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# Oak Trail Estates

## Mutual Water Company

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### Rules, Regulations and Policies For The Shareholder

- I. Procedural Process for Collection of Non-payment of Monthly Bill(s) or Shareholder Assessments(s)
- II. Water Supply Usage Restriction Due to a Water System Emergency
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*Under Article XV, MISCELLANEOUS, Section 1 of the Bylaws of the OTE Mutual Water Company, the Board of Directors has the power to make and adopt rules and regulations it deems advisable for the management of the company. The following document is a compilation of all rules and regulations created by past and present Boards. These rules and regulations have been created with assistance or review of an attorney.*

Revised July 19, 2023

**I. Procedural Process for Collection of Non-payment of Water Bill(s) or Shareholder Assessment(s).**

- A. If the monthly water bill is not paid within fifty (50) days of billing, the shareholder's account shall be considered delinquent. If a shareholder fails to pay an assessment within thirty (30) days of the assessment due date, the shareholder's account shall be considered delinquent.
- B. The water company shall give notice of delinquency to the consumer/shareholder by certified, return receipt mail addressed to the shareholder to whom service is billed. Such notice shall inform the shareholder of the right to a hearing before the Board of Directors at a time and place to be fixed by the Board. Failure of the shareholder to request a hearing within ten (10) days of receipt of a notice of delinquency shall be deemed by the Board as a waiver of the right to a hearing by the shareholder.
- C. The water company will not initiate the collection process because of a delinquent account during the pendency of any hearing, or during an investigation by the water company of a shareholder dispute or complaint.
- D. Any shareholder who has initiated a complaint or requested an investigation within five (5) days of receiving a disputed bill or assessment shall be given an opportunity for review of such complaint by a "review manager" appointed by the Board of Directors. A review manager can be the water master. The review manager shall perform an investigation of the shareholder's complaint and perform such other actions as necessary to provide the Board with a comprehensive review of the shareholder's complaint. Such review shall include consideration of whether the shareholder should be permitted to amortize the delinquent account balance over a reasonable period.
- E. No action will be initiated against a shareholder complying with an agreed amortization plan, provided the shareholder also maintains his/her account for water services and assessments current as such charges accrue during the balance of the amortization term.
- F. If a shareholder fails to comply with the agreed amortization plan, the water company shall give notice to the shareholder of the conditions that must be met to avoid initiation of collection procedures.
- G. If a shareholder's account has become delinquent and the shareholder has not requested a hearing or otherwise resolved the delinquency, the water company will take legal steps to collect the delinquent amounts due, including fees and costs of the collection efforts, suspend or revoke the shareholder's shares, and place a lien against the delinquent shareholder's parcel. The suspension or revocation will be for the purpose of removing the obligation of the water company to service the revoked or suspended shareholder's premises with water.

## **II. Water Supply Usage Restriction Due to a Water System Emergency**

- A. As used in these rules and regulations, a water system emergency shall be deemed to exist upon any of the following conditions:
  - 1. The inability of the major well to provide water to the water system.
  - 2. The inability of all water wells to cumulatively provide water to the water system in an amount equivalent to one thousand (1,000) gallons per day per active service connection.
  - 3. The inability of the water system to maintain seventy thousand (70,000) gallons of water storage for domestic purposes.
  - 4. Any other water system condition which is determined by the Board of Directors to constitute a threat to the health or safety of the shareholders and/or the shareholder's property.
- B. Upon the existence of a water system emergency, the water company shall provide prompt oral or telephonic notice to all shareholders and/or consumers and shall follow such notification with a written notice to such shareholders and/or consumers which describes the nature of the emergency and steps being taken to eliminate the emergency condition. Both the initial telephonic and subsequent written notice shall inform the shareholders and/or consumers of any water usage restrictions implemented by the water company during the duration of a water system emergency.
- C. During a water system emergency condition, water utilization shall be prioritized in accordance with the following types of uses:
  - 1. Internal domestic (household)
  - 2. Domestic animals and livestock
  - 3. Landscaping not exceeding twenty thousand square feet (20,000) in area
  - 4. General irrigation or other uses at such times and in such amounts as may be determined by the Board of Directors.
- D. The notices provided to the shareholders and/or consumers described in paragraph B above shall inform such persons of the water usage restrictions adopted by the Board of Directors. For example, such notice might inform the shareholders and/or consumers that water provided to them by the water system may only be utilized for internal domestic (household), external domestic, domestic animal and livestock purposes and for no other purpose, thus suspending the utilization of water for landscaping or other irrigation purposes.
- E. If, during a water system emergency, a shareholder and/or consumer who has received either oral, telephonic or written notice of such water system emergency condition, is observed by a member of the Board of Directors or the Water Master to be utilizing water in violation of the terms of any prior oral, telephonic or

written notice, then, in such event, the water company will take the necessary and appropriate measures, including termination of water supply, to ensure compliance with such aforesaid notice.

- F. The foregoing rules and regulations have been adopted by the Board of Directors to provide a framework within which the water company may be required to operate during the existence of a water system emergency condition. Such rules and regulations shall only be implemented to the extent and for the time necessary to ensure that all persons supplied water by the water company, receive water in an equivalent quantity and quality during the existence of such water system emergency.

### **III. Delivery System Fees, Ownership and Maintenance**

#### **A. Hook-up Expenses**

1. Any shareholder wishing to hookup to the company's water system shall do so at his/her own expense and liability. This includes, but is not limited to, engineering plans, water delivery system, road repair, fencing, county fees and insurance.
2. Further to paragraph 1 above, any additional expenses incurred by the water company for the specific benefit that shareholder will be billed directly to that shareholder and must be paid in full as stated in Article XIII, Section 1 of the Water Company bylaws.
3. Before work may begin, the design, method, and timing of connecting to the water system must first be approved by the Water Company's water master. This decision can be appealed to the Board of Directors.
4. Additional buy-in fees will be charged to properties that have never been part of the Water Company (see Paragraph III-D below, "Buy-in Fees").

#### **B. Hook-up Ownership**

1. By hooking up to the water system, the shareholder implicitly transfers ownership of all improvements up to and including the water meter or private fire hydrant shut-off valve, to the Water Company.
2. This includes pipes, water meter and valve, backflow device, ownership of the delivery system past the water meter assembly or, in the case of a private fire hydrant, past the shut-off valve.
3. A typical water meter assembly is shown in **Figure 1** and a typical back flow device with shut-off value is shown in **Figure 2**.

#### **C. Maintenance**

1. The Water Company shall maintain the Company's portion of the water delivery system as described above, as well as, all the public fire hydrants.

2. By hooking up to the water system, the shareholder implicitly gives the Water Company the right to maintain the water delivery system even when those delivery systems are on shareholder's property. The shareholder is responsible for the maintenance of their portion of the delivery system.
3. The shareholder is also responsible for maintaining any fencing or barriers to protect the system from animals, people and foul weather such as a freeze.

#### D. Buy-in Fees

1. Article IV, Section 1 of the Water Company bylaws states that shareholders of the Company shall be limited to the owner or owners of one (1) lot of real property within the boundaries of the real property described in Exhibit A of the bylaws. Each shareholder owns an equal share of the total assets of the Company.
2. When a property owner, within the boundaries described by the bylaws but not part of the Water Company described in Exhibit A of the bylaws, wishes to join the Company they are required to purchase an equity share in the Water Company in order to hook up to the water system. The formula used to determine the cost of a share is the current cash value of the Water Company assets divided by the number of current shareholders. This ownership buy-in fee is in addition to any hook-up fees described above.
3. When a property owner *outside* of the boundaries of the parcels described in the bylaws wishes to receive water from the Water Company, they are required to petition the Board of Directors to join the Company. If they can join, all the above fee requirements must be met.

### IV. Water Use

- A. Water supplied by the Water Company to a shareholder's lot (parcel registered with the County of Santa Barbara) is to be used for that lot only.
- B. If the shareholder owns a lot (parcel) not in the Water Company and needs water for that lot, the shareholder must purchase an equity share in the Company as described in paragraph III-D, Buy-in Fees.

### V. Water Leakage

- A. Shareholders registering water leaks on the OTEMWC monitoring system (i.e. Beacon Eye on Water) of greater than 30 gallons per hour for a continuous 60-day period (a qualified leak) will be subject to a fine of \$300 per month until the leak is resolved. Such fine shall be in addition to the Company's water use charges.
- B. If the leak is continuous for 120 days, additional penalties may be applied including but not limited to: \$1,000 per month fine and restrictions on water flow to the property.

- C. A leak will not be considered resolved for purposes of this provision unless a leak of less than 30 gallons per hour is recorded for fourteen consecutive days.
- D. The Shareholder shall be entitled to Notice of a Qualifying Leak at least 30 days prior to the Notice of Fine. Notice shall be provided by mail or electronic mail as described in Section 4 of the Company's Restated Bylaws.
- E. The Shareholder shall be entitled to meet with the Board of Directors regarding the shareholder's leak and ensuring penalties.
- F. The Board's enforcement of fines described above shall be subject to the related provisions of Article XIII of the Company's restated Bylaws.

## **VI. Fire Hydrants, Maintenance and Use**

- A. Fire hydrants on Water Company easements are maintained by the Water Company. Fire hydrants on private shareholder property are maintained by the shareholder. It is recommended that all fire hydrants be flushed once every three years.
- B. Except in the case of fire, no other use of water from any fire hydrants is allowed without the specific permission from the Water Company's water master. If the water master approves a shareholder's request for a construction water meter on a fire hydrant, the shareholder will be billed for the rent of the meter and the water used for their project. A construction water meter **MUST** be installed by the water master and not by a shareholder or his/her contractor.

Figure1

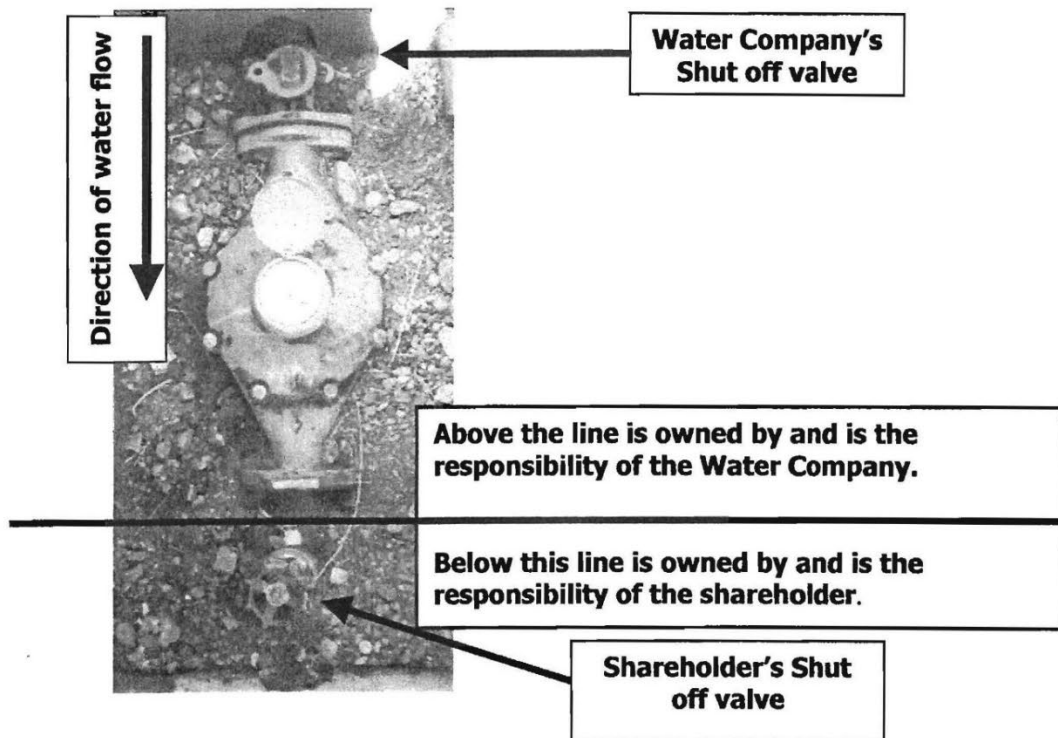


Figure 2

