the Board would accept the offer. Mr. Tyler pointed out that PI-E-16 is currently a dry lot. Mr. Tyler reported that the new owner is the attorney for Revenue Recovery. He foreclosed the property and then purchased the property from the tax sale. Mr. Cylvick pointed out that he was the new owner but he was not the one who incurred the charges. He asked if the new owner would be charged an impact fee before they could re-install the meter.

Mr. Cragun thought the owner needed to understand that the \$6,105 he was offering to pay would not restore water to the lot. Mr. Cylvick reiterated that the new owner did not incur the charges. Mr. Cragun thought the whole situation was a little shady. Mr. Tyler agreed because the new owner knew that the lot did not have water because that was recorded. He felt the new owner was thinking that we would not have to pay for the meter and the additional hook-up fees. Trevor noted that the lot is vacant. He believed the Water Company had foreclosed on the water share because of non-payment of standby fees. There has never been a water hook-up on the property. Mr. Tyler stated that Revenue Recovery also foreclosed on the lot on behalf of the Owners Association and forced a sale at the Sheriff's sale.

Mr. Cylvick asked if the foreclosure was on behalf of the Owner Association only or on behalf of the Owners Association and the Water Company. Mr. Tyler was unsure. However, the amount in HOA collections was \$5,000 and he doubted that it included the Water Company. Mr. Tyler understood that a Sheriff's sale does not wipe out previous liens or notices like it would in a foreclosure. Therefore, the new owner would still owe the full \$10,000 owed, and he was offering \$6,105.

Mr. Cylvick clarified that the new owner was offering to settle. Brody stated that if the Water Company accepts the settlement amount, they should be very clear that the \$6,105 does not include a water hookup. Mr. Cylvick pointed out that when it becomes a metered lot, the Water Company would get an additional \$8,500. Brody thought Mr. Cylvick should ask Carol for a breakdown of the \$6,105 offer. Mr. Cylvick asked Brody to contact Carol with all the questions and to email him with the answers.

Brody understood that the Water Company policy was that once a lot becomes a dry lot, it needed to be annexed back in before water could be hooked up. In that case, the owner would also have to pay the annexation fee. Mr. Cylvick asked Mr. Cragun to research the bylaws for the policy. Everyone agreed that additional information needed to be obtained before the Board could make a decision.

The Board moved into closed session to discuss new information on Lot PI-D-5.
The Board re-opened the meeting.

Mr. Cylvick stated that concerning Lot PI-D-5, Nathan and Christy James, after looking at the Rules and Regulations, Section 3.3.4.3 - Calculation of Water Bill Reduction, the Board had decided to use #1 – Formula. Total water usage for the year in question would be reduced by 50% over the base 10,000 gallons will be recalculated based on this new water usage. That formula will be offered to Nathan and Christy James as a one-time reduction. The Board denied waiving any other fees.

Manager's Report

Brody had emailed the Board members a list of proposed projects for this year. In addition to the emailed list, Brody also suggested that they replace the doors on the pump houses and protect the tops of the pump houses to keep snow from seeping through.

Mr. Cragun asked if the list or projects needed to be prioritized. Brody replied that there were no priorities, and that all the projects should be done as soon as possible. They needed to start the building permit process on the two pump houses. As soon as he received site plans and building plans from Dave Dillman he would submit them to Summit County.

Brody stated that two people are interested in purchasing the big trackhoe. He

remarked that the trackhoe was sitting around deteriorating because they rarely use it, and he personally thought the Board should consider selling it. The Board agreed that Brody should try to sell the trackhoe for a fair price. Mr. Tyler suggested that Brody contact the Komatsu dealer in Salt Lake to see what the trackhoe is worth. Depending on the price, he would see if the Owners Association was interested in purchasing it.

Mr. Tyler asked if the Water Company anticipated a time for doing the Uncle Tom's line this summer. He was trying to coordinate with Jody Robinson on roadwork, and it was the only road on the Ranch list this summer that would conflict with the Water Company. Mr. Tyler wanted to make sure they did not lay road base or mag chloride the road until the Water Company completes their work. Mr. Cylvick stated that Dave Dillman was working on an Excel spread sheet in terms of money spent so far, what is left on the loan, and estimated costs.

Mr. Cylvick reported that he had met with Bill Loughlin and Robert Armstrong to discuss the options for drilling water now that the Aspen Ridge well has been test pumped. Mr. Cylvick noted the well went down to 680 feet, and when they sent the camera down they could not detect any perforations. It was test pumped at 20 gallons per minute and it was fine. The flow was increased to 40 gallons per minute and it drew down to right where the pump was set at about 425 feet. At that point they had to back off to 30 gallons per minute because they did not want to suck air and burn up the pump. Mr. Cylvick stated that Mr. Loughlin was pessimistic when the well was tested, but when he plotted it out and showed it to Mr. Armstrong, his perspective changed by the way it stabilized. Mr. Armstrong believed the casing is thin and the well would have to be replaced within the next 20 years. After studying the well, Mr. Armstrong thought this was still the best place on the Ranch to drill a well. Mr. Cylvick noted that a new well was considered in the loan amount if the existing well could not be improved.

Mr. Cylvick explained that since there were no visible perforations on the upper section, Mr. Armstrong believed all the water was coming up from the bottom. The well is open to approximately 650 feet before the muck starts. The theory is that the water is coming from the bottom and the perforations are down there. Brody stated that there is the possibility that if there were perforations at 650 feet, it finally rotted away and collapsed. Mr. Cylvick commented on the possibility that the well is beginning to collapse on itself. However, Mr. Loughlin and Mr. Armstrong concurred that this was the best location to drill a new well.

Mr. Cylvick reported that the Water Company has a current production of 75 gallons per minute between Uncle Tom's, Tollgate, Lower Tollgate, Upper Tollgate and Contact,

which is sufficient for the current need. However, there is a recognized need for more water over the life of the Ranch, and the question is where they would find water. Mr. Cylvick remarked that in his opinion, this was the best location.

Mr. Cylvick stated that he also met with Bill Loughlin at the bottom of Tollgate on the HOA land on the second parking. They looked at the formation and went over to Kim and Dave's house and took a water sample. Mr. Loughlin would also calculate the thickness of the formation. Mr. Cylvick thought Aspen Ridge was the first thing to pursue, and down the road they would do a test well at the other location. The problem with that location is that there were no power or water lines and it would be expensive.

Brody stated that another booster pump was not included in the loan money. He asked Mr. Cylvick to make sure that if the water level is 800 feet deep, that they would not need to have another booster pump half way. Mr. Cylvick noted that Mr. Dillman was doing the spread sheet and he should have it completed by the next Board meeting. Mr. Cylvick assumed that drilling a new well would not occur this year because of timing.

Mr. Cylvick reiterated that after spending time with Mr. Loughlin and Mr. Armstrong, and if the Water Company intends to pursue additional water with the loan money, Aspen Ridge was the best location. Mr. Cylvick noted that they had \$1.2 million left in loan money and this project would be approximately \$650,000.

Mr. Cylvick outlined the risks and downside of the Aspen Ridge well. He clarified that he was not asking the Board for a decision this evening. He was providing all the information to consider for a future decision. He stated that if they drill the well they would need to do it with the assumption that they may only get 30-40 gallons per minute. Brody thought the decision would be whether it was worth the cost to run a pipeline to Aspen Ridge for 30 gallons per minute, or whether they should turn it over to the Aspen Ridge owners at that point. Mr. Cylvick pointed out that the line and the pump house would be at least \$300,000. He estimated \$750,000 for the pump house, the buried line, and the new well.

The Board discussed a number of possible scenarios they could pursue with the well. Mr. Cylvick stated that he would compile the information with all the options and the pros and cons. Brody asked Eric for his opinion on the chances of obtaining an easement from all the people who own the property. Mr. Cylvick thought they should be able to drill a new well in that location because there was already an easement agreement across that property.

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Mr. Cylvick believed they would know more after Mr. Dillman goes through the budget, which should help in making the decision. He asked if Mr. Dillman would include the projects proposed by Brody and Trevor in the spread sheet. Brody understood that he was including everything. Mr. Cragun thought they should wait for the spread sheet to know what money they have, and then definitely move ahead on the well because they need more water. He believed Aspen Ridge was the best option at this point.

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

Minutes Approved

Date