

**Special Joint Meeting Minutes
Of The Pleasant Grove, American Fork and Lehi City Councils
Regarding
Fox Hollow Golf Course
August 22, 2007
6 p.m.**

PRESENT:

Mayor: Mike Daniels (Pleasant Grove)

City Council Members:

Lee Jensen

Bruce Call

Mayor: Howard H. Johnson (Lehi)

City Council Member:

Johnny Revill

Mayor: Heber Thompson (American Fork)

City Council Members:

Dale Gunther

Shirl LeBaron

Others:

Tina Petersen, P.G. Attorney

Ken Rushton, Lehi Attorney

Kasey Wright, A.F. Attorney

Kent Wells, Course Board Chairman

Rick Roberts, Head Pro for Tri-City Golf

Jamie Davidson, Lehi City Administrator

Frank Mills, Pleasant Grove City Administrator

Howard Denney, A.F. Public Works Director

Mary Burgin, Deputy Recorder (Pleasant Grove)

The City Council and staff met at Mayor Daniels' office at 70 South 100 East, Pleasant Grove, Utah. This was an informational meeting with no action to be taken.

1. CONTINUED DISCUSSION OF THE PROPOSED GROUND LEASE AGREEMENT FOR THE TRI-CITY GOLF COURSE.

Mayor Daniels welcomed everyone to the meeting.

Mayor Thompson said that in researching the issues raised at the previous meeting on August 15, 2007, he felt he had a more solid base of facts to bring to the table at the current meeting. He indicated that Mr. Malcolm Beck was the construction supervisor for the project. Mr. Beck was serving on the City Council at that time, so was familiar with the issues with the Golf Club from the beginning.

First, he said that Mr. Beck noted that it was assumed that Pleasant Grove and Lehi cities had to bring themselves current with what American Fork had contributed to the Course.

The vesting would otherwise not be equitable between the three cities. This did not happen at the time of construction. He said there were letters written back and forth between the cities in an attempt to recoup the cost.

Council Member said that with the acreage that was previously talked about, this would mean that American Fork had contributed \$270,000 to the Course in cash and land. Mayor Thompson said Mr. Beck indicated that American Fork had 85 acres in the original deal. Mr. Wells said that the original audit report confirmed that acreage.

Mayor Thompson then told the group that American Fork needs to have a land lease agreement that specifies a right-of-way access to the wells, etc, that the City owns on the Course. American Fork City wants to make sure that these wells are not compromised and that his city has access to such wells for use and maintenance. He also said that each City needs to contribute water shares for the watering of the Course.

His second point said that the lease agreement his City is proposing that each of the cities contribute their equal share of water to the Course. He said he has been told that his City does not have enough water to supply the entire golf course. He explained that his City supplies all of the water to the Course; and the other two cities pay for their portion of water that is used on the Course.

In his third point, Mayor Thompson reported the issue of leasing of American Fork City property that was used by the Course needs to be addressed. He said American Fork City has not been compensated for the use of its land on the Course. In 1987, he said there was no bill showing that American Fork City was seeking reimbursement for its land used by the Course. He said he has no documentation showing that the Course agreed to pay or did pay American fork City for the use of its land.

Finally, Mayor Thompson noted that in reviewing historical documents, he felt it showed that over the years American Fork City contributed more funds to the golf course than the other two cities. In a specific incident, the Mayor said that in May of 1991, a letter from American Fork City Mayor to the golf course chair stating that the Course's audited financial statement indicated that Pleasant Grove City should reimburse American Fork City in the amount of \$10,260.00. He said the report said Lehi City should reimburse American Fork City in the amount of \$53,935.00. The Mayor explained that in his research, he could not find any information showing that the other two cities ever paid American Fork City the stated amount.

The next points the Mayor brought forward were his own personal feelings, he explained. He asked that the Course name return to Tri-City Golf Club. He also said that the committee remains independent. He asked that there be a non-voting advisor to the golf board. He also asked that representatives from the men's and women's golf clubs not be on the board. There should be no free rounds of golf afforded to the members of the board; The Mayor said serving on the board is voluntary service that shouldn't be compensated.

The Mayor also added that the issues he had state were not legal issues. He said they were policy decisions. He recommended that these issues be addressed and included in the lease agreement so we can bring the issues to resolution.

Mayor Daniels then asked who collects the sales tax off the rounds of golf as well as what is sold in the pro shop. It was explained that American Fork City collected that tax. Mr. Wells said that American Fork City receives about \$6 to 7,000 a year in revenue. Mr. Gunther indicated that those funds are used for police, roads and other infrastructure city services related to the Course.

Mayor Daniels said he was only trying to identify all forms of contributions that each city participates in. He said that identifying all of these might take a period of time, considering all that has transpired over the years with the Course. The Mayor also noted that in the previous week's discussion, there had been discussion as to how to find peace and harmony amongst the owners; and how, exactly, to accomplish that harmony.

Mayor Thompson responded that he didn't feel there was any way to reconstruct enough history as to who contributed what. "I think I'm good with the assumption we are all equally invested," the Mayor said. He said with the exception of water shares, he said he felt that all three have contributed either financially or in kind. "Let's just assume everyone had equal equity," he said.

Mayor Daniels asked about a letter that had been sent from the American Fork Attorney saying there was a balance of \$98,000 due to American Fork. Mr. Wright said that since a meeting on Monday, Mayor Thompson had received additional information. He said that the land was donated, and the City no longer wanted reimbursement and was stepping away from wanting the large reimbursement. Mayor Daniels said this made the list of requests simpler to deal with.

Mayor Thompson said he would like to hear from the other cities. After further comments, Mr. Gunther said that he spoke with an accountant for the firm of Howard Sherwood from the time of the initial construction in 1969. He said the accountant the construction was completed in 1974 on the Course. The Course board required an independent audit every year. Also, he noted that the three cities were required to fund the construction of the Course. He said at that time it appeared to be a difficult financial time for the cities. He also said he was told that there was friction between the cities. He indicated that Mr. Beck noted that the cities entered into some kind of short term financing. When the notes came due, he indicated that American Fork's contributions exceeded the other two cities. Additionally, he said he was told that both Pleasant Grove and Lehi had difficult times supporting the Course for the first several years.

Mr. Mills said he had a little different take on some of the events that took place when the Course first started up. He said he was serving on the Pleasant Grove Council at that time, and he remembered that as construction began on the Course, there was discussion between the three cities regarding the ponds that would need to be placed on the course. He said that Lehi and Pleasant Grove chose not to participate in the creation of the ponds

as they really didn't have the money to be involved. He also said the ponds were really only of benefit to American Fork City and the irrigation company.

Mr. Mills then went on to explain that part of the land that American Fork donated to the Course was donated to American Fork in the first place. He said they didn't have to purchase that land. He said that he served on the construction committee for the Course.

Mayor Thompson answered that there was some kind of confusion, then. He said that he understood that a part or the whole of the land was leased from the state. Mr. Mills said that the issue was such that it all came down to dollars and cents; and Lehi and Pleasant Grove didn't feel they needed to reimburse American Fork City for land that was donated to them. Mayor Thompson said he was not aware of Mr. Mills scenario. He said that neither Mr. Bill Hogle nor Mr. Beck had given him that version of the history. Mr. Mills said that he knew that Mr. Beck was involved, but in fairness, Mr. Hogle was serving as the Recreation Director for Pleasant Grove at that time, and perhaps didn't have the hands-on involvement.

Mr. Wells said one of the things he found to be very interesting was that all three cities were occasionally receiving reimbursements from the Course at the end of some years. He said he read where that in 1982, each city received a \$1,000 reimbursement. Mayor Thompson said that was tradition. He said that the operating practice was that the Course was to be self sufficient from the start.

Mayor Thompson then asked if there was any discussion on his point regarding access and protection of American Fork's wells located on the Course. Mayor Johnson said that he agreed that American Fork should have both access and protection (from chemicals, etc.) for their wells on the course. Everyone agreed with his assessment. Mr. Wright reiterated that a zone of protection seemed to be okay with everyone for the wells and other water sources owned by American Fork City.

Mayor Daniels next asked the group the question that at the end of the day, what had been achieved? Mr. Le Baron said the establishment of equal partners. Mayor Daniels asked that 30 years from this day, what would be remembered and documented that they had accomplished. Mayor Thompson said that the specific ownership of the Course would be established. Also, he said the right-of-way, protection and access to American Fork's wells as well as a main water line would be clearly defined. He also said he hoped that specific water shares from all three cities would be contributed in order to cover the watering of the Course.

Mayor Daniels remarked that his vision of what would be coming out of the discussions that had taken place by this group would be to see the Course become a separate entity. He said he would like to see it stop being ran like a government entity; but instead being ran like the multi-million dollar facility it is. He went on to say that he would like to see issues agreed upon, then see the Course stand alone so there is no more discussion in the future, with all of the issues having been cleared up.

Mr. Davidson mentioned that he agreed with Mayor Daniels. He indicated that he would like to see the Course managed differently than it had been in the past. He said that it seemed that the same way of running the Course had gone for years. However, he noted that for some reason, some people expected to see different result.

Mayor Thompson said the way the Course had been ran for years had worked just fine. Mr. Le Baron said that the Course does need to be adequately cleaned up with public ownership, or be required to privatize. Mayor Daniels agreed. He said that if he was investing millions into an enterprise, he would have a choice. However, with the Course, he said it cannot be sold until it turns around and operates in the profitability column for five quarters.

Mr. Johnny Revill asked, then, what the solution would be since the cities really have no choice and must subsidize the course. Mayor Daniels answered that he still believes that the best way to make the Course sink or swim would be for it to be ran by the board of directors; just like a sewer district. He said each city would appoint members to the board. Also, financial statements would be regularly from the board to the cities. He then explained that the land and assets should belong to the Course; or they should lease. The Mayor said that a way should be formulated for the cities to draw up what should look like a stand-alone entity (in the Course).

Mayor Johnson then noted that the three cities seemed to have come together in an agreement a year ago. He said he also agrees with Mayor Daniels in that the course needs to be organized based on good business practices and as a “stand alone” business. He went on to explain that when the cities got together, he thought they were in agreement. He said he thought that what was now going on was counterproductive to go back and re-evaluate. Mayor Johnson suggested that the group agree together that American Fork needs the access to their water supplies on the Course. However, he said the structure of the Course must go into the future; and not on how it was ran in the past.

Mayor Daniels explained to the group that the structure of the organization of the Course and its board was already set up and agreed upon. He said it was out of the hands of the cities at this point. Mr. Wells reminded the group that each city was to send a council member to the board meetings. There had been none that had attended during 2007, he noted. Mayor Daniels also indicated that the holders of the bond want to make sure they are dealing with a legal entity. He said that entity has been agreed that it will be the Golf Course Board.

Mayor Thompson said he remembered that there was to be an oversight committee. Mayor Daniels said the Mayors and Councils from the three cities were that committee. He said that the bond holder knows that if, for some reason, that the bond is defaulted on, the three cities will come forward.

After further discussion, Mr. Wells said the TCIA had been told the bond money would be in place no later than April of this year. He said that now the Board was looking at August, or perhaps September.

Mr. Wright commented that “we didn’t have our ducks in line before building—and the bills are getting paid.” Mr. Davidson reminded Mr. Wright that he wasn’t in party when the original agreement was put together. Mr. Rushton said that he felt that the original agreement had been worked out. Mr. Wright said there were issues that were not worked out.

Mayor Daniels proposed that the cities carefully go through American Fork’s proposals. He asked what they felt the other cities owed them. Mr. Denney said that the figures varied. Mayor Daniels asked what American Fork would feel would make them whole with the issue.

After further discussion, Mr. Gunther said that either way, the vision has changed due to what Mr. Beck had said about each city putting in not only monies in the Course, but also in-kind contributions. He said the numbers are, “not worth feelings among the parties.”

Mr. Le Baron agreed. He said that in this community of three cities, he felt that those in the current meeting were honorable people. He said that everyone worked hard to get the Course to where it is now. He suggested that everything be zeroed out. He said if any checks are written, that they be written directly to the TCIA; but that any payment is optional. Mr. Gunther said he was, “good with that.” Mayor Thompson also agreed.

Mr. Revill said he was okay with this also. He said he was still concerned about the organization of the Golf Club Board and the name of the Course. Mr. Wells said the Tri-City Interlocal Agreement was agreed upon and signed by the cities, so the organization of the Board was already done. He went on to say that Fox Hollow was already registered with the state as a DBA.

Mr. Wright asked if there was any problem with the zone of protection with the other cities in relation to American Fork’s water sources on the Course. Mr. Mills noted that those zones of protection already automatically exist. Mr. Wright said that since the Course is considered a tenet, there would need to be a written right-of-way. Mr. Mills said that state law, water sources have protection zones. Mayor Johnson suggested it be written into the agreement.

Mr. Wright then asked how the cities would best want to deal with the water share question as each city would contribute water shares. Mr. Mills said he feels that Pleasant Grove had “heartburn” with this request. He said that the issue comes down to a simple question—that the Course had been a water customer for years of American Fork. He said they had faithfully paid their bill to the city. He then asked if American Fork can guarantee that if they deliver water at the mouth of American Fork Canyon; that water will only be utilized for the Course.

Mayor Johnson said that he understood that American Fork needed Pleasant Grove and Lehi to provide the water because they were getting to the point of build-out that they needed the water they were providing for other areas of their city.

Mayor Thomson said that in the spirit of the fact that American Fork originally donated land, that he felt it fair that the other two cities could donate additionally water.

Mr. Mills suggested that if American Fork needed to purchase additional water, that they take the sales tax they are making off the course and purchase that water. Mr. Denney said that the state still owns the water shares for the Course land, and those shares did not come with the land.

It was then asked what the water bill is per year, so far, for the Course. Mr. Wells said around \$15,000 per year. He said that with the new, more efficient irrigation system on the Course, the amount will be less per year.

Mayor Daniels raised the question to the group that the Course needs water from American Fork. He asked how they get the water. Mr. Revill asked how much water was needed. Mr. Roberts said millions of gallons per night, nine months a year. He said they are currently irrigating 125 acres.

Mayor Daniels then suggested that the watering of the course be an issue between TCIA and American Fork. Mr. Davidson added that Lehi can deal with the TCIA, also, in regard to needed water. Mayor Daniels said this is what he is suggesting—that TCIA is already empowered to deal with water problems, etc, if they come up. Mayor Daniels said the three cities organized a legal entity in the TCIA. Mr. Le Baron agreed. He said that the Board would need to figure out where the water is to come from.

Mr. Rushton said that he feels that the Course is a water customer in American Fork. He said the city has a legal obligation to continue to provide water to the Course. He said he felt it was a municipality issue, not a TCIA issue.

Mayor Daniels then said that it looked like the replies to the original issues Mayor Thompson had brought up were; 1. The Land Lease would be signed between the three owners (cities); 2. There would be a 99 year lease on the land for \$1; 3. If the Course ceases, it goes back to American Fork City; 4. The Course Board would have a meeting with American Fork City regarding water issues; 5. The naming of the Course, etc. has been substantiated. After further discussion, the meeting was adjourned. Mr. Wright offered to write up the ground lease agreement to be signed by the cities.

2. ADJOURN

At 7:55 p.m. the meeting was adjourned.
This certifies that the Special City Council
Minutes of August 22, 2007 are a true,
full and correct copy.

Signed _____
Mary Burgin, Deputy Recorder