

LDWA MEETING MINUTES

JANUARY 21, 2010

Meeting Place: Leeds Town Hall 218 N. Main St, Leeds, Utah

1. Welcome by Ron Cundick at 7:12 pm.
2. Prayer led by Scott Hayes.
3. Pledge of Allegiance led by Danielle Stirling.

Board Members Present: Ron Cundick, President; Ben Gordon, Vice President; Danielle Stirling; Randy Stevens; Ange Rohr.

Staff Present: Scott Hayes, Water Manager and Karen Markovich, Office Administrator/Corporate Secretary.

I. **SPECIAL SHAREHOLDERS MEETING SESSION** - The purpose of meeting to receive shareholder vote on proposed amendments to LDWA Bylaws. Shareholder names were verified and recorded prior to receipt of ballots.

1. Review and discussion, shareholder comments on proposed amendments was led by Ben Gordon. Ben Gordon reviewed each proposed amendment (refer to attachments to minutes).
2. **Proposal #1, Amendment to Voting Rights** – Shareholder Susan Savage asked if it is equitable to limit voting to one vote per shareholder, if that shareholder owns several parcels, or in conjunction with multiple owners. Ron Cundick said given LDWA was organized as a Mutual Water Company rather than a corporation, each shareholder is limited to one vote regardless of how many shares they have.

Proposal #2, Officers Duties – Shareholder Merle Gier asked if a CPA would now be necessary to hold a seat on the Board given the revision to Treasurer Duties. Ron said one Board member will be assigned the duties and they do not need be a CPA, and there will be no additional cost to LDWA, as Board members are not paid.

Proposal #3, Distribution of Water, Seasonal Use – Shareholder Blain Bowden asked if the amendment was approved by the State of Utah. Ron said House Bill 51 allows ‘reasonable allocation’ to be set aside for future use, and the proposed amendments satisfy that law.

Proposal #4, Distribution of Water, New Developments – Shareholder Martha Ham recommended a revision to change the proposed requirement of Developers to reimburse LDWA, to state Developers would be responsible to deposit funds [with the Association] sufficient to cover all expenses before they are incurred. The Board agreed to revise the amendment to *“Developers shall be responsible to the Association for its costs in procuring water rights and source on their behalf, and shall deposit funds with the Association to cover such costs before they are incurred.”* Shareholder Dick Higgins asked if an individual is granted a waiver for three lots, followed by another three lots, and so forth, it could ostensibly become a development. Dick does not want unbridled development in our area. Martha Ham said it she believes it would be a meaningful way to absorb new development. Ron said the Boards’ intent is that LDWA provide water service for individual lot splits on a one-time basis or in-fill within our service area. It is not intended for larger developments.

Shareholder Dale Barnes suggested inclusion of a time limit for completion of tap connections. Board Member Danielle Stirling said her understanding is that a waiver may only be granted *one time* for each individual requesting it. Martha asked if LDWA has negotiated a service area with the Town of Leeds. Ron said he received a verbal agreement from previous Mayor Trudy Law & then-Town Planner Drake Howell; however, a written agreement has not been completed. Ron said he sees LDWA’s service area to include the portions of Town where the system is currently established, and the Town’s service area is that of new development in areas where LDWA is not established - properties annexed into the Town after January 1, 2008.

Shareholder Bob Breskin said it is time to vote. **Martha Ham motioned** to accept the sentence revision to Proposal #4, Distribution of Water, New Developments, as read by Ben Gordon; **motion seconded** by Susan Savage; **all in favor to close discussion and vote.**

3. Votes were cast, ballots were tallied by Bob Breskin and Board Member Randy Stevens. **31 Shareholders voted unanimously on all four amendments.**

II. **Motion by Ben Gordon, second by Ron Cundick to close the Special Meeting of the Shareholders.**

III. **Motion by Ron Cundick to open LDWA Board Meeting.**

1. Approval of December 17, 2009 Meeting Minutes - scratched.

2. Comments regarding February 2nd Annual Shareholders Meeting including Election of Directors for Terms expiring: Ben Gordon, Danielle Stirling, and Randy Stevens. Ron said the Annual Shareholders Meeting would be held Feb 2 Tuesday at 8:00 pm at Town Hall. Terms will expire for Ben Gordon, Danielle Stirling and Randy Stevens; all are willing to serve another term and encouraged Shareholders to attend the meeting.
 3. Review and Discussion of 2010 Budget – scratched.
 4. Proposed loan/grant from Utah Drinking Water Commission to implement LDWA Capital Facilities Plan discussion and shareholder comments – Ron Cundick. Ron reviewed the loan/grant summary and referenced informational letters included in the invoices mailed to shareholders in November, December, and posted on the website. Hard copies are available tonight and at LDWA Office. The Board has received three (3) proposals from engineering firms for the upgrade of the water system, and plan to select the firm within the near future. Don Goddard asked if LDWA planned to bring the entire system up to State standards. Danielle said LDWA has never been in a better position with our employees; Karen Markovich has provided financial information as well as historic data whenever requested and expressed appreciation for the work of both Karen and Scott Hayes. Ron added thanks to both employees and noted the hours worked exceed hours paid. Martha asked if any of the funding will be for purchase of water rights – Ron said it cannot be used for water rights or future developments. A shareholder asked what the going rate was for purchase of water rights; Ron said it was \$5,000 per acre foot 2 years ago, but the price has dropped given the current economy. In the future, if someone connects to the LDWA water system, they will be charged at the going rate so that existing shareholders will not pay for future development. Ron said the Board will vote publicly on the grant/loan to keep shareholders informed of LDWA's progress.
 5. Motion by Ange Rohr to accept the loan/grant as applied for with the Utah State Division of Drinking Water; second by Ben Gordon with all members unanimous.
 6. Financial Update – Angela Rohr. Ange said we have \$233,030.00 total in our savings, CD, and checking accounts.
 7. Report on LDWA Operations and Update – Scott Hayes reviewed status of work over the past month. LDWA completed and easily passed nitrate testing with the State. He retrieved electronic data from former LDWA President Maurice Hall's home computer; several meters were replaced; water leaks were repaired; we are working on Sanitary Survey Reports with the State of Utah; we have held several executive meetings and accomplished a significant amount of work with Board members many hours.
- IV. COMMENTS BY BOARD MEMBERS – Danielle said we are working to update the share certificates and asked Karen to summarize what is being done. Karen said she is researching all certificates on record, and linking them to their property Tax ID Parcel # as recorded with Washington County. Each tap LDWA serves will then be confirmed. Karen said thus far, she has found a handful of stand-by taps that have gone without being billed, because no one knew they existed. The project is important, as it will help provide additional data for clarification of LDWA's service area.
- V. Ron Cundick thanked the shareholders for their support. Meeting was adjourned at 8:50 pm.
- VI. EXECUTIVE SESSION – brief discussion of Board Members only; minutes were not taken.

 Approved by Ron Cundick, LDWA President

Date _____

 Attest: Karen Markovich, Admin

LDWA ANNUAL SHAREHOLDERS MEETING
FEBRUARY 2, 2010
Held at the Leeds Town Hall, 218 N Main St, Leeds, UT

Board Members present: Ron Cundick, Danielle Stirling, Ben Gordon, Ange Rohr, and Randy Stevens. Staff present: Scott Hayes, Karen Markovich.

I. CALL TO ORDER

1. Welcome by Ron Cundick. Ron welcomed the shareholders and said there are three Board members up for re-election: Danielle Stirling, Ben Gordon and Randy Stevens, and all three have agreed to run again.
2. Prayer by Ben Gordon.
3. Pledge by Randy Stevens.

II. APPROVAL OF MEETING MINUTES. Motion by Danielle Stirling, second by Ben Gordon, with all unanimous to approve meeting minutes dated January 21, 2010 and December 17, 2009.

III. REPORT OF 2009 OPERATIONS. Ron Cundick

Ron said Scott Ricci has been a tremendous help to us and we pray for his health, as we know he's been diagnosed with cancer. Ron thanked all those who have stepped up and unselfishly donated their personal time and expertise to LDWA.

Rick Williams resigned from the Board, and Angela Rohr was appointed to fill the seat. We had sad news with the passing of former Board President Maurice Hall.

We moved the office location twice this year and now have a 5-year lease providing stability and a place of permanency. Joanne Dawson, Corporate Secretary, retired in November, and Karen Markovich is now Corporate Secretary, and oversees the Office Administration of the Association.

LDWA ran a deficit for the second year. To address that, and as part of LDWA's focus to increase fiscal responsibility, we have instituted new procedures for shut-off and late fees. We have increased office automation, and significantly reduced administrative expenses by bringing all bookkeeping, payables/receivables, quarterly payroll taxes, and financial oversight in-house. The goal is to provide transparency of LDWA's administrative & financial operations to Shareholders and eliminate the deficit. Karen has been the guiding force behind this for LDWA. We've established a temporary surcharge for a Repair Fund; are in the process of qualifying for a \$2.009 million loan with the Division of Drinking Water (DDW) to repair and improve our water delivery system; amended the bylaws; saved \$70 month on storage for equipment; and purchased an additional 8 acre feet of water. Ron thanked Scott Hayes and said he continues to manage and maintain water operations in the field. As the economy has slowed, we have had only two new water connections in 2009. We've repaired necessary water leaks in the system, meeting Utah Dept of Transportation (UDOT's) numerous requirements at a cost of about \$5,000. Scott reports water testing consistently proves we have a high quality of water. Scott tested and readjusted lines; LDWA replaced the submersible telemetry unit in the tank.

IV. STATUS OF INFRASTRUCTURE LOAN AND IMPACT ON SHAREHOLDERS.

Ron Cundick

The loan from the DDW will include construction for the design work of the infrastructure, and we have selected the engineering firm from the three (3) Requests for Proposal (RFP's) received last

month. The financial impact to shareholders for repayment of the loan will be about \$66,000 a year, over 30 years, at a 3.6% interest rate. Because of the failed operations of the fire hydrants, LDWA was moved to the front of the line for approval of the loan. The actual monthly cost to shareholders will be about \$20 each month. If new water connections are made in the years to come, those connection fees will be adjusted to include charges for their fair share of benefiting from the new infrastructure. Future shareholders will pay the same amount that existing shareholders have paid for the loan began. To be clear: the loan will NOT, and cannot, be used for future development, and it cannot be used to piecemeal the existing system. The DDW requires the funds be used only for replacement of existing pipelines, meters, and hydrants.

V. ANNUAL FINANCIAL REPORT. Angela Rohr

Ange Rohr, Treasurer, reviewed the 2009 Profit & Loss. Expenses included contract services for accounting, engineering, and attorney fees. Corporate taxes include federal, state and workmen's comp insurance. Ange reviewed our finances and accts. Wells Fargo checking account will be closed as we move banking to Mountain America Credit Union (MACU). Our total funds as of today, Feb 2, 2010, are \$232,852.00. We plan to close the Zions Bank checking account, move it to a Money Market with MACU, CD, and keep LDWA funds diverse so they will not exceed the \$100k FDIC limits at each bank.

VI. OPEN FORUM FOR SHAREHOLDERS. Opportunity for shareholders to make comments or ask questions.

Don Fawson asked if the DDW requires a yearly audit for the loan. Ron said the state will oversee and approve all expenditures for the project and loan, and we are required to consistently prove we are financially viable. We must complete a full extensive audit within one year from being funded. Ron said Karen has agreed to manage the financials and oversee the administrative requirements for the project and said Karen is a workhorse and we all thank her, as we can't afford to pay her for all she does.

Don Goddard reminded Don Fawson that an audit by a CPA firm only verifies bookkeeping procedures are followed, and does not guarantee a net loss or gain. Ron Cundick agreed.

Nina Danielson asked that, if LDWA ceased to exist, would shareholders be responsible to repay the loan. Ron said the individual shareholders will not be held responsible, as there is a 'corporate veil' and if the company became insolvent, shareholders will not be held personally liable.

Don Goddard asked how many irrigation water shares we have. Scott said we spent \$900 for irrigation water and asked Karen to find how many shares we have.

Stephanie Martini asked when we will begin to repay the loan. Ron said we will be charged from the time we begin to submit payment draws from the loan.

Arlene Green asked if the state has a minimum requirement for acre feet of water per share. Ron said they require .85-acre feet and that is what LDWA approved in the recent amendments to the bylaws.

There were no additional comments.

VII. ELECTION OF 3 DIRECTORS FOR TWO-YEAR TERMS. Ron Cundick

Ron said there are three directors whose terms are expiring: Danielle Stirling, Ben Gordon, Vice President, and Randy Stevens and all are willing to be nominated for re-election. Any shareholders can nominate a shareholder for the seat. Ben said the bylaws require there be at least twice as many nominees as there are seats. We need six people to be nominated.

Don Goddard said it is possible to waive that requirement under Roberts Rules of Order, and if you do, you can vote a white ballot, which means those candidates that are already nominated can be voted for by the shareholders. If this body chooses, we don't have to have six nominees.

Ron said he wanted to be clear that he did not want anybody short on this and asked the shareholders their opinion and asked if anyone was willing to be nominated. There were no shareholders willing to be nominated for the seats, as all shareholders present supported the three incumbents.

Motion by Don Goddard, second by Ange Rohr, with all Shareholders unanimous to waive the bylaw requirement for number of nominees by Roberts Rules of Order and vote the white ballot, as there were no additional shareholders willing to be nominated for the board seats.

Don Fawson asked the incumbent board members to speak briefly stating their strengths and background.

Ben Gordon said he's an attorney and it is helpful at times to be here to help interpret legal documents and move things forward in an orderly manner, and in a way that is not leave LDWA open and subject to challenge down the road. He's been on the Board for 2 years and is committed to open communication with shareholders and between the board and the Town. Ben said it is important we have transparency of all records and that they are available to shareholders via the website and in the office. Ben said it's important to continue that.

Danielle Stirling said she's wife and mother of three. She runs the businesses of their farms and childcare centers, managing the bookkeeping and finances for all. She said she has learned what it takes to make and keep them consistently profitable. She's been on the Board for over 5 years, and only in the past few months feels she can speak out. She has learned from listening to others and believes she is successful because she listens to the whole, and remains committed to support ALL shareholders, not just one or two who try to satisfy their personal agendas.

Randy Stevens said he hopes to give back to the community, and make it a better place by protecting our water rights and our water source. He brings 'street smarts' and knowledge as he's been in construction and water works most of his life.

Don Goddard said with all shareholders present in unanimous support of the three incumbents, we could vote by a show of hands.

Shareholders voted unanimously to re-elect the three Board incumbents Danielle Stirling, Ben Gordon, and Randy Stevens by a show of hands.

Ben Gordon, Danielle Stirling and Randy Stevens were re-elected for two year terms. The Board voted unanimously to re-appoint Ben Gordon as Vice President to the Board of Directors.

VIII. ADJOURN SHAREHOLDERS MEETING

Ron Cundick adjourned meeting at 9:02 pm, February 2, 2010.

IX. EXECUTIVE SESSION OF DIRECTORS

Karen Markovich, Corporate Secretary/Office Administrator

LDWA MTG MINUTES

MARCH 18, 2010

Meeting place: Leeds Town Hall, 218 N Main St, Leeds, UT

1. Welcome by Ron Cundick at 7:00 pm.
2. Prayer led by Randy Stevens.
3. Pledge led by Danielle Stirling.

Present: LDWA Board members Ron Cundick, Ben Gordon, Randy Stevens, Ange Rohr. Staff members Investments, Rick Sant of Silver Pointe Estates, Kurt Allen, Brant Tuttle & Bob Mason, electrician of Northern Eng.

4. Financial Report. Ange Rohr Recommendation that we close the Wells Fargo Checking account and transfer the funds to Mt America Credit Union (MACU). Ange recommended closing the Zion Checking acct and transfer the funds to MACU. Motion by Danielle Stirling, second by Randy Stevens with all in favor to close the Zion Checking Acct and transfer funds to MACU. Ron asked Ange Rohr to do the footwork for closing and transferring the funds and she agreed.

5. Presentation by Kurt Allen and Brant Tuttle of NEI. Brant worked up 3 different options with associated costs. Notes: the presenter's physical use of maps for visual aides was not available for recording, or in view. Refer to the attachments to the minutes for detail in cost.

OPTION #1: Is a direct replacement of the existing system. Refer to attachments to the meeting minutes. Beginning at top of Silver Reef - upsize 4" lines to 8" lines, tie into Highlands system, and per their calculations the static pressure is 106 lbs at the SR Park and will meet fire hydrant flows. Brant said it's currently set up with the spring water feeding all systems, and they don't need to pump it given the existing system. They will put a PRV station there to tie it together. Static pressure was only 42 lbs at El Dorado, so they recommend ties at Silver Reef Highlands. They looked at Silver Pointe Estates, and could tie near the Rice Bank Bldg on that subdivision property, on into the Highland's line.

OPTION #2: Same as current system, and adds looping down near Wonder Lane @ Saddle Hill. Brant recommended keeping the El Dorado tank out of use because the tank only holds up to 96k gallons. Scott asked about a fill line if the well was not right. Brant said based on the elevation, the best location is down in the Grapevine Wash area. Kurt said he'd like to somehow use the El Dorado tank. (Map indicates the SCADA system line of site. The El Dorado tank and the Grapevine Wash proposed site is the same elevation; therefore, both tanks would fill at the same rate. It would provide pressure throughout the Town, El Dorado Hills, & Bonanza Estates areas. Kurt said they are freeing up the capacity in the pink tank and the El Dorado tank could feasibly help service the Silver Pointe Estates Subdivision. However, new growth has got to pay for new growth, and that is not an option. Kurt said the Grapevine Wash Development has 400 acres & would have 1200 - 1500 connections at full build out. They have to build a tank and run a line to Main St at Babylon to connect w/WCWD system. Ron Cundick said there are two problems: LDWA doesn't have enough water and the Shareholders are not going to agree with that. Ben said let's call a spade a spade - this is a roundabout way to build for New Growth and that is not the intent of Project Upgrade.

Today the engineering geologist showed there would be a better well site in Grapevine Wash than the existing well up near Oak Grove. Ron Cundick asked if we have to build a new tank. Brant and Kurt said no, we do not if LDWA looks only to include Silver Pointe Estates in its future service area.

Brant said Ken Wilde of DDW wants to have the contract closed by Nov 10, 2010. Ron wants to be done long before that date. Ron said our well site will have a big option on our time lines. Ben said he heard there was a well at Babylon & thought the Sullivan well was poor quality water, but pumps 20k gallons/minute.

Ron reiterated and was very clear that we do not want to mix LDWA water with WCWCD and we are not in favor of doing that and the shareholders will not support it. Grapevine Wash is long term, and the current loan is for upgrading the current system only. Ben added if we have existing storage for up to 1100 more taps, the shareholders are not going to agree to building a new tank. Ron said on the other hand, we have the money available now, and if a new 300k gallon tank costs the same as a smaller one, we should consider that. Kurt said if you cut yourself short and don't allow new development to come on to the system and it could take the full 30 years to pay off the loan.

Other options mentioned included construction of a large tank at Grapevine Wash or a site near Angel Springs, up near Silver Reef & would be ideal as it would not have to be pumped uphill.

6. RICK SANT Presentation: Rick Sant said they are considering purchasing 40-acre feet of water and before they purchase it, they want to be sure that LDWA will be willing to serve them. Roger Sanders said there is 360 gallons available to LDWA - Ron, Ben, & Danielle said they thought they had 400-acre feet available to be transferred to LDWA, with LDWA having the first right of refusal. Roger Sanders said he and Kurt only have signing authority on 360 acre feet, not the full 400-acre feet as was originally represented. The other has the say-so on the water and said he'll sell it to Sand Hollow or Rick Sant. Kurt said he and Roger were blind-sided by that information. Ron said we thought we had 400-acre feet right-of-refusal for purchase of the water. Kurt said the right-of-refusal was for allowing it to be transferred into the well only. Not purchase. Ron said LDWA requires 1-acre foot per tap, which is equivalent to 100-acre feet of water rights added to LDWA. Ben explained to Rick that if they purchase the water, LDWA would own the rights and the water. What it provides for them is water service and the voting right as a shareholder in LDWA. Karen asked if the development should provide the storage water tank for their water in Silver Pointe Estates. Scott Hayes said the water tanks we have are enough to provide their storage of the water for that development and Brant Tuttle, NEI Engineer agreed.

Rick Sant asked Scott Hayes if there's a reason why the existing tank cannot service their property. Scott said the elevation is sufficient, but we still have to look at the depletion of the water in the tank in the event all taps were being used at full capacity. Scott said the SRH tank was purchased for that subdivision, and that is their water.

Verbatim excerpt for the record per request from Scott Hayes, Water Manager.

Rick Sant: Is there any reason to believe that your tank won't serve our highest elevation which is 3,814 ft [high]?

Scott Hayes: That's up to the engineers to tell me whether it will or not.

Rick Sant: You don't have any knowledge that would tell you that your tanks would not serve our property.

Scott Hayes: Let me make sure that I understand your question. We need to look at the capacity that that tank is already allocated to, so if I say yes, our tanks will do that, we still have to look at you depleting that capacity for your subdivision.

Rick Sant: Right.

Scott Hayes: Okay. But other than that and the elevation...

Rick Sant: I know there are no guarantees, because that has to come through the engineer. I just wanted to know if any of you have any knowledge that would say, 'hey, wait a minute.'

Ron Cundick: We assume that it will.

Rick Sant: My engineer tells me it will and Northern Engineering tells me it will.

Scott: And Rick -- and I don't know how much information you need at this point -- yes, the Silver Reef Highlands tank was purchased by a subdivision, with the capacity for that subdivision. So if any of that capacity is taken away, it needs to be replaced.

Rick: Yea.

Scott: Okay.

Rick Sant: And then, my last question is - what triggers payment? Is there a water impact fee -- in other words, once I bring the water to you, and you give me a will-serve letter, is the next fee when somebody comes in to pull a building permit? And do you have a water impact fee or what do you call that fee?

Ron: We have a connection fee [which is charged at the time the building permit is pulled].

Rick: In other words, I would record my subdivision, bond for the improvements, put in all the water, but I don't have to put the water meter in, and I don't have to pay a connection fee until I pull a building permit to build a house on a lot.

Scott: there will be a standby fee.

Rick: What is that?

Ron explained what a standby tap is, and that the property owner of each lot is responsible to pay that each month. Ron said once a property owner gets a standby tap, they are a shareholder, and benefit from the infrastructure in the same way active taps do.

Ron added we have to charge all shareholders the same fee as that is what is in the bylaws. Scott asked Rick how we might work together with the options presented above - Rick said he's wide open for working together with LDWA. Kurt asked if the Board would like them to write the legal document, or if Ron would prefer to do it. Ron said it should be up to them to write it. Karen asked if there would be a fee involved to do it and Kurt said no. Roger Sanders offered to write the legal document at no cost to LDWA, given the misunderstanding as stated above.

7. Set-off claims for unpaid fees: Ben said he thinks from what he has found that we can serve a shutoff notice to a shareholder who owns more than one share assigned to one parcel and only pays on one of the taps.

There was no further discussion.

Meeting adjourned at 8:50 pm by Ron Cundick.

Karen Markovich, LDWA Admin

LDWA MEETING MINUTES

APRIL 15, 2010

Meeting held at the Leeds Town Hall, 218 N Main St, Leeds, UT

I. CALL TO ORDER

1. Welcome by Ron Cundick at 7:00 pm.
2. Prayer led by Scott Hayes.
3. Pledge of Allegiance led by Randy Stevens.
4. Board members - Ron Cundick, Danielle Stirling, Randy Stevens. Ange Rohr and Ben Gordon arrived late. Staff Members - Scott Hayes; Karen Markovich.

II. LDWA BOARD MEETING

1. Motion by Randy Stevens, second by Danielle Stirling with all unanimous to approve Meeting Minutes dated March 18, 2010.
2. Progress Report on Upgrading of Water System – Kurt Allen, Northern Engineering
 - a. Project Schedule LDWA
 - b. Schedule of payments to NEI

Kurt Allen presented Option 7 (attached to the minutes) as the preferred & most viable option. This option is the same as Option #4 presented in March, with exception that it has a change of route in El Dorado Hills to the existing power line easement, and going under freeway, halfway down Wonder Lane where the 2" line now exists. This option will result with abandonment of the 2" line in the corrals and takes advantage of the existing easement with UDOT's right-of-way.

Fire Flow calculations do not support that there is an 8" line throughout the Silver Reef Estates Subdivisions, therefore all lines in SRE will require the upgrade to 8" lines.

Kurt said he has worked with the Town of Leeds re: right of way alignment and they've talked about abandoning the 2" line to the Leeds Cemetery or extending it to an 8" line. Center Street at Mountain View Trail has an existing water line; however, the Town deeded the public road over to a private property owner in 2008. Ron said if the Town did not discuss the property abandonment with LDWA prior to making their decision, they should bear the cost of having to relocate the water lines because they did not notify LDWA.

Ben said we may have a prescriptive easement; Danielle said it would be preferable to relocate the lines in the long run, as it would be favorable to for all to avoid working with the property owner. Ron agreed and asked what the cost would be to relocate the lines around the area - Kurt said it would be about \$15,000.

Kurt said they've also looked at the hydrant on Frank Jackson's property as it does not flow. Being at the low end of the system, it should have a very high flow. Kurt said it may be turned off up line, or it could be the pipe is too small and unable to provide the pressure. Kurt said best case, when you have an operating system, you don't want a dead-end line going into private property, as structures are oft-times built over the lines, making them impossible to reach. Kurt said the hydrant is located about 900 - 1,000 feet into the property owner's land.

Kurt recommended that LDWA adopt a policy where the property owner is responsible to pay

for the distance of lines exceeding 50 feet on their property. Danielle said what has happened in the past, is that LDWA required the property owners to deed the pipe to LDWA.

Kurt said they could connect the Center Street pipe over to the 2" pipe at the storage units near Leeds Cemetery and services that lower end of town, if you have to service Main Street and cut-off the source. LDWA has two lines on Main Street. Ron said return on our cost is minimal and probably not the way to go. The looping will solve all of the fire flow problems in town. Kurt said 6" lines take a lot of blame, but the 8" line feeding the town will eliminate the flow problem. Kurt said they met with Brent Bluth of SITLA / Silver Creek Estates & Brent volunteered and committed to pay for that improvement at the intersection while LDWA installs the new system. Kurt said it's a basic process to get the easement with SITLA, and not as involved as it is with BLM. This benefits SITLA and in their best interests, therefore the approval of easement is assured. Kurt said we should get an agreement for reimbursement from SITLA to LDWA. Danielle said we go into the Forest Service and there is an existing easement with Irrigation Co. at the end of Rainbow Lane.

Kurt said they met with geologist Peter Rowley and narrowed down the new well site to (1) the bottom end of the El Dorado Subdivision in the Navajo aquifer (and it's much larger than our existing well, or (2) just east of the existing well located in a fault the extends down the canyon. He prefers option one, as it goes right through a parcel with a standby tap (L-EDH-3-20). It could be pumped right to system line, forcing water back up the line and into the SRH tank. Ange asked where the water is tested because it will be commingled. Ben said we already mix spring water with well water. Scott said we will continue to test at the well.

Construction schedule is to begin August and last about six months, extending into the first part of 2011. The goal is to have the loan approved by August to avoid a temporary financial strain on LDWA. Kurt said NEI has agreed to postpone payment for July and August to provide financial relief to LDWA while pending the funding of loan. Currently LDWA has a total of \$241,247.57 cash assets to use temporarily for project upgrade payments before the loan funding is completed.

3. Financial Update & Check Detail Report for March 2010 - Ange recommended Scott Hayes close the Zion's Bank Checking Account and transfer the funds transferred to Mountain America Credit Union Checking Account.

4. Proposed letter to Town of Leeds updating Town on LDWA developments – Ron said he has provided a written update to Mayor Lefler regarding status of the construction for the water system upgrade. Ron asked the Board to formalize LDWA's current policy with the Town, which provides water tap service to the Town for Town Hall, Silver Reef Park and the Leeds Cemetery (three water taps) at no cost to the Town of Leeds, given water usage per tap does not exceed 20,000 gallons per month. Ange mentioned there is a fourth water tap located at the CCC Camp (owned by the Town) and given the Town plans to make repairs to that property, asked if they will have access to water. Ron said they can certainly use the tap, but LDWA has not made a commitment to provide it at no cost to the Town. Ron said he has, and will continue, to try to work with the town to cooperate with the town and hopes to work out something agreeable to both parties.

5. Water Tap Definitions – Ron reviewed the definitions for Floater, Standby, and Active Taps and Water Right policies.

Motion by Danielle Stirling, second by Randy Stevens with all unanimous to adopt the LDWA Definitions and Water Right Policies as presented.

6. **Proposal to resolve unpaid fees on standby tap on same property as active tap** – Ron reviewed circumstance of a current shareholder who has one active tap and one commercial tap tied to a duplex used as a rental and located on one parcel. The Shareholder has never paid a standby tap fee service even though he has been invoiced throughout the years. The Board discussed options including convert his tap to active service or surrendering the certificate to LDWA. Ron assigned Scott Hayes to resolve this with the property owner.

7. **Resolution authorizing Loan and Security Interest on Water Rights** – Ben discussed the legal documents that are required to be included with Resolution 2010-02 and the Board agreed to adopt the Resolution at a later date.

8. **Sales Tax relief on LDWA purchases** - Ron said we have filed for sales tax relief, which will save LDWA a substantial amount of money when purchasing the supplies for the construction project.

9. **Status of Water Rights Agreement re: 400 AF transferred to LDWA well** - Ben Gordon reported the status of Water Rights Agreement as required by DDW and will update at the next meeting.

10. **Progress on Loan Administration**

a. Fidelity Bond – Ben Gordon confirmed we can use the existing fidelity bond insurance in conjunction with the LDWA CD funds to satisfy the DDW fidelity bond requirement for the loan. We will purchase ~ a \$70,000.00 CD, which will provide LDWA a savings of over \$30,000.00 over the term of the loan.

b. Escrow Account – Karen Markovich contacted 12 banks; Zion's Bank charged \$1,250.00 to establish an escrow account; nine banks & credit unions did not offer the service. Southern Utah Title has an affiliate company, Equity Escrow, specifically organized for the management of escrow funds for construction projects. The fee is \$1,000.00 to manage the funds and will be established as we approach the loan closing date in August.

11. **Documents to submit to Division of Drinking Water** – Karen said the Water Conservation Plan and Resolution to adopt the plan was reviewed and approved by the Board. Karen said she will submit the plan to the Division of Water Resources for pre-approval as required and report status of approval at the next meeting. Articles of Incorporation and Bylaws, Current Financial Statements, Financial history for 2007 to 2009 will be submitted to Michael Grange, Attorney for DDW, via email by Karen.

12. **Connection Fee and Impact Fee Schedule for 2010 to 2012** – Danielle Stirling researched and created an extensive spreadsheet for impact Fee Calculations for the next few years. **Motion by Ben Gordon, second by Ange Rohr, with all unanimous to approve the Impact Fee Schedule as presented and prepared by Danielle Stirling.**

13. **Lease of Water Tank to Irrigation Company** – Danielle Stirling presented a request and proposal from Leeds Irrigation Water Co for lease of the water tank structure located on Silver Reef Road.

Motion by Ben Gordon, second by Randy Stevens, with all unanimous to authorize Ron Cundick to sign agreement to lease the water tank to the Leeds Irrigation Water co. The lease will in for 5 years at \$100 year and they will install the door.

14. **Report from Water Superintendent** – Late Fees & Shut-off Notice Administrative Fees were discussed and the Board agreed not to charge an administrative fee for Shut Off Notifications. Motion by Ben, 2nd by Ange, to hold shareholders responsible for payment of all bills, and to that end, we take these steps: We notify them with a letter in the next billing; when a late fee is incurred, the shareholder will receive a notice, and no shareholder can transfer the statement that all shareholders are responsible and renters and tenants will not receive. shareholders ONLY must pay the water bills. All unanimous.

III. **There were no additional comments by Board Members.**

IV. **Meeting was adjourned at 8:45 pm and the Board entered an executive session.**

Karen Markovich, LDWA Office Administrator

LDWA MEETING MINUTES

May 6, 2010

Held at the LDWA Office, 1901 Silver Reef Drive, Leeds, UT

I. CALL TO ORDER

Welcome by Ron Cundick 7:00 pm. Also present were Ben Gordon, Danielle Stirling, Randy Stevens; Ange Rohr arrived 7:15 pm. Staff present: Scott Hayes and Karen Markovich. Others in attendance included Kurt Allen, John Markovich, and Stephanie Martini.

Prayer led by Randy Stevens.

Pledge of Allegiance led by Scott Hayes.

II. LDWA BOARD MEETING

1. **Approval of Board Meeting Minutes** dated April 15, 2010. Two changes were made to correct spelling on the minutes.

MOTION BY BEN GORDON, 2ND BY RANDY STEVENS, WITH ALL UNANIMOUS TO ACCEPT MEETING MINUTES AS CORRECTED.

2. **Progress Report on Upgrading the Water System - Kurt Allen, Northern Engineering. Proposed drilling site for well; BLM approval; Rights-of-Way / Easements.**

Kurt Allen presented the update on the System Upgrade Project. Kurt said we have selected the well site and staked out the point, road alignment (pipe alignment), & should be able to keep it going without using an air vac as there are no sharp turns. Location is about 800' northwest of the existing well. A water dowser, (also known as a water-witcher), confirmed the location.

Kathy Abbott from BLM met with NEI and they found there is an existing archaeology and biological study completed, which will help in expediting the process. EPA is in-place for the BLM easement. Kathy said she thinks they can do a determination of assessment, which will allow LDWA to attach it to the existing application.

Scott Hayes asked if we have to complete an archaeological study on private properties for the easements.

Kurt said that would not require the same level of assessment as is needed for public property, and we can extend and include what we now have. The Construction Drawings are almost complete, with exception of the easements. Kurt said the legal description for the Right-of-Way Easements need to be included, and they will indicate a ten-foot (10') perpetual easement on each side of the property lines. The construction easements can be up to thirty feet (30') wide for the construction access, which is temporary. Kurt said he will be glad to help negotiate and arrange with property owners who may be affected by the easements. Kurt has drafted the written agreements and will present them to Ben Gordon for his legal review as required by the Division of Drinking Water (DDW).

Stephanie Martini said Scott Hayes told her the easement on their property would be five (5')

feet wide, and now she hears the proposed easement would require at least ten (10') widths, they may not be able to use their property because the custom designed concrete would be cost-prohibitive to replace. Stephanie asked whose responsibility it will be to record the deed with County. Kurt said he, or LDWA, can record them with the County.

Regarding how the easements are accessed, Kurt said they could pile dirt in varying areas to maximize saving original landscapes. We are three weeks away from completion of the construction drawings, which will be submitted to DDW by June 10.

3. Progress on Loan Administration.

Check List assignments, suspense dates, and progress. Ron reviewed the checklist as provided by the DDW and noted that the progress will be posted on the LDWA website and available at LDWA Office.

Escrow Account. Karen Markovich reported her findings on the Escrow Account requirements and expense. After contacting twelve (12) financial institutions, Equity Title Company [a division of Southern Utah Title] was found to be the most qualified to establish and manage the loan funding. The cost will be \$1,000, which was well below that of Wells Fargo and Zion's Bank.

Legal reviews. Ben Gordon talked with Michael Grange, DDW Attorney, and Michael does not see any issues that will block the funding of the loan.

Ben also reviewed and revised the Right of Refusal Agreement for the purchase of Water Rights 81-3160, 81-4804, 81-4810, 81-4811 and 81-1752.

MOTION BY DANIELLE STIRLING, 2ND BY BEN GORDON, WITH ALL UNANIMOUS TO AUTHORIZE RON CUNDICK TO SIGN THE RIGHT OF REFUSAL AGREEMENT AFTER HIS REVIEW.

4. **Status of Agreement to lease water tank to Leeds Irrigation Water Co.** Danielle Stirling reviewed the agreement with the Leeds Irrigation Water Co. to lease LDWA's cement Water Storage Tank located on Silver Reef Road. The Irrigation Co. met with Scott Hayes at the tank, and they are ready to proceed with work on cutting the door in the side of the tank to be used for storage. This will also help LDWA as they can store the items that are currently located in a Storage Unit. They Irrigation Co plans to get bids for the door and would like to install a garage door large enough to be used for storage of vehicles.

MOTION BY BEN GORDON, 2ND BY RANDY STEVENS, WITH ALL UNANIMOUS TO AUTHORIZE RON CUNDICK TO SIGN THE LEASE AGREEMENT WITH THE LEEDS IRRIGATION WATER CO.

5. **Financial Update & Check Detail Report for April 2010.** Treasurer Ange Rohr reported that LDWA currently has \$191,000 in the four (4) savings accounts plus the \$17,000.00 CD, which expires in Sept 2010. Ange said that amount does not include the \$29,000 that has been paid to Northern Engineering, which will be replaced when the loan is funded. Ange asked Kurt Allen how much LDWA will advance prior to funding of the loan. Kurt said the next payment will be \$39,000.00 due on June 1, and he will forfeit the July and August payments until the loan is funded.

6. **LDWA not qualified for sales tax relief on LDWA purchases.** Ron reported that unfortunately, LDWA is not eligible for sales tax relief because it is a private entity. Therefore, we will pay the sales tax [out of the loan] for all construction supplies, pipes, etc, necessary for the upgrade of the system.
7. **May 2010 Letter to Shareholders.** Ron reviewed his Letter to Shareholders for the month of May; the Board agreed to include it with the invoicing.
8. **Report from Water Superintendent.** Scott Hayes reported we have had a few shut-offs, and have started fire flow tests. Some results are worse than last years test results. Scott said he found a valve on Frank Jackson's property that was previously unopened, and that should increase hydrant water flow for Frank. Frank Jackson said he will sign a document to hold LDWA harmless in the event there is not an adequate amount of water to extinguish a fire on his property.

Danielle asked is if there a way to detect when there is too much pressure in the lines. Scott said LDWA does not have a system in place to warn of high water pressure. Danielle said if a gauge is flat lining, the shareholder should call Scott, and he agreed.

Kurt said there will be a pressure regulator meter with the new system and homeowners should no longer have problems with water pressure that is too high. Kurt also suggested LDWA require homeowners to install pressure regulators.
9. No further discussion by Board members and meeting adjourned by Ron Cundick at 7:45 pm.

Karen Markovich, LDWA Corporate Secretary

LDWA MEETING MINUTES

June 10, 2010

Meeting held at the Leeds Town Hall, 218 N Main St, Leeds, UT

I. CALL TO ORDER

1. Welcome by Ron Cundick at 7:00 pm. Present were Ron Cundick, Ben Gordon, Danielle Stirling, Randy Stevens. Staff – Scott Hayes & Karen Markovich recording meeting minutes.
2. Prayer led by Danielle Stirling.
3. Pledge of Allegiance led by Scott Hayes.
4. Shareholders/public present: Irrigation Water Board members Craig Sullivan, David Stirling, Brett Comas; Ange Rohr, Kjeld & Stephanie Martini, Kurt Allen, Steve & Roxanne Lewis, John & Laverne Monroe, Jared Westhoff, Merle Gier, John Markovich, and Penny Weston.

II. LDWA BOARD MEETING

Approval of Board Meeting Minutes dated May 6, 2010.

Motion by Danielle Stirling, second by Randy Stevens with all unanimous to approve May 6, 2010 LDWA Meeting Minutes.

1. **Announcements – Ron Cundick**
Ron thanked Ange Rohr for her service on the Board and as Treasurer for LDWA, noting Ange had resigned to serve in her elected position on the Leeds Town Council. Ron announced that Danielle Stirling agreed to hold position as Treasurer for LDWA. Shareholders interested in working to serve on the LDWA Board were asked to contact Karen Markovich at 435-879-0278. The July meeting date has been moved from the 15th to the 22nd, to provide time to report on Project Upgrade Bid-Opening date, July 21.
2. **Progress Report on Upgrading the Water System - Kurt Allen, NEI**
Kurt Allen completed the Project Upgrade construction drawings and submitted to State Division of Drinking Water (DDW). Reviewed schedule and we are on schedule as planned. Gary Kobzeff of DDW said we should have the construction drawings approved within one week. NEI has the specification book prepared and will be submitted to DDW June 17. DDW will review and return the redlined copy of the construction drawings in one week. NEI has submitted letters on the preliminary evaluation report for the well from the Bureau of Land Management (BLM), and permission for the well-siting will be submitted to the State later next week. There have been no problems with the Environmental Protection Agency (EPA) thus far. The engineering report was submitted to the state today. Redlines will be completed June 25 and finals will be submitted to the State June 28 for final acceptance. DDW will give us final approval and that will trigger plans being available to contractors and will begin to advertise on June 27. The Bid for Contract will advertised in Intermountain Contractor [covers 3 states – UT, NV, & AZ] and the Spectrum Newspaper. Pre-bid meeting will be held on July 13, with bid opening on July 21. Ben Gordon asked if they think they will have submitters the first day and

Kurt said absolutely yes; we should receive 25 to 30 bids. Kurt said we should be able to **close the loan by August 4** and it should take about 2 weeks for the construction bids to be collected. Notice to proceed will be issued August 10 and construction is scheduled to begin August 23. Estimated construction period is five (5) months. Stephanie Martini asked if the easements will be included and expressed concern that they not proceed with construction prior to receiving approval of easements from the property owners. Ron explained the loan closing is not dependent on the property owners' approval and Ben added that the DDW has to review and approve every aspect of the project and LDWA must have their approval prior to record the easements. Stephanie said she hopes the affected property owners won't be forced to comply with easements. Kurt said they plan to meet with all affected property owners over the next 2 weeks. Danielle added that property owners have the final word of approval and they will not be forced to give up anything that does not meet with their approval. Danielle said she wants to be notified personally if property owners are not in agreement with the arrangements and Ben agreed.

3. Progress Report on Loan Administration – Karen Markovich

Karen reported status of the Project Upgrade **escrow account** and **fidelity bond**. Both will be established one week prior to funding, mid-to-end of July. The DDW has approved the Water Conservation Plan, Emergency Response Plan, and we only need the Board's approval (tonight) for the Resolutions to adopt them for LDWA. Karen said she will report her total hours worked for the Project Upgrade at the July 22 meeting, to be submitted for reimbursement at the time the loan is funded.

4. Water Taps assigned to Pecan Lane Subdivision – Jared Westhoff, Shareholder

Jared Westhoff questioned the Standby Tap fees levied in Jan 2010 on the parcels he owns in the Pecan Lane Subdivision. Jared said he originally purchased the five (5) Floater Taps from Alene Cuff, and Alene conveyed to Jared that the shares would not have fees associated with them as they were floater taps and there would not be a charge until a building permit was issued. However in 2008, Jared assigned the five (5) share certificates to the parcels within that subdivision and they were recorded with the parcel tax ID numbers at the County. As such, they became standby taps. Ron asked Ben to speak regarding the legal aspect of floater and standby taps. Ben said the determination was to ensure that all shareholders in LDWA were to pay for the capital improvements of repairs and service of the infrastructure as all will benefit from it. Ben said we clarified and established how the impact fees are going to work and how they will increase over time for future shareholders, so that no one can come into the system later and avoid paying for the improvements. Ron added that Floater Taps become standby taps when they are assigned to specific pieces of property, and the Pecan Lane Subdivision would not have been approved by the Town without the LDWA will-serve letters to Utah Health Dept and to the Town of Leeds. Ron explained that Stand-by Tap owners have guaranteed culinary water service. Jared said he was not aware that his taps were termed Floater Taps until yesterday (June 9, 2010) and that is why he did not pay his bills. Ron explained we only billed for the standby taps from Jan 1, 2010, and not from the date of recording in 2008. Jared said he still thinks it's arguable that the intent of Mrs. Cuff in her contract with him that there wasn't going to be a standby fee when she sold them to

him. Jared asked that the late fees be removed from his invoices as he did not understand the billing until tonight.

Motion by Ben Gordon, second by Danielle Stirling, with all unanimous to waive the late fees on the Standby Tap accounts.

Jared asked about the loan and asked if there are project specific improvements and if so, the shareholders receiving the improvements should have to pay for them, not all shareholders within LDWA. Ron said the entire system is being upgraded and that was the only way LDWA was approved for funding by DDW. Jared said when the Town secured the agreement with the Washington County Conservancy District (WCWD), the WCWCD agreed to provide emergency water to LDWA in the event of a catastrophe.

Shareholder Craig Sullivan asked if he came to LDWA, could he purchase water taps today. Ron said he would have to have parcels and they would have to be reallocated to the individual lot(s). Craig asked what the cost would be. Ron said he has the option to buy water shares based on the amendments to the bylaws approved earlier this year. Ben added it would be based on the current market price for water. Craig said if he wants to build a house on a 5-acre parcel, what's the water hookup going to cost him? Craig said that in the past, his problem has been that no one has been able to give him an answer. Ron told Craig he would have Scott Hayes provide that information to him within the next few days.

5. Vista View Estates Water Rights – Merle Gier, Shareholder

Merle Gier asked to make a correction to the meeting minutes dated April 17, 2007. The minutes state that developer Gordon Casey 'gave the Giers a parcel of land' within the Vista View Estates Subdivision on Boulder Way, and that is not correct; the Giers paid money in addition to a piece of property in exchange for the parcel within the Subdivision. Ron said the meeting minutes are not legally binding and do not need to be changed. Merle said developer Gordon Casey has now told him it was not his intention to omit the Gier's parcel from the water rights that were transferred. Merle said Mr. Casey is willing to transfer one share from one of the parcels he now owns to the Giers' parcel, if acceptable to LDWA. Ron noted 15.6 acre feet of water was transferred from Gordon Casey to LDWA based on 1.2 acre feet per parcel. Ben said per our bylaws, we clearly cannot sell or transfer a share of water, but if Mr. Casey and Mr. Gier reach an alternative agreement, they can present it to the LDWA Board for review.

6. Status of water tank modification/Leeds Irrigation Water Co – David Stirling

David Stirling asked if they could extend the lease on the Water Tank on Silver Reef Road or if they could purchase the tank, as they plan to spend thousands of dollars to remodel the tank for their use, and future Board members may decline to renew the lease and them. The Leeds Irrigation Water Co would be out of pocket for all that money. Randy Stevens asked if they could include a legal statement in the agreement. Ron asked David to submit a change to the contract and LDWA will look to protect the Irrigation Company's interest. Fire Chief Steve Lewis said the sooner the better, as the irrigation water system has nominal pressure right now and the filters need to be installed to correct the low pressure.

7. Financial Update – Danielle Stirling

Danielle said we have used 2 million gallons less than we did at the same time last year. We have \$135,000 accumulated in all bank accounts and Money Market CD, and recommended establishing separate bank accounts for the ER&CI Funds to simplify and clarify LDWA accounts.

8. **Ron Cundick reviewed LDWA shareholder letter dated June 2010.**
 9. **Waters Rates, Enforcement, Hydrant Meter Rental Fees, Resolution 2010-04 – Ron**
Ron said the Resolution 2010-04 for the LDWA Rates & Fee Schedule has been prepared and thanked Karen for compiling the information. The Resolution is a requirement of the DDW the Project Upgrade Loan Approval.
Motion by Ben Gordon, second by Randy Stevens, with all unanimous to adopt Resolution 2010-04 LDWA Rates & Fee Schedule.
 10. **Emergency Response Plan, Resolution 2010-05 - Ron Cundick**
Resolution 2010-05, Emergency Response Plan, as required by the DDW. Ron thanked Karen for preparing the Resolution and Plan and thanked Scott for his input.
Motion by Danielle Stirling, second by Ben Gordon, with all unanimous to adopt Resolution 2010-05, Emergency Response Plan.
 11. **Application for LDWA Will Serve Letter - Randy Stevens**
Randy did not have time to complete the review of the will-serve letter and agreement information. Ron added that there have been a lot of expenses are necessary because the Town's engineering firm has not included the culinary water company (LDWA) in the Plat approval process. The Town has previously not been forthcoming with inclusion of a signature block on the plat maps for Culinary Water and it needs to be included.
 12. **DDW Loan: Summary of Provisions, Resolution 2010-03 as amended – Ben Gordon**
Ron explained what the DDW requires and said that we are protecting.
Motion by Ben Gordon, second by Randy Stevens with all unanimous to approve Resolution 2010-03 amending Resolution 2010-02 Summary of Provisions for DDW Loan.
 13. **Report from Water Superintendent - Scott Hayes**
Scott reported he and Kurt allen met with SITLA regarding the easement on their land. Ron reminded Scott that he work in conjunction with NEI. Ange Rohr asked Scott if he had reported the water collection by WCWCD up near Anderson Junction, and asked if it might drain LDWA's new well. Scott said DDW Office in Cedar City told him to call WCWWD as they knew nothing about it. Ron asked SCOTT to make it a point to look into it.
- III. **COMMENTS BY BOARD MEMBERS** – none.
- IV. **MEETING ADJOURNED** by Ron Cundick at 8:45 pm.
- V. **EXECUTIVE SESSION** was held and adjourned at 9:50 pm.

Karen Markovich, Office Administrator

LDWA BOARD MEETING MINUTES

July 22, 2010

EXECUTIVE CLOSED SESSION was held at 6:00 pm to review mid-year Budget.

1. **Call to Order and Welcome by LDWA President Ron Cundick at 7:00 p.m.**
2. **Prayer led by Ben Gordon.**
3. **Pledge of Allegiance led by Danielle Stirling.**

Board members present: Ron Cundick, Ben Gordon, Danielle Stirling, Randy Stevens. LDWA Staff present: Scott Hayes; Karen Markovich taking minutes.

Shareholders present: Nate Blake, Jerry VonCannon, Shirley Grier, Kurt Allen, Don Goddard, Paul Densley, Lee Johnson, Ange Rohr, Syd Holt, Steve Lewis, Roxanne Lewis, Laverne Monroe.

Ron Cundick announced that Rick Sant cancelled his presentation of the Silver Pointe Estates Subdivision Phase I Final Plat scheduled for tonight's meeting agenda.

I. LDWA BOARD MEETING

1. **Elliott Sheltman officially sworn into office.** Elliott took the Oath of Office as the new LDWA Board member recently vacated by Ange Rohr, who was elected to Leeds Town Council. The appointed seat expires in February 2011. Ron and Board members welcomed Elliott.
2. **Motion by Randy Stevens, second by Ben Gordon, with all unanimous to approve LDWA Board Meeting Minutes dated June 10, 2010, with correction noted to add Ron Cundick's name to Board members present at the meeting.**

3. **Shareholder Nate Blake comments - water usage, pressure, & Shutoff Notification process.**

Nate said his water usage typically exceeds 20,000 gallons per month as records reflect. However, his last bill for 30 days water use was \$439.09. Nate said before he had not received the invoice in the mail, and Scott Hayes delivered a shut off notice to him at home. Nate expressed his frustration with receiving a shut off notice prior to receiving the invoice, and said the amount due appeared to be unusually high.

Nate said when he asked Scott if there was something he could do about it, Scott told him he could ask the Board for a break but it wouldn't help and he would have to pay the full amount.

Nate went on to say he hired a plumber to check the water pressure at his house, as it seemed to be high. The plumber reported his pressure at 154 lbs, and Nate replaced his pressure regulator valve (PRV) which he originally purchased 3 years earlier in 2007. Nate said the life of a PRV should be longer than 3 years and pressure should be around 100 lbs. Running higher water pressure reduces the life of the PRV. Nate said to he felt he was threatened with the shut off notice, as he received it prior to getting the invoice. He waited to pay the previous invoice to see if he could correct the pressure. Nate added they can handle up to 180 lbs of pressure, but that's the maximum.

Ben Gordon asked Scott Hayes if the higher pressure is typical for that area in town. Ron said if we find we are running too much pressure, LDWA should work with the homeowner. Danielle asked how Scott checks the pressure. Scott said we only have three valves in town and they have to be set at a minimum amount mandated by the State. The State calls for 20 lbs. minimum pressure, with no maximum. Danielle said she and her husband needed to install two PRVs in their home to prevent their home from flooding. Nate said other folks may be hit with it too, and we should notify shareholders.

Ron told Scott to check LDWA PRVs to verify pressure flow within the Town. Nate suggested if LDWA runs too much pressure, it might want to educate shareholders and explain how it works and why their bills may be high.

Ben asked Scott if it would help to install the PRV's closer together. Scott Hayes said the PRV's are an engineering thing and deferred to Kurt Allen. Kurt said the PRVs in that area of town should not exceed 120 lbs at any time and suggested Scott should check them.

Danielle said the allowable pressure at their home on Babylon Rd. should not exceed 145 lbs of pressure, however, it is 190 lbs, so she and her husband installed two PRVS between the meter and their home.

4. **Shareholder Shirley Gier – high water meter reading.** Shirley said the water usage for June service was 154,000 gallons and she does not come close to the allocated monthly amount of 20,000 gallons. Scott Hayes said he re-read the meter twice and readings reflected no leaks or defects. Shirley said while she knows she left her irrigation hose on for 3 days, that should not cause such a high water usage; but she was told that was probably the cause. Shirley said her neighbors told her there is no way she could possibly use that much water and asked the Board to review the balance due. Shirley said she pre-paid her bill through 2010 back in January, based on the \$30 monthly fee at that time, and she should not have a \$300+ balance due. Ron asked Scott to return and *test the meter flow rate* in addition to re-reading it. Danielle added we would adjust the bill if the meter is found to be in question.
5. **Shareholder Karl Bruner - concern water low pressure at Main St. Not in attendance.**
6. **Shareholder Cyntha Wright – suggestions for Board: Not in attendance.**
7. **Progress Report – Project Upgrade Engineering Construction Bids, BLM Approval, Right’s of Way & Easements.** Kurt Allen of NEI reported we’ve made good progress. The BLM approved the well site and access road. The bids have gone out to advertisement for contractors and the apparent low bidder is Precision Pipeline, Inc., at \$977,428.75, who left 10% (\$130,000) ‘on the table’. Kurt Allen said they have worked with Precision Pipeline on three other projects: on Soldier Summit and two at Duck Creek. Kurt said they are an excellent company, good at working within their bid and if there is an issue, they work out details cooperatively and are responsive. An added plus is their attention to cleaning up after construction. His experience leads to his recommendation to hire Precision Pipeline.
- Elliott asked why the cost of meters are significantly lower than other contractor bids; Kurt could not confirm but said contractors bids can fluctuate as they realize they need to bid low on some items to win a contract. Elliott is correct and the meters will most likely run over cost; Elliott asked if he has to meet his prices and Kurt said they are bound to them. Elliott questioned the high cost of the pea gravel and excavation. Kurt said we will have some change orders and some line items will go into overrun because of the boulders in this area. Kurt said he is a real stickler that sufficient pipe bedding [pea gravel] is crucial for successful pipelines; it is most important for the pipe to be secure. Kurt said the contractor knows there is a significant amount of large rock in this area that will need to be removed and he is allowing for that. Ben said it’s a plus to have a contractor whose specialty is the pipeline and water system. Earlier, Gary Kobzeff of DDW indicated to Kurt that Precision Pipeline is a good company and will likely be approved by the DDW after LDWA Board recommends approval.
- Ben asked why there is only 800’ of pea gravel for backfill, given there is far more footage of new pipe being installed. Kurt said they only use the backfill where large rock is encountered and a good portion of the pipeline is going to be in sandstone north of town on out on the Savage Family’s property. Ron asked the Board members to take a vote on the contractor as recommended by Kurt. **Motion by Danielle, second by Ben Gordon, with all members unanimous [vote by show of hands] to authorize Northern Engineering Inc to award the contract to Precision Pipeline, conditional on DDW’s unanimously approval.**
- Kurt said there are two more hurdles: (i) the well drilling contract and (ii) the well pumping facility contract. We are now at State review & approval. Kurt said he has completed the easements with the exception of one. Ben said Stephanie Martini and her husband Kjeld Jensen made a small change of changing the permanent easement to ten feet per the legal agreement. Kurt said most easements get a temporary construction easement and a permanent easement. **Ben said he will add a sentence in the agreement to notify the landowner prior to bringing in the construction equipment.**
- Don Goddard asked if we have approval to drill at this time; Kurt said the application has been submitted to the State; after State approval of the design of well, they will apply for the drilling permit. Ben asked how the Project accounting for expenditures will be completed; Ron said LDWA is required by the DDW to complete a full CPA audit within one year from the date of funding. Ben asked if we will verify LDWA will only be billed for actual purchases. Kurt said there will be daily on-sight inspection, with records and progress reports submitted at the end of each workday. Kurt will ensure that the contractor is being fair and that they do not charge LDWA for items not purchased or utilized. Ron said they will discuss this at a later point.
8. **Water Rights Agreement.** Ron asked Kurt the status of the transfer of the 400 acre-feet of water into LDWA, and explained the Agreement to shareholders. Kurt said the owners of the Water Rights are rather

uncomfortable with the proposal, but know it is best for both parties and have given their approval. Danielle asked if there are any water rights that will be subject to confiscation. Kurt said there is a lien against one of the water right's owners. Ben clarified that we are taking the 400-acre feet of water, protecting them from forfeiture and then the investors or LDWA can find buyers for that water. In addition, the water can only be used within Leeds. It cannot be transferred out of the area. **Motion by Ben Gordon, second by Randy Stevens with all unanimous to authorize Ron Cundick to complete the Water Rights Transfer Agreement as discussed.**

9. **Progress Report - Project Upgrade Loan Administration.** Karen Markovich reported DDW's Ken Wilde & Gary Kobzeff will be on vacation end of July and beginning of August, as well as DDW Atty Bill Prater and therefore will be unable to complete the loan funding by the original date of August 4. Gary said it would take about two weeks after Bill Prater's return, with funding looking realistically completed around the end of August. The fee for the DDW attorney [Bill Prater] as specified in the original Loan Authorization Letter fee will be between \$4,000 to \$10,000 (refer to Loan Authorization letter). Karen reported the legal easement agreements do not as long as the verbiage in the legal easement agreements is approved by LDWA attorney [Ben Gordon].

The agent from Hunt Leavitt Insurance, current holder of LDWA's existing \$50,000 Fidelity Bond, said they will add the name "The State of Utah acting through the Drinking Water Board" to the Fidelity Bond, as required by the DDW. Karen is not authorized on the Zion Bank savings acct, therefore Scott Hayes will work to move \$72,000 from that account and place in a CD to be used as the balance of the \$122,000.00 Fidelity Bond.

The agent from the Equity Escrow Company verified their fee to handle the escrow account is \$1,000.00; they will have the Equity Escrow Agreement completed next week and email it to LDWA for legal review/edit prior to submittal to DDW.

10. **Financial Report.** Danielle Stirling reported that as LDWA Treasurer, she found we have been operating with a deficit for the last 3 yrs. In 2008, LDWA had a loss of \$33,565.70; in 2009 loss was \$12,797.00; and a loss of \$12,797.00 for the first 6 months of 2010. Danielle recommended LDWA establish separate checking accounts for (i) the Emergency Repair/Capital Improvement Funds, and (ii) the Project Upgrade Funds, so they can be clearly separated from the LDWA Ordinary Operating Expenses checking account. Danielle said LDWA will not raise monthly fees again and will function within the limits of its operating income. Danielle said there are some serious questions and concerns as to how we can correct the deficit before moving forward, and the Board will looking into the current expenses. Ron added that while LDWA is running a deficit in operating expenses, it does not have *debt*, and we do have assets. Don Goddard requested to pick up a copy of the current 2010 Budget and the proposed projection for the year; Danielle said Karen completed a revised budget and it is available to at the office. Danielle assured the shareholders the money will not be squandered away on unallocated expenses, and would be used for the purposes as assigned.
11. **Scott Hayes Water Update.** Scott reported this past month there were three water leaks were taken care of; the monthly water test was completed. Scott said we will address shutoff notices during executive session or at a later date. Scott met with Bill King, engineer on the SCADA system for the new well; rights of way with customers; he attended the Bid Meeting. The fire flow testing has been suspended during the hot weather.

II. **COMMENTS BY SHAREHOLDERS**

Fire Chief Steve Lewis spoke regarding Shirley Grier's high meter reading at 154,000 gallons. Scott said a water hose can run at 15 gallons per minute. Steve countered if you have a ¾" garden hose, how long would it take to use 154,000 gallons, and wouldn't there be water on the ground? Steve said you can see Shirley's frustration as she's been told she must have left her garden hose running, or that she has a leak somewhere. Steve said an average swimming pool holds maybe 11,000 to 15,000 gallons, so you can see why she would think there would be signs of water around the house. Steve asked that LDWA please use common sense and apply it, as he remembers once he was told he used over 1,000,000 gallons one month, and he didn't appreciate it. Steve said the bottom line is that it's a lot of water.

III. **BOARD MEETING adjourned at 8:28 pm by Ron Cundick.**

IV. **EXECUTIVE SESSION**

Meeting minutes approved by unanimous Board vote at Aug 19, 2010 Board meeting

LDWA BOARD MEETING MINUTES
August 19, 2010
Meeting held at Leeds Town Hall, 218 N Main St, Leeds

I. CALL TO ORDER

1. Welcome by Ron Cundick at 7:00 pm.
2. Prayer led by Randy Stevens.
3. Pledge of Allegiance led by Elliott Sheltman.
4. Board present - Ron Cundick; Ben Gordon; Danielle Stirling; Randy Stevens; & Elliott Sheltman.
Staff present - Scott Hayes; Karen Markovich taking meeting minutes.
5. Shareholders present - John Schijf; Leon & Margaret Eggers; Dennis Scanlon; Kurt Allen; Terry & Nina Danielson; Ange Rohr. Others present -- Roger Sanders, co-owner of water rights also in attendance.

II. LDWA BOARD MEETING

1. Motion by Danielle Stirling, second by Ben Gordon, with all unanimous to approve the July 22, 2010 meeting minutes with change wording from “basement” to “home” at bottom #3, page 1.

2. Request from Shareholder John Schijf. Mr. Schijf said he is the landlord for 89 E Vista Ave. In 2007, LDWA had to implement water restrictions because of the condition of the well. During that time, John was told by LDWA that if he continued to watch his water usage, he should not have a problem. Mr. Schijf decided not to discuss conserving water with his tenant, as he wanted to maintain the landscaping. The water usage for the month of May 2007 resulted with a bill of \$1,339.92. He made an arrangement with LDWA at that time to pay \$50.00 monthly, \$20.00 for water usage and \$30.00 for the debt. There was no interest charged by LDWA from that time to present (3 years). Last month Karen Markovich notified Mr. Schijf that given the recent increase in LDWA fees, the outstanding amount owing was now increasing rather than decreasing. Karen asked Mr. Schijf to make arrangements to pay \$75.00 in addition to the base monthly billing, thus paying off the debt within a 12-month period. John asked the Board if they could relieve him of the balance for the overage, now at \$699.11, as he has paid on the account for over three years. Elliott asked if the Board gave allowances to other shareholders during that emergency period. Danielle said they did not; no reductions were given because the situation was a dire emergency. LDWA notified shareholders to use water only for drinking and bathing purposes, as the well had only one hour of water during the emergency. The Board determined to make a decision in executive session and provide written reply to Mr. Schijf next week.

3. Extend LDWA Office Hours. Danielle Stirling talked with Karen to determine if it would be plausible to extend office hours when construction begins on the system upgrade. Danielle and Karen agreed the office hours could be extended from the current 9:00 a.m. – 1:00 p.m. 4 days a week (16 hours week) to 9:30 a.m. - 3:00 p.m., 5 days a week (27.5 hrs week). Karen said the 9:30 a.m. open time would allow time to pick up the mail, as the post office and LDWA have the same office hours. It would not be an additional expense to LDWA, as Karen is not paid for hours worked in excess of 30 hours week. Ron said it is a benefit for him as the Board President to be able to lock the door to discuss daily progress at 1:00 pm. Randy suggested keeping the hours consistent, but just extend open days to 5 days week, Mon – Fri. Ben suggested rather than having

the office open 5 days week part-time, have the office remain open one day until 6:00 pm to assist those who work and arrive home after 5:00 pm. **Motion by Ron, second by Randy Stevens, all unanimous to extend open office hours during the project from 4 to 5 days a week, Monday to Friday, 9:00 a.m. – 1:00 p.m., not to exceed 30 hours week, and continue to post the office hours, with notice to call for appointment off-hours.**

Kurt Allen spoke up as the Engineer for LDWA's Project and recommended he be the *FIRST RESPONDER* to all inquiries regarding the Project going forward. This would alleviate the burden on LDWA Board and Staff. Kurt said all concerns should be resolved by himself or NEI, given he is the Engineer responsible for the Project. He said he didn't see the need for LDWA to be open solely for the Project, and he would like to 'run block' for LDWA and field inquiries from shareholders.

The Board agreed to include Kurt's contact information on the website, the outgoing office message, and include in billing information for the duration of the Project.

4. Town of Leeds General Plan re: Culinary Water Service - Ron Cundick. Currently the Town is in the process of updating its General Plan and has asked LDWA for its input on the LDWA water system.

Ron assigned Elliott Sheltman to work with the Town to provide the update for LDWA.

On another issue, Ron said he thinks the Town is moving and pushing hard to bring in sewers. It is going to be a huge expense to property owners, and he encouraged property owners to speak out when the Town sets the topic for discussion.

5. Project Upgrade schedule & progress – Kurt Allen, NEI. Kurt said this past month they have concentrated on easements and all been obtained and recorded, with exception of Susan Savage's easement. Susan's is currently a Letter of Intent, and her attorney will provide the completed draft to Ben Gordon [LDWA Attorney] for review. Ben asked where the easement with UDOT Stands. Kurt said there are no firm commitments to-date. Ron said he is working on a resolution for that easement.

The Project contractor [Precision Pipeline, Inc] has not yet signed a contract until the Project is officially funded. Kurt said the proposed contract is included with the bid documents and will be revised. Ben said DDW Attorney Bill Prader requested it, but probably did not realize it was previously submitted. Shareholder Cletus Hamilton agreed to provide an area on his land [south of the pivot at the bottom of Silver Reef Rd] for the staging area of the construction Project. It's a locked area that should be secure.

Ron asked that the Federal SRF Checklist be reviewed, given DDW's Gary Kobzeff contacted Karen just prior to tonight's meeting and provided updates (see Checklist attached to minutes). Kurt said the well site bid cannot go out for advertisement until the DDW proceeds with getting the well site approved. Conversely, we don't want to delay loan funding if they have to change focus to the well site approval. Danielle asked if the radio transmitters were included in the original bid; Kurt said they were. Danielle asked if there would be additional monthly fees for an ongoing maintenance agreement for the hand-held digital meters [or if upgraded, the more costly laptop computer]. Kurt said the hardware does not necessarily need annual upgrades. Scott said he would prefer to address that issue in executive session, given he misspoke with vendors who were included in Precision Pipeline bid. Terry Danielson asked if we have a check valve system of backflow

preventers in place. Scott Hayes said some meters currently have them; Kurt added all new meters will have them installed.

On a separate issue, Kurt said the Water Agreement would be completed and signed within the next week after Roger Sanders completes the final review.

6. Zion Bank CD for use as portion of Fidelity Bond for Loan. Zion Bank said that in lieu of a CD, it will issue an escrow agreement for \$72,000 to be used toward the \$122,000 Fidelity Bond required by the Division of Drinking Water for the Loan. DDW's Attorney Bill Prater provided Ben Gordon with a list of changes to include in that agreement, and would rather sign it at the time of closing the loan. **Ben will email the info to Karen. Ron asked Ben to tailor the escrow agreement language so that it doesn't lock LDWA into additional fees.**

7. Calendar of hours worked on Project for DDW.

DDW loan funding to reimburse LDWA for wages paid to Scott Hayes. Scott did not bring his Project records with him, but estimated he worked 237 hours from Oct 2009 through July 2010 on the Project, which has been paid to him by LDWA. **Elliott asked Scott to provide his dates and times worked on the Project, as LDWA needs to submit them for reimbursement. Scott agreed to provide them.**

DDW loan funding to pay hours worked by Karen Markovich. The funding of the loan will pay Karen directly for her time worked to-date, 132 hours, as Karen is working as an independent contractor on the Project's Administration and has not been paid by LDWA.

Ben asked Karen if she has provided the DDW with a list of hours worked and paid expenses to the DDW, as their attorney Bill Prater requested that information for the loan closing. Karen said she's maintained a detailed record book of all paid expenses and bills, and created a spreadsheet of data consisting of all Scott's emails sent and received regarding the Project from Oct 2009 – July 2010. The spreadsheet is to encourage Scott to complete the record of actual time & dates worked on the Project given DDW cannot reimburse LDWA without that data.

The Board discussed providing LDWA's second Water Operator [currently Colin Korpi] with an agreement for his time when he is on-call during Scott Hayes' absence. Danielle recommended LDWA look into Worker's Comp and Ben said we either need to include him on Worker's Comp, or he has to provide proof he has his own. Danielle said there is no charge for Worker's Comp Insurance until the individual actually works, whether he is an independent contractor [as Colin Korpi is] or an employee.

8. **Financial Review July 1 - 31, 2010 - Danielle Stirling.** Adjustments to the Ordinary Operating Income and Expenses were completed in early July. That reduced the Projected year-end deficit from over \$27,000.00 to \$4,400.00. The reduced annual deficit includes DDW's repayment to LDWA for the hours paid to Scott Hayes.

9. **Consideration & possible approval of Billing Procedure.** Ron said the draft procedure was prepared by Karen. In light of tonight's request from a shareholder to forgive a 3-year outstanding bill, the Board needs to review the draft and include terms to address requests of this nature.

Motion by Ben Gordon, second by Elliott Sheltman, with all unanimous to authorize Karen or Scott to enter into a written agreement for shareholders who have past due account balances

to pay the debt interest-free within 90 days; if additional time is requested, the shareholder must present their request to the Board.

The Board agreed to defer the Billing Procedure until next month's meeting. Randy asked if we need to clarify delivery of Shut-Off notices by US Mail. Karen currently calls shareholders who have not replied to the shut-off notices and make arrangements for payment. That will be included in the Billing Procedure.

III. **COMMENTS BY BOARD MEMBERS** – none.

IV. **MEETING ADJOURNED by Ron Cundick at 8:16 p.m.**

V. **MEETING RE-OPENED by Ron Cundick for Report from Water Superintendent Scott Hayes.** Scott said LDWA has 3 PRVs and will have 5 when the Project is completed. Last month Shareholder Nate Blake reported he had 170 lbs pressure; Scott tested it later and said it was at 120 lbs. Scott said you can have different readings at each home, depending on the elevation. Danielle asked if Scott adjusted anything, as the pressure at her home is down to 110 lbs rather than 180 lbs.

Scott said he read Shirley Grier's meter for 10 days per Elliott's request, and her meter is flowing correctly. Ron asked Scott to test the flow rate, and Scott said it was 15 gallons a minute. Scott said even at half that rate, she'd use 150,000 gallons if it ran for a week.

Water Testing: copper and lead were tested this last month. Elliott asked how often we do that – Scott said every 6 years if the test is okay. Shareholders can take their own test as LDWA does not test for everything.

Ron said LDWA's testing should be on a master schedule and available to the Shareholders on the website. Scott said he's working on that. Ron asked Scott to put that at the top of his list.

Danielle asked if we've had test failures, and if all testing has been completed on schedule; she would like the Board to receive copies of tests when completed. for their review. Scott said we've had coliform overages and he then treats the water. Scott said source protection was due on the well and spring and DDW gave us additional time to complete until after the new system is installed and is due in 2011.

Scott gave one month's notice to the meter readers, the Johnson Family, as we are upgrading to a digital meter read system and the manual readers will no longer be required. Scott will begin the meter readings Sept 2010.

Per Ron's request, Scott said he apologized to Steve & Roxanne Lewis and the Webers for his bad sense of humor he used when delivering Shut-Off Notices.

UDOT and Western Rock approved to raise the manhole [airvac was in middle of south end of Main St].

Scott went on standby for LASSD Fire Chief Lewis on the small fire behind Walton Plaza. Ron asked if the water is free to LASSD and it is.

Scott said he went on a field trip with Kurt Allen of Northern Engineering for a demonstration in Ivins. Scott looked at the Master Meter brand hand-held digital reader; then saw a more expensive

system for meter reading using a laptop. Both systems can be used from inside a vehicle while driving by the meters. Scott said he was excited about the laptop reading system and contacted the VP of the Master Meter Company, who told Scott Master Meter would program LDWA's laptop at the same price of the Badger Meter brand hand-held digital meter readers. When Badger Meter heard that, they told Kurt Allen of NEI that LDWA not only committed a breach of contract for what was spec'd out in the bid, but LDWA could be held liable for lawsuit. Scott said he didn't know he should not have contacted the company or that it could cause a problem for LDWA. Ron told Scott to get himself out of the firing line, and allow the engineering firm to handle it as earlier recommendation by Kurt Allen.

Randy said we should get the price of the drive-by hand held meter readers and if they are \$4,000 -\$5,000 less, LDWA could buy a used ATV to drive by for meter readings rather than the LDWA truck, which has poor gas mileage.

VI. **MEETING RE-ADJOURNED by Ron Cundick at 9:05 pm.**

VII. **EXECUTIVE SESSION adjourned by Ron Cundick at 9:45 pm.**

LDWA President or Vice President

Karen Markovich, LDWA Office Administrator/Corporate Secretary

**LDWA BOARD MEETING MINUTES
SEPTEMBER 30, 2010**

I. CALL TO ORDER

1. Welcome by Ben Gordon at 7:00 pm.
2. Prayer led by Danielle Stirling.
3. Pledge of Allegiance led by Elliott Sheltman.
4. Board present - Ben Gordon; Danielle Stirling; Randy Stevens; & Elliott Sheltman.
Staff present - Scott Hayes; Karen Markovich taking meeting minutes.
5. Shareholders present – Darrell Nelson, Craig Sullivan, David Stirling, Lee Primm, Town Councilperson Ange Rohr arrived at 7:45 pm.

II. LDWA BOARD MEETING

Motion by Danielle Stirling, second by Randy Stevens, with all unanimous to approve the August 19, 2010 meeting minutes.

1. Ben announced the resignation of Ron Cundick, who left for an 18-month LDS mission in Argentina. The Board talked with several candidates to fill the seat and they will appoint his replacement within the next week.
2. Elliott Sheltman reminded shareholders that all inquiries should be directed through office administration by phone or by email, in lieu of calling Board members at their residences during after hours.
3. Ben said in accordance with the bylaws, the shareholders/property owners are ultimately responsible for account payments of properties they own, regardless if leased or rented. Landlords and tenants will receive notification over the next week.
4. Ben gave notice that the Board approved Ben Gordon, President; Randy Stevens, Vice President; Danielle Stirling, Treasurer of LDWA.

III. PUBLIC HEARINGS

Finding of No Significant Impact (FONSI) & CATEX issued by the Division of Drinking Water. **Motion by Ben Gordon, second by Randy Stevens, all unanimous to open the public hearings for the FONSI and CATEX for the system upgrade project. There were no comments from the public. Motion by Ben Gordon, second by Randy Stevens, all unanimous to close the public hearing.**

IV. REGULAR BUSINESS

1. Invitation to Bid for LDWA Water Well No. 2, Well Drilling 2010. Ben announced the bid opening for the well-drilling project. The low bid came in just over \$150,000, a large savings, as the original estimate was \$250,000. Kurt Allen, NEI, said we initially received interest from 8 well drillers; because of varying reasons, we officially received two bids - from Grimshaw Well Drilling and Gardner Bros Well Drilling. The bid schedule was provided to the Board. Randy Stevens asked if a minimum number of bidders are required; Kurt said they are not. The Board discussed the pros and cons of each. Shareholder Darrell Nelson asked if this cost was for the hole in the ground or includes the well. Kurt Allen clarified that this contract is for drilling the hole in the ground only. Construction of the well will be a separate bid. Motion by Randy Stevens, second by Danielle Stirling, all unanimous to approve acceptance of Gardner Bros Well Drilling.
2. Construction / System Upgrade Progress Report. Kurt Allen said the meter lids and materials have been inventoried and are on site. Precision Pipeline's materials invoice was \$316,000 and the draw is being prepared for submission to the DDW. Kurt said that typically the draws will be submitted by the 25th of the month; this time it will be submitted Sep 28. NEI received the proposal from the contractor for the culvert at I-15 crossing. Kurt reviewed the bid proposal. Motion by Danielle Stirling, second by Randy Stevens, all unanimous to accept the change order for boring culvert and loop all pipeline on Wonder Lane. The Board and Kurt discussed the pros and cons of approving the change order for the curb valves, total cost \$35,875.00. It was agreed that while the curb valves would be nice to have, they are not a necessity. Elliott Sheltman said if we begin to approve change orders for items that are not critical to the system upgrade, we may run short if there are necessary change orders in the future. Ben

discussed advantages of curb stops as opposed to meter-setter (sp?) stops located at the streets which require 'exercising' maintenance (turning valves fully on and off) at least once every 3 months. Elliott asked Scott how many times per year he exercises the existing valves; Scott said he thinks he exercises them 2 – 3 times a year; defined dates are unknown because it's not recorded on a work log or work order. Danielle asked the Board table approval of the Change Order; the Board agreed to review the pros and cons and make a determination within the next week.

Kurt said the construction will begin on Silver Reef Dr and they have begun to notify residents door to door; it is posted on the website and emails are sent out. Danielle recommended post construction signs in working areas; Kurt suggested holding neighborhood meetings as the construction continues.

3. RVS Mosaics Utility Billing Software Program. Karen Markovich reviewed the current utility billing software program, Caselle, Inc. It costs LDWA \$75.00 mo in tech support maintenance; does not offer interface feature with Quickbooks Accounting Software Program; historic data retention is limited to 2 years; and programming is antiquated. The cost will be over \$1,000 to upgrade the current software for interface with the new digital meters. Karen researched numerous utility software billing programs and recommended LDWA purchase RV Mosaics Utility Billing Program, \$4150 and cost is included in the loan funding. RV Mosaics offers free tech support; unlimited storage of account history; interface with Quickbooks Accounting Program; email & postcard invoicing. Motion by Danielle Stirling, second by Elliott Sheltman, with all unanimous to purchase (through the loan funding) the RVS Mosaic Utility Billing Software Program through the loan funding.
4. LDWA Board Project oversight; streamline Project Change Orders. Elliott Sheltman recommended one Board member have oversight on change orders and to do so in a timely manner. Ben & Board agreed that at least one member will be available when change orders are submitted.
5. Information for Town of Leeds General Plan. Elliott Sheltman said the Town is working on the General Plan and requested update and input of LDWA's projections. Elliott provided copies of the data to the public and the Board.
6. Discuss Will-Serve Letter - categories for single-residential & subdivisions. Randy asked if anyone had any input regarding the example Will-Serve letters. Ben said we are looking at differentiating Will-Serve letter formats for single residents and developers.
- 7 - 8. Financial Report Update Sept 30, 2010. Danielle Stirling reviewed Aug and Sep 2010 financials, and said the monthly deficits of our Ordinary Operating Expenses have continued through most of 2010. Danielle said she is working to streamline expenses; Karen provided several recommendations, including moving to remote electronic check deposits saving Scott's time and trips to town, a savings of over \$300 month for Scott's time and fuel, wear & tear on the company truck.

Field Report. Scott Hayes said they have been checking the PRV valves, looking for leaks, and they try to complete that once a month. The spring has been producing enough water to keep the tanks full. Keith Scholzen's Supply repaired the clogged pipes in Silver Reef Highlands as Scott did not have the tools to do it. Scott thanked Karen and the Board for their work in getting paperwork completed for the Loan and funding; Scott said it was a huge task collecting all documentations for the loan.

Scott said he's now reading meters and realizes LDWA did not pay the Johnsons near enough for meter reading; as it is a physical work. Scott said he was able to complete the meter readings in one day yesterday as he had his wife Tana drive the LDWA truck, write down the meter readings, while he jumped in and out of the truck. Ben said we are not insured for non-employees to drive the truck and while it may take 2 days, we cannot legally allow someone else to drive the truck. Scott estimated it will take 4 days to complete the meter readings doing it by himself. Scott said the County installed a new heat/AC unit at the office. Scott concluded his report.

Danielle asked why there has been so much water flowing from the pink tank (spring water) into the old abandoned irrigation ditch since the end of August. Scott said the spring is set to dump into the ditch when the tank is full. Karen asked about last night (Sep 29) and this morning, as the 1st green tank supplied from the well water was overflowing for at least 10 hours at a rapid rate – it looked like Niagara Falls. The water had cut its way into the abandoned irrigation ditch and was flowing down at the "Y" on Silver Reef Drive park bench. Scott said that was a different thing & asked the Board if they wanted to discuss that and Danielle said to please proceed. Scott said because of the complaints about water

being in the old irrigation ditch and certain trees being watered [by the spring overflow], he talked with Rural Water and asked what options there were. The map that we have on the valving on the green tank is not correct or whatever; Scott said he opened that line the previous night in attempt to feed the spring water into the Highlands Tank, but still hasn't figured out why it did not fill the tank. Instead, it overflowed for over 12 hours, with about 320,000 gallons lost into the ditch. Karen called Scott at 6:15 am and left message; then called Colin Korpi at 6:30 am. Colin was on his way to check the tank and Scott returned call; Colin returned home. Scott turned the valve off at about 7:00 am. Craig Sullivan asked for irrigation water as he was receiving complaints and the irrigation company should have the spring water back into the irrigation ditch, per the agreement. Craig said he thought it was resolved, but apparently it was not. Craig said it would be good for them to have a relative continuous flow, rather than 100 gallons per minute, and no water the next. Danielle said Scott Ricci had successfully turned water back to the Irrigation Company in 2007 to repay the Irrigation Co for the water they gave LDWA when the well was being repaired at that time. Danielle asked if we have records of how much LDWA takes out of the spring and how much the Irrigation Company should receive. Scott said he should keep a record, but the meter is broken and hasn't been replaced because it will cost about \$1000. Danielle asked how long it's been since it was filled; Scott said we have not dumped any water into it; Craig asked Scott: how much water is the spring producing, how much water is LDWA taking, and how much water should LDWA be putting back into the Irrigation Co. Scott said he has no way of knowing how much the spring produces, but LDWA takes about 90 gallons a minute and all the overflow is going back in the ditch. Craig said he thinks he remembers that LDWA only has the rights to take about 60 gallons per minute (officially 62 gallons per minute) and turn the overage back to the Irrigation Co. Craig said he'd like to be able to tell the Irrigation Co. shareholders just how much water they can expect, particularly given they are so low right now. Craig said he doesn't know how the valves work, and Scott said he himself does not know how they work either; that's why they overflowed. Scott said he doesn't know how to gauge the amount of water the Irrigation Co should receive and how to control the flow. A year or so ago, Scott Ricci showed Scott Hayes how to divert the water; there are 2 boxes [up there] that dump water, and past that is where the meter is [located]. Scott said he reads & records the meter once a month. Scott said the telemetry system has not been working for a couple of months now. Danielle said the telemetry is not that old and why don't we replace it; Scott said he thought he'd wait to replace it after the project is completed, and if the Board wants to repair it now, he could look into it. Ben asked Kurt Allen if we can update all valve maps to provide accurate documentation in the future. Kurt said they will indeed look into completing that.

IV. MEETING ADJOURNED by Ben Gordon at 9:15 pm.

Karen Markovich, Corporate Secretary/Office Administrator

LDWA MTG MINUTES

OCT 21, 2010

I. CALL TO ORDER

1. Welcome by Randy Stevens; Ben Gordon arrived late.
2. Prayer led by Elliott Sheltman.
3. Pledge led by Jim Vasquez.

Board Members present: Randy Stevens, Elliott Sheltman, Jim Vasquez, Danielle Stirling. Ben Gordon arrived late. Staff Members present: Karen Markovich taking meeting minutes; Scott Hayes was absent.

Public present: Ray & Heleene Stoker; John Markovich; Terry & Nina Danielson, Penny Weston. Ange Rohr arrived at 8:15 pm.

II. LDWA BOARD MEETING

1. Approval of meeting minutes were tabled; minutes were submitted too late for Board review (Karen was ill).
2. Randy welcomed new board member Jim Vasquez.

III. REGULAR BUSINESS

1. Request by Leeds Storage – hydrant at Cemetery Rd. Heleene Stoker, owner of Leeds Storage Units, said they didn't know LDWA was planning this Project and since we are receiving "Obama money for free", we should reimburse them for the \$90,000 they spent on installing pipe to their storage rental business in 2006. Heleene said they had to install it 30' – 40' beyond their own property as the Leeds Town Mayor and Council required it before the Town would approve their building permit, and added the Leeds Town "held them hostage." Heleene said back then, Mr. Colin Korpi (LDWA water operator in 2006) told her LDWA would probably be fair about the connection fee. She asked what an impact fee was; Danielle read definitions of impact fees, water connection fees, and rates. Randy added that the impact fee and water connection fees apply only to the LDWA system, and not to what the Stokers might charge someone to connect to their lines.

Danielle asked what she thought would be appropriate compensation for their expense. Heleene said they hadn't discussed it. The Board asked the Stokers if they had written documentation and they said they did not; Ben asked that they put a written proposal together of what they think is fair compensation and submit it the Board. Heleene said they would provide another copy to LDWA. Kurt Allen said he may have a solution, as they've extended their line about 100', and that portion we will not have to install. Kurt suggested LDWA could reimburse the Stokers for the 100 feet at its cost, \$9.80 ft.

On another note, Heleene said they use about 100 gallons of water per month, and that the bill is getting very expensive. Randy reminded her that we also pay for fire protection, and there was a fire in 2006 in the vicinity of their property, and the Fire Dept was successful in putting it out before it did additional damage to their business.

2. Construction / System Upgrade Progress Report. Kurt Allen, Northern Engineering, Inc. Kurt said they are averaging about 100 – 150 ft per day laying the new pipe. They've had a few adjustments to assure the quality and bedding is correct, and assuring the bedding meets or exceeds the

contracted requirement. It's working well and they are moving right along. The contractor is doing a great job in staying organized and cleaning up as they go. They keep the water truck on hand and dust is controlled. Kurt said we need to stay in close communication with Cherryle and her son Joe Orrock, shareholders on Wells Fargo Dr, as Cherryle teaches piano lessons out of her home and needs access to her home.

3. Review Change Orders for Project. Kurt presented the summary of change orders (see attached to mtg minutes); there is an existing meter box at the school bus turn-around on Oak Grove Rd, and a pressure reducing station box is planned to be installed near that location. The cost of the boxes/not be an issue and a matter of putting piping and meters inside the box. They estimate \$20k would be sufficient to place the plumbing in the box. Kurt said they would remove the old meters, cut the lines, the cost is for 3 new meters and new piping. This is a new change order.

Kurt said there is a change order for \$172k, for the pipe zone: 12" over and 6" under. They bid at \$35 linear foot and were way over bidding in the beginning. Kurt said he immediately had a discussion with PPI re: their bidding and shifting monies from line item to line item. PPI has offered to knock off \$15 ft per linear ft and drop to \$20 ft giving us a \$100k credit. Kurt said this is probably nothing you will ever see again and it's very generous of them to do that. Kurt said they originally thought they'd have to bring in backfill due to removal of large rock; however, they have not had that problem.

Shareholder Terry Danielson asked if it's true that the State requires us to have a redundant well. Ben said it was a condition of DDW to be granted the loan. Terry asked about the culvert & whether the city should be responsible to pay for that rather than LDWA. Kurt said they have an agreement with SITLA [*owner of property*] and a 10" line will be installed at that area. If LDWA pays for the lines and construction, SITLA will provide the lease at no cost. Terry asked about Grapevine Wash Development and do we have an agreement with the city or the WCWCD to serve water to the them. Danielle said it is not the Grapevine Wash Development, but rather, just the grapevine wash itself and nowhere near that controversial development. Ben added that the loop will be a huge help for safety/water pressure in hydrants. For the record, the board clarified that none of the construction is for service to ANY new development; all Board members said NOTHING goes to new development.

Ben said they are looking at 2 Change Orders (COs): one for the curb stops - \$36,000 and one for in-line valves, \$60,000. Elliott asked if the in-line valves CO is the 'ultimate fix'. Kurt said they've found numerous valves that have never been exercised and now need to be replaced, and noted water operator(s) should perform that task on a consistent basis and for whatever the reason, it's not been done. Elliott said the good news is we are under budget; the other side is we have to repay the loan. The board discussed the pros and cons of the in line valves (\$60k) vs. the curb stops (\$36k). Shareholder Ange Rohr asked if the curb stops could be installed rather than the in line valves? Ben said the curb stops provide a rather similar benefit, but they're primary benefit if the break is in the yoke of the meter. The inline valves take care of the main line breaks or pipes that are not at the yoke location. Jim Vasquez asked if the amount of in-line valves could be reduced, to allow for

Motion by Danielle Stirling, second by Randy Stevens, with all unanimous to approve Change Order #3, In-line Valves and REJECT Change Order #1, Curb Stops.

Ben asked what need there was for the COs for Tank Site Valves and Air-Vac on Oak Grove Road. Kurt said Scott Hayes thought they'd be a good idea. Ben asked if they wanted to take action; Elliott said he'd like a breakdown; Ben agreed with Elliott. Elliott explained he likes to have an answer in the event a shareholder asks him what he voted on -- he wants to have the ability to explain it to them. Randy said it's something we can wait on, and the Board agreed.

4. Old meters and hydrants. Danielle said LDWA originally purchased the used meters for \$5; she will bring a 'watermelon bin' to contain the old meters. Leeds Irrigation Co. plans to purchase the used meters for \$5 each. Scott said Scholzen's quote for meters scrapped was \$2 each. Danielle asked

Scott to keep track of the old meters, remove from job sites for the Irrigation Co, and put in the bins. Kurt said he will notify Danielle when they are ready to use the watermelon storage bins. On hydrants, Danielle reported the company she contacted said DO NOT use the old fire hydrants for any decorative purpose; she is getting a bid/quote on a sales price.

5. Non-Payment of Accounts. Ben said we need to look at how we can be compensated for past due debts on foreclosed properties and accounts that are unpaid. There is a potential solution, as defined in the By-laws, which states that a water share can be cancelled if a payment is [more than ten days] past due. The shareholder would lose the right to vote on matters submitted to LDWA, including amendments to bylaws and election of Board members, and the right to connect to the LDWA water system if it is a standby tap. In accordance with the Bylaws, we can legally cancel water shares and ask for a reinstatement fee. This does not allow us to transfer shares from one property to another.

Ben asked for discussion – how much do we charge. Elliott said we need an incentive; the share has a value and there needs to be a deadline for amount of years a share can be held when LDWA has not received payments. Ben asked if we actually cancel a share at the time we lock up a meter. Do we have a different fee schedule for a standby tap vs. an active tap. Ben read Bylaws Article X, Section 5, Delinquency Charges. We are fully authorized to create a cancellation of stock certificate. Keep in mind just because someone records a deed with the county and it states it includes one share in LDWA, it does not make it officially legal and binding. Ben said the Board will need to determine a date for cancellation of the share, and associated reinstatement fee. Shareholder Penny Weston said Mt. Springs Water Co. in New Harmony, Utah, has done this and it's been extremely successful, with she thinks is a four month share-cancellation policy. Ben said for active taps we now serve a Shut -Off notice at 60 days past due. (Penny later confirmed the reinstatement fee for the New Harmony Water Company is \$5,000.)

Motion by Ben, second by Elliott Sheltman, with all unanimous to institute a Share Cancellation Policy for Active Taps at the time a meter is actually shut off, and Standby Taps to receive Warning Letter that their share will be cancelled of payment is not received in full within 30-days, with the reinstatement fee of \$2,500.00 per share. [Prior to issuance, the Share Cancellation Policy and Warning Letter will need to be written; and Board approval prior to issuance.]

6. Update Board Assignments. Danielle said a few years ago, there were assignments for each Board member. We need to update them at this time with the new members. Danielle asked for someone to volunteer to attend the LASSD meetings. No one volunteered, and Danielle said she would attend LASSD Board meetings; Randy Stevens volunteered to attend Leeds Town Council and Planning Commission Meetings; Ben Gordon volunteered to attend the Leeds Irrigation Water Company meeting that is held once a year.

7. Financial Report. Danielle Stirling presented the financial reports for 3 weeks of Oct 1 through 21, 2010, a (-\$409.64) loss and the month of Sep 1 through 30, 2010 was (-\$3,353.73) loss in the Ordinary Operating Expenses. Danielle said as LDWA Treasurer, she is fully aware of the continuing deficits and has made recommendations to the Board on how they can reduce some expenses. The Board will discuss this during the executive session following this meeting, and Danielle said she fully intends to balance the LDWA Budget.

8. Review of written communication; field reports through the LDWA Office. Elliott said we had a minor auto accident on the Project's job site. Precision Pipeline, Inc, (PPI) is covering the cost with

no questions asked. Elliott pointed out that LDWA was not informed for over a week. Ben said he was contacted by Kurt Allen and did not realize the office had not been contacted. Elliott talked to PPI and said they will report any future mishaps to the LDWA office and contact Admin Karen Markovich. Karen asked that the Board contact Scott as he was not at the meeting, and Board members agreed to direct Shareholders to contact the office for appropriate chain of command and legal course of action. Elliott also asked to have flagmen in place if needed, given the

IV. COMMENTS BY BOARD MEMBERS

Ben said Mayor Lefler contacted him, and told him that they found the Town failed to have a fire hydrant installed in El Dorado Hills back when the home was built in 2004. Mayor Lefler asked if they could contact PPI and ask for a quote for the hydrant. Ben said they could include the cost in a Change Order (CO) and LDWA could pass the cost on to the Town.

Danielle said the CO should be submitted to the Town as they are the entity who neglected to have the hydrants installed by the developer in 2004. Randy asked to go on record stating that all of a sudden, the ball is in the other court; we'd like to have a good relationship with the Town, but it has to go in both directions as we know the Town has not been willing to work with LDWA in the past.

Kurt will give us a copy of the CO and they can submit it to the Town and discuss at the next meeting..

V. Ben adjourned meeting at 9:22 pm.

VI. The Board called for an Executive Session; Admin Karen Markovich did not attend the meeting; meeting minutes were not tape recorded.



Karen Markovich
Karen Markovich, Corporate Secretary/Office Administrator

APPROVED
Nov 18, 2010

LDWA MTG MINUTES

Nov 18, 2010

I. CALL TO ORDER

1. Welcome by Ben Gordon at 7:06 pm.
2. Prayer led by Danielle Stirling.
3. Pledge led by Jim Vasquez.

Board Members present: Ben Gordon, Danielle Stirling, Elliott Sheltman, Jim Vasquez; Randy Stevens was excused. Staff Members present: Scott Hayes and Karen Markovich taking meeting minutes.

Public present: John Markovich; Fire Chief Steve Lewis, Roxann Lewis, Kurt Allen, Alex Beal, Ray Beal, Peter Aurigemma.

II. LDWA BOARD MEETING

1. Motion by Ben Gordon, second by Danielle Stirling, with all unanimous to approve Sep 30, 2010 meeting minutes with changes as indicated.
2. Motion by Danielle Stirling, second by Jim Vasquez, with all unanimous to approve Oct 21, 2010 meeting minutes with change as indicated from Elliott Sheltman.
3. Motion by Ben Gordon, second by Danielle Stirling, to approve the meeting minutes of Special Session Nov 9, 2010, as documented by Ben Gordon.

III. REGULAR BUSINESS

1. Fire hydrant installation on Canyon Creek Drive in El Dorado Hills. Fire Chief Lewis said the Town acknowledged they made a mistake in 2004 when they issued a building permit and bypassed the Fire Dept's approval on the permit. The result was omission of a fire hydrant that should have been installed at that time. The Town received a stand-alone bid from PPI in the amount of \$5,400 for a fire hydrant. While the Town agreed they made the mistake and the hydrant was necessary, they declined to fund it. Chief Lewis suggested the Town & LDWA split the cost of the hydrant; LDWA may be able to get a better price if it's included in the current Project. Ben said the property owner should be included in the discussion and possibly the cost could be shared by all three parties. Ben said it would make sense to have PPI install the hydrant, and at the same time, would like to have an agreement in place with the Town & the Property owner. Ben said he will talk to Mayor Lefler and report back to the Board. Danielle recommended LDWA write a resolution or ordinance to preclude this from occurring in the future.

2. Construction / System Upgrade Progress Report. Kurt Allen, Northern Engineering, Inc. Kurt said we are making great progress on the Project. They are averaging 25' a day, which is excellent given all the rocks that need to be removed. PPI has done a remarkable job saving landscaping and communicating with the home owners. Valve installation began today – 5 valves and 2 tees; they completed all three locations without problems. It took about 1 hour to locate the valve at Silver Reef & Silver Hills; they found C-900 pipe in those locations and the pipe was bedded and installed properly. We should not have to shut down all of El Dorado Hills area a second time, with only isolated areas requiring shutoff.

Kurt said we had a jobsite visit from Gary Kobzeff of DDW to inspect the site. Gary was very pleased with the Project and satisfied with what he saw; he suggested we paint the tanks as they appear to be rusting.

Gary visited with Karen and gave recommendation to the DDW to use LDWA's records as an example of good recordkeeping. Gary also mentioned there currently are grant funds available for merging water companies, and referred to possibility of researching a merger of Angell Springs Water Company with LDWA. It would be a matter of the Board completing application and to determine what funding is available.

The Construction schedule was extended 25 days for review of the Change Order (CO) for valves in the grapevine wash. Karen asked when installation of the meters would begin. Kurt said the in-line valves need to be installed first, and they should begin with the new meters within 30 days. Kurt met with the Town at the last TC Meeting and discussed the construction and affects on Town roads. Kurt said Frank Lojko, Town Councilman, wants LDWA to repave the roads. Kurt told Frank that the Town will not get new roads at the project's expense; the roads will be restored to the conditions they were in prior to construction.

Ben asked about Leeds Storage business on Cemetery Road. There is about 100' of pipe that LDWA would save as the owners, the Stokers, previously installed it. Ben suggested notifying the Stokers, but the Board noted the Stokers have not provided the information as discussed at last month's meeting.

Kurt said Gardner Bros was going to drill a provisional well beginning of Dec, prior to the transfer of the 400-acre feet of water. Karen asked where the new well will be located; Kurt said it is 800 feet northwest of the existing well. Utah State requested there be the public protest period. The CO with all water rights will be submitted to the State and after the protest period is completed, work can begin around the end of January 2011. Kurt noted Municipal Water Companies can have two (2) points of diversion. Kurt said PPI completed the road to the well and they've done an awesome job with it. The pipelines are installed; they are ready to start bacteria testing. Kurt said installation of the SCADA and underground equipment could be done now, and would be better to have the gravel on the road prior to well drilling. Kurt said we either pay now or later, and the cost is not really going to change. Danielle noted that if the new well site does not produce water, then installation of the SCADA would be money wasted. Danielle said she thinks it better to wait until the end of the project to install the gravel. Kurt said if the road is built properly, it should hold up. They can include that as a provision with PPI and top it off to prepare it before the well drillers are out there. Ben said if the ground is wet through the rainy season without gravel, the equipment could sink.

Elliott would like to get another bid for the gravel; Scott said the gravel is included in the contract and Kurt corrected that and said it is not in the contract. Peter Aurigemma said even with a lot of moisture, the ground will remain firm if it's packed properly. Kurt said this will have to go out to bid and mobilization of the construction equipment [for a second time] will be several thousand dollars regardless of who is awarded the contract. Right now, the equipment is already on site. Ben Gordon recommended approval of the change order; the board decided to table discussion.

3. Discussion and possible approval of Supervisory Control and Data Acquisition (SCADA) review and bid options. – Board.

Scott said the Silver Reef tank does not have operable SCADA system as the existing one has been inoperable for over one year. Danielle asked why we have not repaired or replaced it after all this time. Scott said he is waiting for it to be covered through the Project.

Elliott recommended everything should be put out for bid, including the new SCADA systems, and LDWA should not automatically rehire the previous SCADA engineer. Peter Aurigemma recommended having a warranty; Kurt said a service contract will be included. **Motion by Danielle, second by Jim Vasquez, with all unanimous to put the new SCADA System out for bid.** Kurt said the valves around the tanks need attention and they could include those in the CO or deal with it separately.

4. Water meters and connections, re-connections, service fees. Ben reviewed the bylaws regarding cancellation of water shares based delinquencies or non-payment of accounts. The Board discussed meter removal from foreclosed properties and related issues. Ben said shareholders who are delinquent are subject to cancellation of their water share; last month, the Board established a \$2,500 reinstatement fee for water share certificates that have been cancelled as defined in the Bylaws. Ben said an account that has been cancelled should not incur monthly charges as the \$2,500 charge would enable us to recoup monies not collected. Elliott said we don't have a choice with standby taps. Ben made it clear that shares **will not** be reassigned and the share remains with the related properties. The \$2,500 reconnection fee will then be paid by the purchaser of the property.

Ben said LDWA bills all shareholder/property owners for each account and does not bill tenants or renters. Given an account is current, LDWA cannot padlock a meter based on a problem a shareholder/landlord may have with his tenant. Ben said we need to add to our policy that we will not shut off water if the bill is being paid based on a homeowner who does not receive his rent. Elliott said with foreclosures, meter removal could discourage squatters from moving into vacant homes which would protect the shareholders and the residents in Leeds. The Board agreed to revise policies to address new issues as they arise.

5. Fliers with invoices. Elliott noted as we upgrade the system to digital meters, we will move to postcard invoicing for local accounts, saving time, paper, envelopes, and postage.

6. Policy for the LDWA company truck. LDWA has put in place a new policy for the company; truck. It is parked at the LDWA office after hours and now is available to the water operator scheduled for after hour calls. This will save wear, tear, and fuel on the vehicle. Ray Beal said he doesn't think it's a good thing because if Scott is on call 24/7 he should have the truck as it is almost 2 miles to the office. Ben said the Board will continue to look at new policies and adjust as needed.

7. Financial Report. Danielle presented the Billing/Aging Report as of Nov 10, 2010: \$10,828.00 is 90-days past due, \$30,198.00 is 60-days past due, \$5,407.00 is 30-days past due, for a total of \$46,433.00 past due. Danielle added the aging report is indicative of the decline in the current economy. Alex Beal concurred that is a problem for LDWA.

The EOY financial status for 2009 resulted with a deficit of \$18,000.00 - \$22,000.00. For year-to-date 2010, new revenues collected thus far include \$1,560.00 in late fees; \$2,100.00 in formerly unidentified standby tap fees, and we have saved over \$8,100.00 in administrative costs for bookkeeping in-house, and \$3,000.00 in legal fees in-house, now completed by Ben Gordon and former Board member Ron Cundick. As of Nov 15, the deficit has been reduced to just over \$6,000.00.

Danielle said as Treasurer, she is working to balance the budget. While it is a painful process, we have to reduce unnecessary ordinary operating expenses; this includes cancellation of the computer access program, parking the LDWA company truck at the office after hours, cancellation of health benefits for water operations, maintaining a log of time and work in the field and maintaining a vehicle trip log. The alternative would be to raise the water usage rates again, and that is not the answer when we cannot the Aging Report proves that will not reverse the deficit. Given the dollar amount of past due accounts and continuous number of people moving out of Leeds, increasing everyone's water usage rates is not the answer. If you listen and are aware of economic news throughout the nation and the world - radio, TV, newspaper - all businesses are cutting overhead expenses just to remain in business. We cannot ignore the facts. Danielle said a lot of people are hurting; it's a different situation than what we thought when we hired a full-time water manager in 2008, based on merging with the Town and Irrigation Co. That never materialized, and we continued to maintain the overhead expenses for the past 2-1/2 years. Danielle said a lot of people are hurting, but through tenacity we will make this a viable company again. Ray Beal said he hopes Scott doesn't quit; Peter Aurigemma said he'll do the

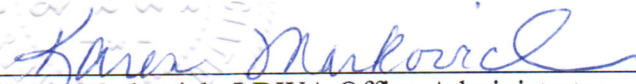
work with no salary. Steve Lewis said volunteerism doesn't work and we can go backward. Jim Vasquez said with the new water delivery system, there will be fewer repairs needed and thus less time required for water operations. Alex Beal said we have cheap water and maybe we should educate the shareholders and tell them they have to pay more for water so we can keep a full time water operator. Danielle said we can't collect the debt we have, and raising the rates is not the answer. Ben said if we improve the operating budget and if it's feasible in the future, he'd like to see the benefits reinstated. Chief Lewis agreed with the loss of income, as he's noted non-collections for Fire Dept is up to 40%. Danielle said you cannot continually ask for more money when there just isn't money to collect. Chief Lewis said the Board is doing a very good job to balance the budget. Ben noted we had to use \$72,000.00 of LDWA savings for a bond for the Project, and we cannot use that money until the loan is paid off in year 2041. Ben said it's tough, but we are doing what we can to make it viable.

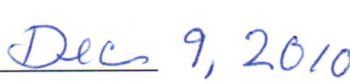
8. Elliott suggested merging the Emergency Repair Capital Improvement Fund with the Project Upgrade Fund and eliminate the \$5.00 monthly fee to the shareholders. Ben said we have provided the Town with 3 free water taps for quite awhile. Our bylaws say all shareholders should share equally in the infrastructure and we should look at billing the Town for the Project Upgrade of infrastructure.

9. Field Report. Scott reported he checks the PRVs monthly. Scott said it was good to see the income and expense information with the Profit and Loss because he was not aware we had a deficit. Regarding the project, Scott spent time with a resident's minor car accident which occurred on the Project. Silver Meadows looks to be the next nightmare regarding pipe leaks. Danielle asked if it's the pressure blowing those lines; Scott said he thinks it's faulty pipe or was installed improperly. Scott said when they loop the system it will equalize the pressure. Chief Lewis said they don't know what is installed on Silver Meadows Road as it was built over 20 years ago. Scott said they should install a fire hydrant at the end of that road. He will have a pot-hole dug. Ben asked Scott to get a bid on the cost for a hydrant.

Scott reported the water overflow since August at the spring and Tanks should be resolved after the new valves are installed. Scott has found five 2"-meters in Town now that he does the meter readings located at the LDS Church, LASSD, Walton Plaza, Town Hall, Zion RV Park, and a residence in El Dorado Hills. They have 8 digits on the meters; however, the meter readings have been under-reported by ten-fold for over 5 years, since installation of the Caselle Utility Billing Program in August 2005. Ben said Scott contacted the manager of the Church and their records showed they used to pay ~\$400 mo until Aug 2005. 2"-meters will eventually be replaced with ¾" meters over the next few months through the Project. 3 water samples were taken and all came back negative. Scott said he's spent a lot of time with PPI and they are doing a great job.

10. Motion by Ben to adjourn the mtg at 9:35pm.



Karen Markovich, LDWA Office Administrator


Dec 9, 2010

**LEEDS DOMESTIC WATERUSERS ASSOCIATION
Board Meeting Agenda**

Thursday, December 9, 2010 7:00 pm

At the LDWA Office, 1901 Silver Reef Drive - the historic Rice Bank Building in Leeds, UT

Board Present: Danielle Stirling, Elliott Sheltman, Jim Vasquez; Ben Gordon arrived at 7:11 pm; Randy Stevens was excused. Staff present: Scott Hayes and Karen Markovich taking minutes. Public attendees: John Markovich, Peter Aurigemma, Don Goddard, Alex Beal, Ray Beal, Roger & Diana Downward, MacKay Fuller, Ange Rohr, Terry & Nina Danielson, Steve Lewis, Tana Hayes, Kurt Allen and Landon Floyd (PPI President).

I. CALL TO ORDER

1. Welcome by Danielle Stirling, Treasurer.
2. Prayer led by Jim Vasquez.
3. Pledge of Allegiance - the Board agreed to purchase a flag for the next meeting.

II. LDWA BOARD MEETING

1. Motion by Elliott Sheltman, second by Danielle Stirling with all unanimous to approve meeting minutes dated November 18, 2010, with edits as noted. Change Silver Reef to Silver Reef Highlands tank and remove Scott's sentence "he didn't know about the deficit".

III. REGULAR BUSINESS

Construction / System Upgrade Progress Report. Northern Engineering Inc. - Kurt Allen. Kurt introduced Landon Floyd, owner of PPI. Kurt said they are now installing new meters and anticipate progress to Christmas, and cleanup and new asphalt taking place from Dec 26 to New Years Day. Kurt said they are replacing valves and meters in that order, so the valves are in place which minimizes outages and keeps them contained to a smaller area. Landon has offered to reduce the cost of bedding nearly 50%, putting in place with the other bids on that cost. Kurt suggested approval of a change order for a reduction in the cost. Motion by Ben, second by Danielle Stirling with all unanimous to approve Change Order to reduce the price of imported sand pea gravel from \$35 foot to \$18 foot.

Landon said they would like to offer to donate the cost of one day of work and materials to the Mathis family for their 10-year old daughter's cancer. And we will write a letter to shareholder to tell them of Landon's donation.

New meters for MacKay Fuller's business center. They have 2 active meters and one standby tap on the vacant lot graded between 211 N main residence and the business center. Mac said they haven't been able to develop ion the back and they would like to have better access to that line. Ben said he will receive 2 new meters for each of the active taps and have the standby tap assigned to a valid address. Kurt said he would like to speak on behalf of the property owners as they would like to move the meters (See attached sketch). Danielle asked Chief Lewis if he would need to approve a hydrant. He said only at the time structures were built and

Update on fire hydrant on Canyon Creek Drive – Ben Gordon asked what the town agreed to do at last night's Town Council meeting. TC member Ange Rohr said the Town was not willing to pay any portion of the hydrant. Elliott said he thought the unit price was fair and Landon agreed. Ben said he explained that to Mayor Lefler. The mayor said they have finally talked with the home owner but they haven't come to a decision. Peter Aurigemma said they met the CCRs but he posed the problem that the CCRs do not supersede the legal requirements. Ben said we took over that system as well as SRSSD and as with all the problems, we are replacing in El Dorado Hills and we are repairing other problems in Town, and ... Elliott said it is not in our control to mandate where hydrants are installed, and it's time to give them a set price and we set a deadline, and we will work with you. Elliott said LDWA will guarantee the hydrant flow as is what LDWA is responsible for. Scott said we are installing 3 new hydrants on Wonder Lane that haven't been installed. Ben said we could propose to the Town that LDWA include the hydrant at our cost and the Town could share the cost and we could have the Town pay that portion up front ~\$2,700. Ben added that would, however, be intermingling the Town and LDWA. Peter said if the Town purchased the fire hydrant they want to put a sign on it that they own it, not LDWA. Diana Downward said all 3 entities should sit down at a table and discuss it. Elliott said we give them an offer, with a timeline, and the Town can take it or leave it. Ben said we will need to put it on paper; Elliott asked how we will work the payment for that. Ben said if we do it through the project, the Town would pay us. The fire hydrant alone is \$3,215.00. Danielle agrees with Elliott and make them an offer. Motion by Ben, second by Danielle Stirling, with all unanimous to offer the Town pay 55% of our cost to include this hydrant in the project and have the town pay us in advance for actual cost of the hydrant and we give them until Jan 1, 2010, to accept or reject this proposal; after that date, the Town can make arrangements with the home owner.

Review proposed tier rate schedule & possible implementation of 1st level(s) for shareholders – Elliott said they've talked about this before and we might be able to have a tier schedule to give help to the lower users. Elliott said the levels of usage are the focus, not necessarily the fees the example has in front of them. Ben said it is conducive to water conservation and the higher levels would increase. Roger Downward asked what incentive will LDWA give to change their

landscaping? Diana Downward said so because they choose to have a lawn, that means they will be further punished for using more water and they want to be reimbursed for re-landscaping. Roger said not even considering the increase of the \$25 mo, they've already experienced a \$30 mo increase in the rate increases. Ben clarified they are looking for feedback. Numerous shareholders who use less than 2,500 gallons have asked if we could offer some break. Danielle said it is the users with the overages that support LDWA and said they will keep that in mind. Don Goddard said it's not just water, it's also the infrastructure. Ben said if usage remained the same, LDWA would make an extra \$6000 over 24 months. Danielle pointed out it's not a huge increase for LDWA, it would just offer a small break to low users. Peter said it's common knowledge, that this would please half the Town and upset the other half. The decision has to be what is the best for the community as a whole, not the individuals. Ben said the largest group of users falls between 5,000 – 10,000 gallons per month, with the second largest Terry Danielson said we're going to have to conserve at some time, because we don't have unlimited amount of water, and he wants to make sure he WILL have water.

Status & future of Emergency Repair/Capital Improvements Fund – Elliott said they've looked at the status of the funds collected; we have about \$150k in all the savings accounts. Elliott proposes we remove the \$5 monthly ER/CI Fund fee. It would be nice to give that back to the shareholders; Danielle & Ben agreed. Don Goddard said just leave it there as we might need it later. Danielle clarified that this money is not for operating expenses and we have already collected enough for the repair fund. Scott asked Landon how long it takes to spend \$150k; Landon said that is a broad question. Scott said as the manager, he thinks it could cost \$2 million. Diana Downward said LDWA promised to discontinue the fee at some point and if it's paid, we should eliminate it. Jim said if we promised the shareholders to discontinue it, we should honor our word. **Motion by Elliott Sheltman, second by Jim Vasquez, with Danielle Stirling ayes and nay by Ben Gordon; motion carried to discontinue the ER/CI fee as of Jan 1, 2010.**

Town of Leeds 3 active taps - Town Hall, Silver Reef Park, Leeds Cemetery – Ben asked if LDWA should begin to charge the Town for the three taps they have. Alex Beal asked why we don't move back into Town Hall because he heard the Town asked LDWA to move back in. Ben said we have a lease with this bldg for 5 yrs to provide stability to the shareholders, because having to move unplanned and working out of someone's home, or a small area is not numerous times

Ben redirected the focus of the meeting to charge the Town. Motion by ... to put this to the shareholders at the annual meeting Feb 1, 2010.

2" meters scheduled for replacement - affect on water usage, if any – Ben discussed

Review vehicle log, pager – Ben said moving from a cell phone to a pager would save \$65 month and asked shareholders what they thought about cancelling the cell phone. Kurt Allen suggested not to cut Scott out of the picture during the construction project as they need. Diana Downward said you can get a much cheaper cell phone and that is obvious it's needed. Danielle reiterated that the \$5 mo does not go to operating expenses. Danielle explained again that the 3 entities never merged and the additional expenses. Elliott said we hired a supervisor for a city water company and sewer and bought a truck, and are running a deficit. Elliott said you are keying in on one issue. Ben said we are aware there is a budget crunch and the economy is bad. Don Goddard said the Board is elected to run the company, and they are getting into personnel issues, and it should be done in private session. Ben said he thought it would be good for shareholders to discuss; Elliott agreed with Don Goddard. The topic was tabled. Ange Rohr said she appreciates that the Board has been open with these issues; the Board is, after all, the Board and this is not a Shareholder meeting.

Water share cancellation letters – Ben discussed the cancellation letters. The Board

Peter asked what stops a property owner from attaching a nipple unit on a meter; Scott said there and

Financial Report – Danielle reviewed the financial report for Nov 2010, with a -\$1,009.

Don Goddard said we need to look at something other than CDs or Money Market accounts, possibly Treasury Bonds or something else. Danielle said

IV. COMMENTS BY BOARD MEMBERS

V. ADJOURN BOARD MEETING – Ben Gordon at 9:18 pm.

VI. EXECUTIVE SESSION – if needed