

DRAFT
DIAMOND “A” MUTUAL WATER COMPANY
A California Non-profit Mutual Benefit Corporation

MEETING NOTES

A Meeting of the Corporation was held immediately after the Annual Meeting which was held Sunday, March 26, 2017 at 4:00 pm, at the Diamond “A” Recreation Center Building, 18843 Spring Drive, Sonoma County, California pursuant to order of the Board of Directors acting by authority of the Corporation By-Laws.

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: Robert Blade, Nelleke
and Rich Cooper, Dick Hanna and Lorrie Hohorst

The meeting was called to order upon determination of a quorum.

The Board approved the meeting notes from the Quarterly Board Meeting held December 6, 2016.

COMMITTEE REPORTS AND DISCUSSION:

1) Operations

(1) System status

(i) Maintenance activity

1. Roofs were replaced on Zone 1 and 2 sheds
2. Hatches were repaired on Zone 2 and 3S Tanks and locks installed.

(ii) Well monitoring: Well levels were within the current operating range.

(iii) Water production: 31 million gallons of water were produced in 2016

(iv) Zone 3S Tank status: A temporary cover is being evaluated for the tank roof

- (2) State Review : The State inspected the water company system and issued a list of corrective actions to be taken. The major ones are described below.
- (i) An Operations Plan (OP) meeting a specified format with content will need to be developed. The approach is to use an engineering consultant to assist in developing the Plan and to do an operational assessment based on existing conditions of the system. **The Board approved \$1,000 to start initial work** with the goal of obtaining cost estimates for developing the Plan and performing an operational assessment.
 - (ii) An Emergency Response Plan (ER) meeting a specified format with content will need to be developed. A draft is being developed and will dovetail with the OP.
 - (iii) An existing "Complaint" Process has been updated to include documentation of receipt through closeout of a complaint.
 - (iv) Water testing at Well 2 indicated a very low level of Total Coliform (2.0 MPN). The well will be evaluated, treated and retested in conformance with testing protocol established by the State.
 - (v) Individual water meters will be installed for Zone 1 Wells 1 and 2. Currently one well measures the combined water flow from the wells.

(3) Zone 2 Tank replacement

- 1. Site preparation has started pruning trees that impact the site
- (ii) Engineering is 80% completed and running under budget
- (iii) Schedule is holding for completion in 2017

(4) System Controls update

- (i) A review with the water company services provider resulted in some approaches to reduce cost by pumping during off-peak hours and to upgrade system controls in some critical areas. Two proposals were received from JDY.
 - 1. Off Peak pumping for Zone 1 Tank (cost \$2,066). **The Board approved going forward pending final validation of proposed savings.** (NOTE: Since Board meeting the expected savings of \$1,200 annually has been confirmed after review of 12 months of pumping charges).
 - 2. XIO based SCADA controls for Zone 2 and Zone 3S tanks (cost \$21,979) to provide real-time status and control for the most complex, critical and heavily used segment in the system. The Board agreed to table this proposal until after Zone 2 tank has been replaced.
- (ii) A circuit has been re-installed by AT&T at the Zone 3 shed that will provide control of the Zone 3 booster pump from the Zone 3 shed.

2) Financial

- 1) Financing Update
 - i) The Finance Committee reviewed the terms of the Westamerica Bank loan approval for the Zone 2 tank with the Board:
 - (1) Loan Amount: \$250,000
 - (2) Interest Rate: 4.25% fixed
 - (3) Term: 5 Years
 - (4) Fees: \$350 documentation fee
 - ii) Outstanding Items:
 - (1) The bank will need a copy of the executed contract in order to prepare loan papers.

- b) Earthquake Insurance
 - i) Terms of the earthquake insurance proposal presented at the Annual Membership meeting were reviewed
 - ii) The Board discussed the concern that the quote only covered the assets insured under current property coverage, primarily tanks, wells, and pumps.
 - (1) Underground piping would NOT be covered under the earthquake proposal.
 - (2) This is definitely a major concern as the piping/distribution system is felt to present the highest risk of loss during an earthquake.
 - (3) The tanks generally do not pose a big risk:
 - (a) After the construction of the Zone 2 tank later this year, 3 out of the 4 tanks will be recent improvements (within the last 5 years) and upgraded to current seismic codes.

- c) Based on preliminary cost estimates, the value of DAMCO assets, including the underground piping, would be approx. \$5mm. If this higher value were to be insured at the same terms as the existing quote, the premium would rise to \$77k.
 - i) In addition, the deductible would be approx. \$340k.
 - ii) It was noted that we only pay \$7k/yr currently for ALL insurance coverage (Property, Casualty, GL, D&O)

- d) The Board carefully considered the above information and decided that the cost of earthquake insurance did not justify the expenditure at this time. The Board will continue to look at other, more cost-effective means of mitigating earthquake risk such as purchase of a generator, lining the distribution lines with a flexible membrane, etc

3) Governance

- (1) Election of Directors was held at the Annual Meeting earlier in the day. Incumbents retained their board membership. Minutes of the meeting have been placed on the Diamond A website (<http://diamondasonoma.com>) under Water Company Board Postings.
- (2) **Election of Officers was held** with the incumbent officers retaining their current positions:

Richard Bryan	President
Joe Lieber	Vice President
Celia Schake	Secretary
Dave Martinelli	Treasurer
- (3) Patrick Traecy will perform an analysis of the Water Certificate valuation.
- (4) 2017 Board Meetings: The next meeting will be held on June 26, 2017 at 7:00pm.

4) Conservation and Communications

- (1) An Emergency Response Plan is being prepared that would be used along with the Operations Manual in the event of a catastrophic emergency (fire, earthquake etc.).
- (2) A process to install liners for water distribution pipes in order to extend the life of the pipes and improve flow characteristics is being reviewed by the board.

5) **Comments from shareholders:** No comments received.

6) **Adjournment:** The meeting was adjourned at 6:05pm

Richard Bryan
President
March 15, 2017

Notes:

- (1) Approved Board Meeting Notes for the previous meeting are issued electronically with the Meeting Agenda for the upcoming meeting. The meeting notes are also posted on the Diamond A website (<http://diamondasonoma.com>) under Water Company Board Postings. Any member may obtain a copy of the report upon written request to Diamond A Municipal Water Company, PO Box 150, El Verano, CA 95433.
- (2) The 2016 Annual Report (financial information) has been posted on the Diamond A website and can also be obtained by mail (see above).
- (3) Board actions are in **bold underlined** type.

