

PINE MEADOW MUTUAL WATER COMPANY
BOARD OF TRUSTEES ANNUAL WATER MEETING
THURSDAY, NOVEMBER 14, 2013
KIMBALL JUNCTION LIBRARY
SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick-President, Cal Cragun-Treasurer, Bill George-Secretary, Kelly Cox, Tony Tyler – Board Members

Ex Officio: Brody Blonquist–Water System Manager, Trevor Townsend, Carol Steedman, KGC Associates.

President Cylvick opened the Annual Meeting at 6:30 p.m. Mr. Cylvick introduced the Board members. He noted that Carol Steedman from KGC Associates is the contract bookkeeper and administrative assistant for the Water Company.

Projects Update

Mr. Cylvick noted that most of the projects were the same as 2012 but a few new projects were added. The I-Plat bypass line was completed last year. Mr. Cylvick stated that in 2013 the Board made the decision to look at the Amoco Well in Aspen Ridge as a potential water source. After doing some research, Mr. Cylvick found that the Amoco Well had actually been deeded to the Pine Meadows Mutual Water Company; however, it was taken over by Axel Grabowski and integrated into the Aspen Ridge community. Mr. Cylvick made a claim of ownership interest and made their claim known to Aspen Ridge. He approached the owners in Aspen Ridge with the idea of scrubbing and test pumping the well. The well was never intended to be a water well. The original purpose was to have water to rinse off the oil well equipment. Mr. Cylvick reported that when the Amoco well was test pumped it produced approximately 30 gallons per minute and it appeared that the lower portion of the well had already collapsed on itself.

Mr. Cylvick explained that the Board originally thought that if the well could produce 75-100 gallons per minute, they would develop the well, give Aspen Ridge the 12.2 gallons per minute that they had rights to, and the Water Company would take the rest. Mr. Cylvick had drafted an MOU and Aspen Ridge agreed to the terms. However, he

made it clear that the agreement was contingent on finding water in the existing well. Based on the limited amount of water produced, the Board decided that it was not worth the time and expense to drill a new well next to the existing well because the Division of Drinking Water would not have allowed them to use the well for a community water system well.

Mr. Cylvick noted that the two pump houses at Oil Well and Bobcat Springs were also projects that were done in 2013. The Tollgate pump house was started in 2012 but it was not completed until 2013. Mr. Cylvick explained that the Utah State Division of Drinking Water informed the Water Company that the old pump houses were not up to Code or State standards and they needed to be replaced.

Mr. Cylvick stated that another project in 2013 was to replace the pipe on the upper section of Pine Meadows Drive from the switchback to the Holt property. That section of pipe burst every winter and caused a number of problems. The old pipe was replaced with high density black welded pipe. Mr. Cylvick remarked that many of the breaks in the Pine Meadow line was caused by high pressure. Doing the I-plat bypass enabled them to reduce the pressure in the Pine Meadow line.

Proposed Projects for 2014.

Mr. Cylvick reported that the proposed projects were discussed by the Board but no decisions had been made. He noted that loan money was left over but the State would not allow it to be returned. Mr. Cylvick had spoken with the Division of Drinking Water and the general consensus is that the loan money could be used for any type of road improvement project that improves access to the water system or sources, or for fire protection. He had received confirmation through an email and it had been reviewed by the attorney. If the Water Company decides to improve and widen the lower sections of Tollgate and possibly Forest Meadows, they have the legal right to use money from the loan.

Mr. Cylvick stated that the Water Company had contracted with Evergreen Engineering to survey the entire bottom section of the parking lot, the roads and the lower section of Forest Meadow Road. It took two surveyors approximately 15 days to survey. The data should be consolidated and formatted after Thanksgiving and the Board would meet with the engineers to discuss their recommendations for road improvements.

Bob Burdette, Lot 88, understood that the Water Company has the legal right to spend the loan money, but he asked if they have the right to go on to private property that is not owned by the Water Company to make the improvements. Mr. Cylvick stated that approximately 30 years ago a landowner at the bottom of Tollgate tried to put a gate

across. The case went to the Utah Supreme Court and Tollgate Canyon Road was declared a prescriptive easement because it had been used for access longer than 40 years. The owners have the right to travel on it and the Homeowners Association has already set a precedent for improving the road. If the Water Company chooses to widen the road or put up retaining walls, they would contact the affected land owners. If they only improve the bar ditch and pave the existing road, the landowners were already notified that some work would occur and a meeting was held with them this summer. Mr. Cylvick had emailed the owners of the property who would be affected if a rock retaining wall would be necessary. The road going up towards Forest Meadows is on HOA property. However, the bigger problem is that the section further up Forest Meadow has never been deemed a prescriptive easement because a precedent has never been set. The Water Company believes the road would be safer if they could widen the last steep section on Forest Meadow Road.

Mr. Burdette clarified that it would have to be with the approval of the landowners. Mr. Cylvick agreed. Another option would be to legally contest the landowners if they objected, but he was not interested in using that option. In speaking with the landowners he had not found anyone who was opposed. Mr. Cylvick reminded everyone that the plan was very preliminary and no decisions had been made.

Mr. Cylvick stated that the Water Company was considering installing a wooden guardrail in the area on the back side of the culvert where the jersey barriers were currently located. The design is to replace the culvert that Summit County installed at the bottom and he intended to ask the County to help with some of the work since it was Summit County property. He would also ask them to replace the culvert since it was crushed and destroyed. A rock retaining wall would be built and approximately 10-15 feet would be added to the width of the road at the bottom to make it easier for emergency vehicles to pass. There was also the potential to add another guardrail in front of the mailboxes.

Mr. Cylvick emphasized that the proposed projects were still being discussed and nothing was finalized.

Brody Blonquist commented on complaints from owners regarding the lights on the pump house buildings at Bobcat, Oil Well and Tollgate. He clarified that putting lights on the building was required by the State of Utah. He pointed out that another benefit for having the lights is to help Jody Robinson when he is plowing during the night. It gives him a place to scrape his blades and check his tires. The lighted buildings also act as a safe place for residents if they need a light to fix their vehicles if they have a problem on the road.

Tony Tyler, HOA President, stated that the primary complaint he heard was not so much that the lights were on the building but more that the lights were pointing straight out. Most of the people who contacted him only requested that the lights be directed down to avoid the glare of light driving up the canyon. Trevor Townsend stated that the electrician had shrouds for the lights and they could ask him to put them on. Mr. Tyler believed shrouds would resolve the complaint issue.

Minutes – 2012 Annual Meeting

Tony Tyler corrected Debra Rake to correctly read, **Debra Rakes**. Her name needed to be corrected in several places throughout the minutes.

MOTION: Eric Cylvick made a motion to APPROVE the Annual Meeting Minutes of November 8, 2012 as corrected. Tony Tyler seconded the motion.

VOTE: The motion passed unanimously.

2014 Budget Review

Mr. Cylvick stated that the Division of Drinking Water had recently started charging principal and interest on the full amount of the loan even though they have not used the full amount. Up until then, it was treated more like a line of credit. Mr. Cylvick noted that the first loan was rolled into the second loan as one balance at 3% interest. The State also requires the Water Company to have a debt reserve fund that accumulates \$300,000 over ten years to cover payments for the loan.

Mr. Cylvick explained that with the total loan payment coming due, there is a need to increase rates by \$10.00 per month to cover the principal and interest on the entire loan. The proposed increase was integrated into the 2014 Budget.

Mr. Cylvick noted that the Water Company was showing a \$20,827 loss for the 2014 Budget. Last year they were showing a \$16,000 loss. However, the net ordinary income came in at \$142,000. Carol pointed out that there was still a month and a half left in the year. Mr. Cylvick anticipated a \$40,000 surplus based on water hook-ups and other expected income. Some of the funds they had anticipated would be past due had been collected by the collection agency, Revenue Recovery.

Tony Tyler asked where the projected \$40,000 surplus was coming from. Mr. Cylvick replied that it was based on past due collections, excess water usage, payment plans and the use of credit cards to pay assessments. The Water Company also sold the trackhoe, which was used to pay down the loan principal.

A property owner wanted to know how much had been paid down on the loan. Carol replied that approximately \$500,000 had been paid so far. There was approximately \$6 million left on the loan.

Regarding the increase in assessments, a member noted that the assessment was increased a few years ago and another assessment would exceed the schedule that was projected at that time. Mr. Cylvick stated that without fully knowing what needed to be changed and improved with the water system, they applied for the loan to update the water system. He explained that the Board tries to project an increase that would cover two years of projects. However, sometimes other things come up, such as replacing the pump houses or Forest Meadow Road. The member asked if the \$10 increase applied to everyone or if the rate was different for those who were not connected to the system. Mr. Cylvick replied that it would be \$10 per month for every lot owner. The increase would cover the cost of the loan and operating costs. No other projects were proposed and there would be no reason to borrow additional money.

A member asked if the Water Company has more leverage than they used to in getting people to pay. Mr. Cylvick stated that last week he had foreclosed on five or six lots. Mr. Cragun pointed out that they were using a different collection agency and the new agency has been very successful collecting past due balances. In addition, the Water Company now accepts credit cards for assessments and that has encouraged more people to pay their assessment on time. Mr. Cylvick explained the process for foreclosing on a water share.

MOTION: Eric Cylvick moved to APPROVE the 2014 budget as shown in the Profit and Loss 2014. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick stated that the approved budget included a \$10/month rate increase.

Elections

Eric Cylvick and Bill George were up for re-election. There were two write-in candidates; Cheryl Groot and Linda Boyce, and each had one vote. Eric Cylvick received 38 votes and Bill George had 39 votes. Carol pointed out that the elections were still ongoing and votes would be accepted until December 12th. There were no opposing candidates.

Miscellaneous Discussion

Paul Allen stated that in reading the minutes from the 2013 Annual meeting there was a discussion about full-time versus part-time residents and that the part-timers should be assessed at a lower rate. He asked if that was still an ongoing issue. Mr. Cylvick explained that one owner raised the issue at the last meeting because he was upset about the way it was structured. That person did not offer a solution or idea for how it should be structured. Mr. Cylvick explained to the owner that full-timers do pay more because they use more water. Mr. Allen recalled that the full-time versus part-time used to be a widespread sentiment on the Ranch. He asked if that had changed at all. Mr. Cylvick stated that the resentment has mostly gone away. Occasionally someone comes in to voice that opinion, but it has lessened significantly compared to previous years. Mr. Cylvick noted that currently there are more than 100 homes that are year-round. It has become a community of year-round people. Mr. Allen was surprised when he read the minutes to see that the issue had come up in the meeting.

Brody reminded Mr. Cylvick about the annexation fee increase.

MOTION: Eric Cylvick made a motion to increase the annexation fee by one standby, which will be the new rate for 2014. The new rate will be \$16,920.. Bill George seconded the motion.

VOTE: The motion passed unanimously.

A member asked if the Board ever looks at the properties on the boundary of Pine Meadow and Forest Meadow that have water but have never annexed in. Mr. Cylvick stated that they had pulled some meters. They were currently in negotiations with the new owner of the Leon Gale house to re-install the meter. The meter was initially pulled because Leon Gale has used the water to fill his pond over a Fourth of July weekend. It was suggested by the member that if they put pressure on those properties to annex, it would bring in added revenue for the Water Company. Mr. Cylvick believed that it would be difficult to tell those owners that they owe an annexation fee because of previous deals that were made by people who worked on the roads and the water system. If they find that any of those properties were hooked up illegally, however, that would be a different matter.

Mr. Cylvick remarked that water source was the only issue the Water Company has now because they do not have enough source for build-out. He explained everything they did with all the wells to try and achieve additional water source, but they were still well below the needed capacity. Mr. Cylvick stated that currently they can pump 75 gallons per minute. The full-time residents were using an average of 55-60 gallons per day per

household.

Someone asked how many more cabins could be sustained at the current source. Mr. Cylvick stated that it would depend on whether the State changes the reduced requirements. They were still operating under the reduced State requirements. They have 75 gallons per minute and they need 275 gallons per minute to meet State requirements. The State requires 800 gallons per meter per day. If they State takes away their reduced requirement, they would need an additional 200 gallons per minute.

Mr. Cylvick stated that the Board was currently working on solutions to the source problem if they could not find enough water on the Ranch; however, no decisions have been made.

Bob Burdette asked where people were getting the water to keep their lawns green. Mr. Cylvick replied that some people have water storage. Brody and Trevor have approached others who were using Ranch water for their yards, and those connections were disconnected.

Mr. Cylvick noted that the Board would be holding their regular meeting following the Annual meeting and the members were invited to stay.

The Annual meeting of the Pine Meadow Mutual Water Company adjourned at 7:40 p.m.

Minutes Approved

Date