

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, JANUARY 14, 2016

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Cal Cragun, Craig Gilliam - Board members present. Tony Tyler and Bill George arrived later in the meeting.

Ex Officio: Trevor Townsend

Eric Cylvick called the meeting to order at 6:35 p.m.

Minutes

MOTION: Cal Cragun moved to APPROVE the minutes of October 8, 2015 and November 5, 2015 as written. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the Profit and Loss/Budget versus Actual. Mr. Cragun pointed out that Carol had included the budget for 2015 and 2016 for comparison. Mr. Cylvick reviewed the profit and loss and the balance sheet for 2015 and noted that they ended the year with \$84,000 net income versus a \$20,000 budget.

Mr. Cragun noted that they had to pay slightly more for casualty insurance for 2016. It was \$12,000 and that amount included directors and officers.

MOTION: Eric Cylvick moved to APPROVE the profit and loss/budget versus actual and the balance sheet for 2015. Craig Gilliam seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the Profit and Loss/Budget versus Actual and the Balance Sheet for January 2016.

MOTION: Eric Cylvick moved to APPROVE the Profit and Loss/Budget versus Actual and the Balance Sheet dated January 2016. Craig Gilliam seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cragun asked if they had received an answer on whether they should increase the insured value on the undeveloped properties they own. Mr. Cylvick did not believe it was necessary to increase the value on vacant property. It would only make a difference if there was a structure on the property. Mr. Cragun thought they should show the value on the balance sheet. Mr. Cylvick thought the time to have the property re-appraised would be if they decide to consider selling the lots. Mr. Gilliam suggested that it should be re-appraised if it has been a long time since it was last appraised and property values have significantly increased. However, considering the current market he assumed the value has remained consistent.

Unpaid Bills

Trevor Townsend reviewed the unpaid bills. Allwest Communication and Catapultion was for the internet. Allwest Communication was still showing a credit. APCO Incorporated was for the telemetry for the new pump house. Clyde Snow Session and Swenson were legal fees. The bill from the House of Hose were parts for the PRVs. Horrocks Engineers was for Dave Dillman and that expense should go on the loan. ID Electric was to repair a heater at the Oil Well pump house. KGC Associates was for Carol's services. The bill from the Leavitt Group was the insurance that Mr. Cragun had mentioned. Revenue Recovery was the collection agency. Trevor noted that he and Brody had followed up on the last power bill that the Board had questioned and found that the charge was for a power line at A-plat that they had damaged with the grader. Select Health was the health insurance premium. Suburban Propane was to fill the tank. Summit County Health Department was water sample testing. Utah Division of Finance were loan payments. Verizon was the phones.

MOTION: Eric Cylvick moved to pay the unpaid bills dated January 15, 2016. Craig Gilliam seconded the motion.

VOTE: The motion passed unanimously.

Manager's Report

Trevor reported that the pump house was nearly finished. They still needed to epoxy the floor at the 500,000 tank. The pumps were finally on line and everything seemed to be running fine.

Mr. Cragun asked about progress on the fire station. Trevor replied that work on the fire station was suspended until Spring. Trevor thought it should have been completed last summer. Mr. Cylvick asked why it was so far behind the projected completion date. Trevor stated that they had not applied for the permits early enough. Once the permits were obtained everyone thought it was better to wait until Spring to begin.

Mr. Cylvick asked if they had solved Mike Bowen's freezing problem. Trevor stated that everything has been good so far and the line has not frozen. They plan to ask Mr. Bowen to keep a trickle running this winter to keep it from freezing.

Mr. Tyler arrived

Trevor noted that a spring popped up at the bottom of Forest Meadows and Arapaho and they get at least three calls about it every weekend. He noted that they had put chlorine in it for three straight years and have never had chlorine residual. They also used a listening device and could not find anything. The spring completely dries up in the summer time. He and Brody plan to help Jody dig a French drain this summer so it will run over the bank into the bar ditch. They do not believe it is a leak because nothing changes on the history trend.

Mr. Tyler asked Trevor and the Board members for long range projections in terms of projects and what the Board should be thinking about within the next five years.

Trevor requested a larger maintenance budget as the infrastructure starts aging. He thought they should think about systematically replacing meters eventually. The meters have a 10 year battery life and they should only have to replace the battery function.

Mr. Cylvick stated that they set money aside every month in the capital reserve fund. The capital reserve is for purchasing water. He believed they had 1.5 million for purchasing water from Mountain Regional. They have already banked 1.1 million gallons of water. Mr. Tyler remarked that if they had another high usage year, the banked water could be used up in one summer. Mr. Tyler thought it was advantageous to work out an agreement with Mountain Regional. His fear for the entire Ranch is that they will eventually grow to the point where the State would no longer allow the exemptions and the water would be much more expensive. Mr. Tyler was unsure what

type of agreement it would be with Mountain Regional, but it should a secure long-term right to water. Mr. Cylvick remarked that the easiest and most cost-effective approach would be to become part of Mountain Regional.

Trevor stated that within the near future he could see using Mountain Regional as a subsidy to keep them functional. Even now when there is heavy usage on the weekends and the pumps are on they are unable to fill the tanks. Mr. Cylvick suggested that they could add more storage. Mr. Tyler agreed that adding more storage was the only other solution besides purchasing water from Mountain Regional. He felt that if they ever get into a position of having to rely on Mountain Regional for water it would be very costly.

Mr. Cragun asked about the cost of a new storage tank and where it would be located. He was told that the cost is calculated per gallon. A 500,000 gallon tank would be \$500,000. Mr. Cylvick thought the only location would be off the emergency exit on the ground that is landlocked. Mr. Cragun asked if the \$500,000 cost included a pump house. He was told that the pump house would be a separate cost. Mr. Cylvick thought it would be an additional \$200,000 for the pump house.

Mr. Cylvick stated that based on all the requirements they technically have enough storage unless the State changes its requirements. If that occurs they may have to invest in another tank. Otherwise, if they have an endless amount of source they have enough source regardless of what the CC&R require. They are just looking for water and right now they can pay for it. Mr. Cylvick thought they should continue to pay for it until the terms change. In the meantime, he believed there was an opportunity to come to an agreement with Mountain Regional now in an effort to pre-empt negotiations whenever it becomes necessary. Mr. Tyler pointed out that Mr. Cylvick has a good relationship with Andy at Mountain Regional. However, if Andy is gone in ten years and someone else steps in, an agreement would already be in place.

Mr. Gilliam had received a call from a part-time owner last week. He owns a place on D Forest Meadow Road, Lot C-75. The owner lives in Arizona and he only uses 4,000 gallons of water per year and the assessment is too high a price for the 4,000 gallons. The owner was requesting a graduate assessment; and noted that he only pays \$100/1000 for his cabin in Alaska. Mr. Tyler had also received a phone call. He noted that this same person makes the same complaint every year about the water rates.

Mr. Tyler commented on the trend that has started to occur where long-time property owners are selling their cabins to full-time residents, or part-time residents are using

their cabins more often. Mr. Cylvick asked Mr. Tyler to estimate the current number of full-time residents. Mr. Tyler believed Carol would have a better estimate. The problem is that unless someone claims it as their primary residence it does not show up as a full-time residence. Mr. Tyler stated that the last time he looked at it in detail the official number was 124 full-time residents with houses. He thought the number could easily be 150 to 160. Mr. Tyler sees between 20 and 30 new full-time residents each year, and he expects that to continue as long as the market in Park City continues to be good.

Bill George arrived

Mr. Cylvick commented on easement issues on Tollgate, particularly related to liability. Mr. Tyler stated that he has been talking with Derrick Radke in Summit County about creating a Special Service District for Tollgate Canyon that would go up, go around Oil Well and back down Forest Meadow. He believed this would be the best of all cases in terms of both liability, enforcement and maintenance. He explained the process for creating a Special Service District. It requires a petition signed by people who use the road, but a specific number of signatures is not required. In addition, they would need to propose a structure that works and negotiate an agreement with Summit County in terms of how it would be maintained, operated and funded. They would then have to get enough of the people who signed the petition to attend the County Council meeting and encourage the Council to accept it. The Summit County Engineering Department would have to support it as well. Mr. Tyler stated that when Pine Meadow received a grant for the re-route of Forest Meadow Road, there was positive feedback from the County Council for the lower section of Tollgate to become its own Special Service District. They were in favor for a number of reasons, but the main reason was that they wanted the ability to collect tax revenue from it to improve and widen the road to a safer standard. Mr. Tyler would continue to talk with Summit County. He has made incremental progress but they have not yet reached the point of working out the details to make it happen. He noted that Mr. Radke generally supports it.

Mr. Tyler offered to set up a meeting where he and Mr. Cylvick could meet with Derrick Radke and begin the process. Mr. Tyler preferred that it be a homeowner led initiative as opposed to being a Board led initiative. He did not believe he could get the full HOA Board to agree to it. Mr. Eric suggested that Mr. Tyler put together a cost analysis they could use to try and convince the people. Mr. Tyler believed there was enough momentum with the County to begin negotiations and crafting how it might work, but it will take time. Mr. Tyler personally thought the better approach would be to dedicate the lower section into a Special Service District rather than trying to put in a gate.

Mr. Cylvick summarized future projects as a potential agreement long-term agreement with Mountain Regional and looking at a Special Service District. He clarified that he did not want Summit County involved in anything that pertains to the Ranch itself. In his opinion there should be decent access to the Ranch and that could be accomplished through a Special Service District. The Board commented on parking issues and issues related to the parking lot.

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

Minutes Approved

Date