

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, JULY 10, 2014

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick, Kelly Cox, Bill George, Tony Tyler - Board members present.

Ex Officio: Brody Blonquist, Trevor Townsend

Excused: Cal Cragun.

Guests: George and Terry Croft, Lot D-124

President Eric Cylvick called the meeting to order at 6:43 p.m.

Approval of Minutes

MOTION: Eric Cylvick moved to APPROVE the minutes of June 19, 2014 as written. Bill George seconded the motion.

VOTE: The motion passed. Tony Tyler abstained because he was absent on June 19th.

Unpaid Bills

Brody Blonquist reviewed the unpaid bills. Allwest Communication and Catapultion were for the internet. Banner Life was the insurance premium. Chem-tech Ford was for the required water samples. Payment to Fred J. Bacon was related to the easement for emergency access. ID Electric was work on the second pumps. Immersion Development Consulting was for the website. KGC Associates was for Carol's services. One invoice from Meter Works for \$525.31 was two 5/8" meters and the second invoice \$337.42 was for a one-inch meter. Mountain State Water Works was parts for a 1" meter connection. The Park Record was for the asphalt bids. Pine Meadow Mutual Water Company was the debt reserve for the loan. Revenue Recovery was the collection agency. Rocky Mountain Power was the power bill. Select Health was the health insurance premium. Summit County News was for the asphalt bids. Utah State Division of Finance was the loan payment on both loans. The Utah State Tax Commission was registration on the Ford. Wireless was for cell phones.

MOTION: Eric Cylvick moved to APPROVE paying the unpaid bills dated June 10, 2014, excluding the Fred J. Bacon, Jr. Trustee, Bacon Revocable Trust. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick explained that he had been estimating the costs for the road, the water line and the emergency exit, the gate and the fence. Once they have the final cost the Water Company would pay the \$18,440.71 to Fred J. Bacon, Jr. if they have enough money left in the loan to pay it off. Currently, it is financed and there is no penalty to pay it in full.

Mr. Tyler asked when a delinquent account is sent to Revenue Recovery for collections. Mr. Cylvick recalled that it was after one year of being delinquent. All delinquent accounts incur late fees and interest. If an account is still uncollected after two years the Water Company forecloses on the water share.

Financials

The Board reviewed the profit and loss/budget versus actual.

MOTION: Eric Cylvick made a motion to APPROVE the profit and loss/budget versus actual dated January 1 through July 10, 2014. Kelly Cox seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Brody wanted to know how many lots did not have a water share. Mr. Cylvick asked Carol to email the Board with the total number of lots that have been foreclosed on as of July 10th, 2014.

Brody noted that the bylaws stated that the cost to reinstate a water share is 110% of the amount owed. He cited the example of someone who purchases a lot without knowing there was an outstanding balance, and asked if the bylaws could be changed to require a set fee rather than 110% to reinstate the water share. Mr. Cylvick felt a set fee would benefit the ones who neglected to pay for no reason without having some type of penalty attached. Mr. Tyler remarked that it was also not fair for the other shareholders to pick up the cost of a shareholder who did not pay. That was the reason

for the additional 10%. Mr. Cylvick noted that if a buyer purchases a foreclosed lot, he should assume that the foreclosure happened for a reason and that costs are probably attached. Brody clarified that he was trying to find a way to turn some of the foreclosures into revenue. He agreed that the buyer has some responsibility for due diligence; however, in the case he cited, the buyer told him that the lien was removed with the foreclosure so it did not show up on the title search.

Mr. Cylvick stated that it should still show a Notice of Unpaid Assessments. He explained that after one year of unpaid assessments Carol immediately files a Notice of Unpaid Assessments with Summit County and the account is sent to collections for another year. If the account is not brought current after the second year, the Water Company forecloses on the water share. Mr. Cox and Mr. Tyler thought there should be a penalty to discourage people from being delinquent. Mr. Cox stated that the buyer Brody mentioned would have a claim against the Title Company for not doing their due diligence.

Brody stated that if an owner purchases an adjacent lot without a water share and the lots are combined, the Water Company would lose their revenue. Mr. Cylvick stated that the Board could revisit the issue if they find a number of lots with that situation. Until then, he thought the current policy should stand. Brody noted that Carol told him there are currently three owners who have foreclosed lots and they intend to combine their lots. Mr. Cylvick was not opposed to combining lots because it allows for more open space. Mr. Tyler agreed. Brody pointed out that the Water Company would lose the standby or metered fee for that lot. Mr. Tyler stated that the Water Company would not have to provide water to that lot and the owner gives up the water rights and the opportunity to ever build the lot.

MOTION: Eric Cylvick moved to APPROVE the balance sheet dated June 10, 2014. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Correspondence

Mr. Cylvick noted that the Board had received a request from the owner Brody mentioned who wanted to combine their lot with a dry lot and they were asking to have the water share transferred from the lot they own to the dry lot. Mr. Cylvick reiterated that he was not interested in addressing that issue at this point. Brody pointed out that

the Board could not grant these requests unless they change the bylaws because nothing can be transferred to a dry lot. Mr. Tyler noted that the bylaws has a provision stating that water shares can be transferred in extraordinary circumstances. He followed up with Carol and she confirmed that there has never been a transfer of a water share in the history of the Water Company. Doing so would defeat the purpose of the foreclosure and redemption. Brody pointed out that when the water rights were assigned they were specific to that lot. Mr. Tyler believed there was a difference between water rights and water shares. The Board agreed that this was no an extraordinary circumstance and the transfer should not be allowed.

MOTION: Kelly Cox made a motion not to allow a water share to be transferred from a metered lot to a dry lot that has been foreclosed upon, specifically in the case of George and Terry Croft. Tony Tyler seconded the motion.

VOTE: The motion passed unanimously.

Mr. Cylvick read correspondence from Mr. Zimmerman regarding a leak. Brody stated that he was called about the leak. Mr. Cylvick asked Carol to inform Mr. Zimmerman that per the bylaws he needed to provide the Water Company with the nature of the leak and provide proof that the leak was repaired.

George and Terry Croft came to the meeting.

Mr. Cylvick informed Mr. and Mrs. Croft that the Board had read through the bylaws which states that a water share can only be transferred to a dry lot under extraordinary circumstances. The Board discussed his request and determined that it was not considered an extraordinary circumstances and voted against transferring the water share. Mr. Croft stated that he would respect the Board's decision. Mrs. Croft asked for an example of an extraordinary circumstance. Mr. Cylvick stated that it would be circumstances of a landslide, if the property was unbuildable or the case of a lot where a water hookup could not be utilized. Mr. Tyler remarked that one example would be if Summit County would not allow development on a lot for whatever reason, the water share could be transferred because that would be an extraordinary circumstance.

Mr. Croft read the section of the bylaw he found that indicates it would be permissible. "Shares of stock shall not be separated from the lot or other properties in which the stock is appurtenant and shall not be transferrable for use on any other lot or other property, other than the lot to which it is appurtenant without the express written

approval of the Board of Directors, which approval shall be within the sole and absolute discretion of the Board of Trustees.” He pointed out that the language he read made no mention of extraordinary circumstances.

Mr. Tyler did not have the bylaws in front of him but his recollection was extraordinary circumstances. Mr. Croft hoped their decision to deny was not based on Mr. Tyler’s recollection of the language because it was not apparent in the language. Mr. Cylvick stated that the general consensus of the Board was not to allow it primarily for the reason of setting a precedent. Mr. Croft acknowledged that the bylaws state “at the discretion of the Board” and he thanked them for their time. Mr. Cylvick pointed out that the bylaws state that each water share is appurtenant to that lot. At their discretion, the Board members preferred to follow that language as written without making an exception. He clarified that their decision would apply to everyone and not just Mr. and Mrs. Croft. The Board was not interested in changing the policy.

Mrs. Croft informed the Board that their plan is to combine their lots and the water shares would be lost. However, if they have the ability to transfer the water share to Lot 24, the Water Company can continue to collect fees on that lot since they will lose revenue on the combined lots. Mrs. Croft stated that they currently own five lots and three have water shares. Two of the water shares would disappear. Their proposal would allow continued revenue on one lot which would be in the best interest of the Water Company.

Mr. Cylvick agreed that it was not in the best interest of the Water Company to combine lots from a revenue standpoint. However, the Board does not discourage lot combinations because it gives the Ranch more open space and fewer lots need water service. Mr. Cylvick stated that the Board’s decision was not driven by revenue. The bigger issue was setting a precedent.

Mr. Tyler pointed out that it was possible to get water to the lot if the buyer pays the past due assessment. If the Croft’s wanted to sell the lot rather than combine it, the water share would still be available for that lot if either they or the buyer paid the debt to reinstate the water share. While the Board sympathized with Mr. and Mrs. Croft, they were not willing to set a precedent for transferring water shares that could result in unforeseen negative impacts.

Mr. Croft thanked the Board for their time and everything they do to supply water to the Ranch.

Estimated expenses

Mr. Cylvick outlined estimated expenses. One was the \$18,000 that they owe to Fred Bacon on the easement for the Stagecoach line. He had estimated \$75,000 for the water line, the road and miscellaneous items, but he expected the actual cost to be higher. He noted that Brody and Trevor would like to build a shed to store snowmobile parts, the trailer vac and other small items. Fixing the door would be approximately \$8,000. He had calculated between \$150,000 to \$170,000 for the asphalt. He found someone locally who has a machine and would pulverize the bottom of the road for \$10,000. The cost would include pulverizing 4300 lineal feet of road and laying the asphalt. Jody Robinson would follow behind and grade and roll it. Mr. Tyler thought it would be beneficial to spend money on fixing the potholes in the old pavement on Forest Meadow. Mr. Cylvick had estimated the cost for Mountain Regional at \$30,000; however it was looking more like \$22,000. The cost would include altering the telemetry system so Mountain Regional improve their pump station to pump to Pine Meadow and installing valves. All the construction needs to be done in addition to the water line in order to link the two systems together. The current design has it metered both ways. Pine Meadow would know how much water they were sending Mountain Regional and visa-versa.

Mr. Cylvick stated that they would pay the \$22,000 out of the loan. He would try to negotiate a credit with Andy Armstrong so if Mountain Regional has to pump water up to Pine Meadow, it would come off the \$22,000 credit rather than writing Mountain Regional a check.

Mr. Cylvick believed the water line itself would cost between \$85,000 to \$135,000 depending on the length. He estimated \$12,000 for the fence, recognizing that it could be higher or lower. Mr. Cylvick estimated \$2500 per gate for the crash gates. The road base that would be dropped along the emergency exit was estimated at \$50,000. Brody noted that the road base was included in the bid.

Mr. Cylvick reported that all the bids for the asphalt on the lower part of the road would be in tomorrow. He had put a completion date of August 15th in the bid package.

Brody asked if the HOA was taking care of the excavation at the bottom. Mr. Cylvick stated that it would either come out of the \$400,000 contribution from Summit County or the HOA would pay for it. He did not believe the Water Company could use loan money for the excavation work. Mr. Tyler asked Mr. Cylvick to let him know after he opens the

bids because he may be able to negotiate a separate agreement with the chosen bidder to do the excavation work at the bottom.

Mr. Cylvick stated that he wanted to open the bids and know the actual cost of the asphalt project before he commits \$20,000-\$30,000 to Mountain Regional.

Brody stated that he and Trevor were running out of room at the shop. They would like a storage shed that will not have power or heat. He would like the shed to be 24' x 24'. Mr. Tyler understood that the Fire Department was considering a barrel building that is 24' x 50' building at a cost of \$10,000. He suggested that Brody talk to Jody to see if a smaller building might be less expensive. The Fire District was looking at the barrel building as a temporary fire station. The HOA would eventually take it over as a shop when the Fire District has a permanent structure. Brody stated that they wanted a smaller building so they could put it outside of the shop.

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

Minutes Approved

Date