

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, MAY 8, 2014

SUMMIT COUNTY, UTAH

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

Ex Officio: Trevor Townsend

Brody Blonquist was excused.

Guests: Terry and George Croft

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

Minutes

MOTION: Cal Cragun made a motion to APPROVE the minutes of April 10, 2014 as written. Bill George seconded the motion.

VOTE: The motion passed. Tony Tyler abstained.

Unpaid Bills

Trevor Townsend reviewed the unpaid bills. Allwest Communications and Catapulsiion were for the internet. Chem-Tech Ford was for quarterly samples. Clyde, Snow and Sessions were legal fees. Fred J Bacon, Jr. Trustee was for exit easement.

Mr. Cragun pointed out that it was still showing \$18,000, which was not the amount paid. They only paid \$1760. Mr. Cylvick clarified that \$18,000 was the remaining balance. If there are remaining funds after the road project is completed, it could be used to pay off the balance for the easement to avoid paying interest to Mountain Regional.

Trevor continued with the unpaid bills. Whitehouse and Company was for the tax preparation. KGC Associates was Carol's services. Coalville Auto was for filters, oil and parts to service all the equipment. Pine Meadow Mutual Water Company was the

escrow debt reserve fund for the loan. Revenue Recovery was payment to the collection agency for collections from direct payments. Rocky Mountain Power was the monthly power bill. Select Health was the Health Insurance Premium. Summit County Recorder was for lien releases. Division of Finance was the loan contingency payment. Verizon was for the cell phones.

MOTION: Eric Cylvick moved to pay the unpaid bills dated May 8, 2014, excluding the \$18440.71 to Fred J. Bacon. Currently, the Water Company has paid the annual payment of \$1768. If money is left over from the loan, the Board would allot the funds to paying the balance in full. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Cal Cragun recalled that Brody was going to look into a retirement program offered by a specific company. Trevor reported that he had contacted the company and found that it was for government employees only.

Financials

The Board reviewed the loss/budget versus actual. Mr. Cylvick noted that they were at 86.4%. They were short approximately \$90,000 for this time of the year. The Water Company had received an impact fee and water hook-up fee for a new cabin on Tollgate.

Mr. George asked if Trevor had received a call from a gentleman who planned to put in a water meter and the excavation company was coming out the next morning. The gentleman told Mr. George that Brody had said he would not be able to put in his meter until later this summer. Trevor stated that he had spoken with the property owner, but he would have to wait until June because they would not dig this early in the season. The property owner understood and was willing to wait.

MOTION: Eric Cylvick moved to APPROVE the profit and loss/budget versus actual dated January 1st through May 8th, 2014. Tony Tyler seconded the motion

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet.

Mr. Cragun noted that the Debt Reserve Fund would show \$88,000 in the financial report from another source, as required by the Division of Drinking Water. Mr. Cylvick stated that the \$88,000 was the Capital Reserve; however, it was all part of the full debt reserve. They currently have \$795,000 in loan money.

MOTION: Cal Cragun moved to APPROVE the balance sheet as presented. Eric Cylvick seconded the motion.

VOTE: The motion passed unanimously.

Manager's Report

Trevor reported that it was still mud season so work was slow. He and Brody had serviced the equipment and everything was ready the summer.

Mr. George asked about the steel plates on the road. Mr. Tyler explained that the steel plates were placed to save as much of the asphalt as possible. It was blue staked and trenched out to the edge. Water is still flowing out the side, but the plan is to cut back another ten or 15 feet on both sides, and put in a culvert in addition to a French drain.

Meeting with Summit County

Mr. Cylvick reported on a meeting with Summit County. In attendance was Bob Jasper, the Summit County Manager, the County attorney, Derrick Radke, the County Engineer, Tony Tyler, Eric Cylvick, Ted Barnes, and Andrew Moran, the engineer that has been working on the road. He noted that the conversation was interesting and there was a lot of praise for the Pine Meadow HOA and the quality of the road maintenance and the water system. Mr. Jasper was very thankful for everything that has been done in terms of volunteers and time, as well as their willingness to contribute funds to fix the roads.

Mr. Cylvick stated that Summit County believed they could issue a grading permit for Tollgate as long as it is designed in accordance with County standards. Once Andrew Moran produces a design that can be approved by Derrick Radke, Summit County will issue the grading permit.

Mr. Cylvick explained that Forest Meadows presents a problem because it is too steep, and Summit County will not grant a variance for that section. He noted that Summit County said they might be willing to look at funds to re-route Forest Meadows. Mr.

Cylvick pointed out that the main reason Forest Meadow was cut and turned was because Pine Meadow does not own the lot behind it. It is County property now, but it used to be owned by Promontory before it was deeded over to the Summit County. The County said they would allow Pine Meadow to take the road a couple hundred feet down the ridge and make the turn later, which would cut the overall percent grade. It basically ends up cutting a road through the middle of the upper and lower parking lots. The road would not be paved. It would be graveled or have road base. Mr. Cylvick personally preferred a 10-12% road base road than a paved 22% grade road. Tony Tyler agreed.

Mr. Cylvick stated that after thinking about the meeting, he assumed that because Pine Meadow came to the table with \$800,000 that they were willing to spend on the road to fix Tollgate and Forest Meadows, it softened the push back from the County. He believed that Summit County realized that if they denied the request and an accident or some other incident occurred on the road, it would look bad for the County because Pine Meadow offered \$800,000 to spend on the road. He thought the situation had forced Summit County to help them.

Mr. Cylvick stated that the next hurdle is that the Division of Drinking Water may not let them use the loan money to repair the road. He suggested that if they tear up the road, it might be worthwhile to consider laying an 8" pipe while the road is torn up. Mr. Cylvick noted that the money allocated for Forest Meadows could be shifted over to lay the pipe. He remarked that Pine Meadow's contribution to the Forest Meadow side could be the engineering, since Mr. Moran is already doing the engineering for Tollgate.

Mr. Cylvick remarked that there would be positive things, but there would also be extra costs. If they can complete the project over the next two years it would be a great benefit. The entrance to the Ranch will be clean and it will be safe. In terms of re-routing Forest Meadow Mr. Tyler suggested that they try to keep the parking lots as much as possible because they are valuable because people use them. He would like to dedicate one of them to the utilities such as garbage and recycle service. It might be a good place for the mailboxes.

Mr. Cylvick stated that he could work with Trevor and Brody to estimate the cost per lineal foot and determine how much pipe would be needed and the cost. Mr. Cylvick needed to crunch the numbers and shift money around. The rock walls were still questionable. Mr. Tyler suggested the possibility of using the concrete blocks that were placed under the sand shed as a less expensive solution to rock. The concrete blocks

are more structurally sound than typical rock walls. The Board was interested in researching concrete blocks as an option.

Public Input

George Croft stated that he purchased two, Lots 24 and 25, without any idea that Lot 24 had its water share foreclosed and it was a dry lot. He wanted to know what recourse he had for water.

Mr. Cragun pointed out that Mr. Croft had purchased Joe Rush's property. Mr. Cragun provided the Board with copies of a letter from Mr. Croft. Mr. Cragun also provided the outstanding invoices for the property. He recalled that when a similar situation occurred in the past, the Board had to require that the owners to pay what was owed because the bylaws would not allow them to make changes. A note in the packet indicated what the bylaws allow them to do and the procedures regarding foreclosed water shares.

Mr. Tyler stated that he had spoken with Eric Cylvick about Mr. Croft's situation. Mr. Tyler noted that the water shares are appurtenant to the lot itself; but the Water Company does not have the right to foreclose on the lot if the water shares are not paid. However, they do have the right to foreclose on the water share that belongs to that lot. Mr. Tyler stated that if the Croft's had used a Title Company, the title search would have shown that the water share had been foreclosed, and it would have been excluded from the title insurance policy. Mr. Tyler asked if Mr. Croft had handled the sale transaction himself. Mr. Croft explained that he has title insurance and he used an attorney who does real estate closings. They filled out a standard real estate purchase contract. They followed the correct process and procedures and obtained a title company report. They also checked with old title insurance companies, and they all told him that the policy would not cover water rights.

Mr. Tyler asked if the Schedule B2 on the exceptions page of the Title Report showed that the water share had been foreclosed. It is a recorded document and if any records were pulled from Summit County it would have shown up. Mr. Croft assumed it did not show up as a lien because once there is a foreclosure, the lien is removed. Mrs. Croft remarked that there was no indication on the report that it was foreclosure. Mr. Croft stated that the first time they became aware that the water shares had been foreclosed was when he called Carol to pay the water assessment in 2014. After talking to Carol, Mr. Croft looked at the warranty deed and read the bylaws, reviewed the title insurance and real estate purchase contracts. At the bottom of the warranty deed he found

language stating that the lots come without water shares. Mrs. Croft pointed out that they did not find that out until two months after they purchased the lots. After researching all the documents, Mr. Croft realized that they had no legal recourse.

He asked if at any other time, someone had sold a dry lot in Pine Meadows. Mr. Tyler replied that it has happened occasionally. He explained that if Mr. Croft owned the lot adjacent to the dry lot, he could replat the lots to combine the dry lot with the lot that has the water share. He would have water on the combined lot, but he would lose the ability to build a second home on the other lot. Mr. Tyler noted that the bylaws allow for a repurchase of the water share at the cost of the full amount owed plus interest plus 10%. The repurchase price is 110% for the redemption of the water share value.

Mr. Tyler remarked that the seller should have disclosed the foreclosure. If he did not disclose it, Mr. Croft might have some recourse from that standpoint. A real estate agent would also have that liability.

Mr. Croft noted that they also purchased Lot 26. He could find nothing in the bylaws about transferring water shares from one property to another. Mr. Cylvick stated that water shares cannot be transferred unless two adjacent lots are consolidated into one. The water share itself is not transferable. Mr. Tyler explained that it is not a water right. It is a share in the Water Company that provides your water. Mr. Cylvick stated that the water share is attached to the lot and it has no other value. Mr. Cylvick explained the procedure and timing for foreclosing on a water share.

Mr. Croft acknowledged that the Water Company was not responsible for the situation he was in. However, he was recently made aware of the problem and it would be difficult after paying full price for the lot, to have to pay another \$20,000 to purchase the water share. He was before asking for a solution or some type of recourse.

Mr. Croft explained that he wanted water on Lot 24 so they could sell it. Mr. Rush would not sell Lot 25 alone without Lot 24, so they purchased both lots because they wanted Lot 25. The idea was to sell Lot 24, but it has no value because it is a dry lot. Mr. Cylvick stated that the cost to repurchase the water share on Lot 24 was \$10,443. Mrs. Croft replied that paying \$10,443 to sell the property was still a hardship. Mr. Croft stated that the next step would be to consult an attorney to see if there should have been disclosures and who should be held responsible. Mr. Tyler suggested that Mr. and Mrs. Croft give some thought to combining the two lots as a solution to their problem.

Pine Meadow Mutual Water Company
Monthly Board Meeting
May 8, 2014
Page 7

Mr. and Mrs. Croft left the meeting.

Summary

Mr. Cylvick summarized that he would rework the budget with Forest Meadows and work with Brody and Trevor on the cost to lay pipe in the road. He would factor in the cost of engineering and the survey to stake out the road, and email the information to the Board. He was scheduled to meet with Derrick Radke on Monday. Mr. Cylvick believed it would be a good solution if it fits within the budget.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:50 p.m.

Minutes Approved

Date