

## **DIAMOND A MUTUAL WATER COMPANY BOARD MEETING NOTES**

Date and Location: The meeting started at 7:00pm, October 13, 2016, at the Diamond A Recreation Center Building, 18843 Spring Drive, Sonoma County, California

Presiding: Richard Bryan, President

### **ATTENDEES:**

Board Members:

Richard Bryan  
Joe Lieber  
Dave Martinelli,  
Ron Matteson  
Celia Schake  
Peter Hohorst  
Patrick Treacy

Staff:

Dee Young- Administration and Finance Manager  
Bill Angeloni-Operations Manager

Shareholder Guests: Craig Garcia, Sheryl Glon, Dick Hanna, Mary Lex

### **MEETING NOTES:**

The Board approved the meeting notes from the Quarterly Board Meeting held July 7, 2016.

### **COMMITTEE REPORTS AND DISCUSSION:**

#### **1) Operations**

- a) Water System status
  - i) Maintenance activity: Wildwood Lane pipe break repair, Zone 2 Tank cleaning and leak repair
  - ii) Well monitoring: water levels within range
  - iii) Water production: 25.5 million gallons for the first three quarters, about 2 million gallons lower than last year for the same period.
  - iv) Maintenance events and costs were reviewed. There have been approximately 15 events year-to-date requiring the use of contract technical support.
- b) Preliminary Engineering for replacement of Zone 2 Tank at Well 4 is under way
- c) Zone 3N Tank piping modifications have been completed
- d) System control and data acquisition systems (SCADA) were discussed and additional evaluations will be performed to identify cost-effective applications.
- e) Operations and Maintenance Manual: initial steps underway are to inventory assets, describe normal operating conditions and response to system failures.

- f) CCR communication and certification process for 2016 has been completed
- g) The self-assessment exercise results were discussed. Operational resiliency is an area identified as an area for development. A risk assessment and emergency response plan will be developed in 2017.
- h) Records: inventory and storage. Dropbox has been implemented by Dee Young and will continue to be populated with designated key documents.

## 2) Financial

### a) Current Financial Status

- i) YTD Water Sales Revenue is \$50,000 below budget levels. The combination of ongoing member conservation and the wet Winter led to this dramatic drop in usage and revenue. Usage reverted back to expected levels for the April/May/June usage period (July billings) as water sales were essentially unchanged from the prior year. Usage during the July/Aug/Sep period (October billings) is expected to be higher, but total Water Sales Revenue is still projected to be \$20k below budget in 2016.
- ii) Expenses are generally near the budgeted levels, with the exception of Repair and Maintenance costs. Based on current trends, these costs are projected to be \$5-\$10k below budget.
- iii) Capital expenditures have also been well under budget YTD, with a YTD spend of \$33k vs a full year budget of \$60k. These costs are expected to end up \$15-\$20k below budget.
- iv) The lower Water Sales Revenue should be offset by reduced R&M costs and reduced Cap Ex. Consequently, ending cash for 2016 should be near budgeted levels. We projected to end the year with \$162k in cash and have a current cash balance of \$151k prior to the October billings. Dee Young has done an outstanding job with collections and our total accounts receivable are under \$1000.

### b) Insurance Review

- i) The Water Company's insurance policy was renewed effective 9/1. The Company purchased \$5mm of Excess Liability coverage to better insure us against potential risks. Consequently the annual premium increased from \$4100/yr (expiring) to \$7,500.
- ii) We did not join the Member Guard program that is essentially self-insurance through a pool of water districts. The Finance Committee has reviewed the pool approach and feels that it is a reasonable way to reduce costs while maintaining existing coverage and risk levels. However, the pool requires a 3 year commitment and the finance committee does not feel that is warranted given the generally poor level of service offered our current broker.
- iii) By staying out of the pool, the water company did not realize a potential savings of \$1200 per year. However, we need the flexibility to evaluate other insurance options and potentially better service through an alternate broker.
- iv) The current broker does not provide Earthquake insurance, so the Finance Committee will have to work with a different broker to get a Quake quote. This will

give us the opportunity to evaluate other broker options at the same time. This will be a Finance Committee goal for 2017.

c) Rate structure

- i) Bill Angeloni is working on an updated report to see how our rates stack up with other local water providers. A full evaluation of the competitive marketplace and the impacts of water rate adjustments will be undertaken by the Finance Committee. The goal is to have a recommendation for the Board by the December meeting so that any rate changes could be implemented in early 2017.

3) **Governance**

- a) The Board approved the addition of Ron Mattson to the Operations Committee. All other committee assignments remain unchanged.
- b) The Board approved providing water service to the Diamond A Fire Station (Station 4). The water company will contribute \$2,500 to the cost of the installation in the interest of the benefits the fire station brings to the community. The fire district has agreed to provide \$3,700 toward the installation, which covers the materials and about half of the installation cost. The fire district will be billed for water use and maintenance fees.

4) **Conservation and Communications**

- a) Evaluate increasing level of communication regarding water company activity with shareholders.

**Meeting adjournment at 8:55pm**

The next Board meetings will take place take place at the Diamond A Recreation Center at 7:00pm December 6, 2016