

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

Date and Location: March 29, 2015, 2:00 p.m., Diamond A Recreation Center Building, 18843 Spring Drive, Sonoma County, California

Presiding: Richard Bryan, President

ATTENDEES: Board Members: Richard Bryan, Peter Hohorst, Dave Martinelli, Celia Schake, Joe Lieber, Patrick Treacy and Mike Buckley. Staff: Bill Angeloni, Dee Young and Shirley Angeloni. Shareholder Guests: Sheryl Glon and Dick Hanna

### **MEETING NOTES:**

The board approved meeting notes from the Quarterly Board Meeting on December 9, 2014.

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

#### **FINANCIAL –Dave Martinelli**

##### **1. 2014 Financial Review**

A reforecast of 2014 Income and Expenses was reviewed. Highlights were:

- Net Cash Flow for 2014 was \$101k vs Budget of \$109k
  - Water Sales, net of additional pumping costs, were \$15k positive due to higher than projected water usage (drought related)
  - Repair and Maintenance costs were \$20k over budget, primarily due to the costly break in the Grove supply line last winter.
- 2. Review 2015 Capital Budget Changes

Capital budget changes presented for Board review and discussion. Highlights were:

- White Oak Tank
  - Tank will cost \$18k less than budgeted but Engineering costs will be \$16k over budget. Overall, \$2k lower than budget.
  - Tank lease has been approved, but at a lower amount than originally expected (since the cost of the tank was less). We originally expected \$141k in funding, but were only approved for \$101k.
  - Fully loaded interest rate will be 6.46%. Total interest cost over the 3 year term of the lease is \$9,931. Payments will be \$3095 per mo.
- Other Capital Items
  - Backflow valves were not installed at well #3 in 2014 as budgeted, but will be installed in 2015. Cost will be \$2500 vs original budget of \$7500.
  - Well monitoring equipment is fully installed and operational, \$2500 lower than budget.

- Phone lines from the White Oak tank to the Rec Center wells have been replaced with wireless and are fully operational. \$4000 lower than budget.
- Ending Cash
  - Projected to be \$15k at year end 2015, vs original estimate of \$34k
  - Key Points:
    - Due to lack of rain, water sales in 2015 are now thought to be more in line with 2014, which would generate an incremental \$20k of operational cash flow vs budget
    - There is still a 15% contingency allowance (\$28k) in the White Oak Tank Budget
    - There continues to be a \$40k allowance in the Capital budget for Ongoing System Maintenance, although no specific projects are planned.
    - If needed, a board member has offered temporary financing to the Water Company at 3% to ensure that the White Oak project can be done in 2015.

### 3. White Oak Tank – Board Approval

After discussion and review, the Board unanimously approved moving ahead with the White Oak Tank installation in 2015 and entering into lease financing for the tank.

### 4. Other Sources of Funds

1. Sale of Mesquite Parcel
  - Preliminary investigation by Adobe Associates indicate that the parcel it would be unlikely that the parcel would qualify as a homesite
    - This parcel was specifically not designated as a homesite on the original map of Diamond A
    - Presence of springs on the property make homesite development unlikely
  - The Board agreed not to pursue the sale of this lot at this time
2. Solar Panel installation
  - Not feasible. Our electrical usage profile consists of multiple meters, all with relatively low electrical use per meter. Solar makes sense only if there is high use going through one meter.
3. Other Finance Items
  - Electronic Billing and Payment
    - Dee has tested and all systems are go for rolling this out in April
  - CPA Reviewed Financial Statements
    - These are needed to comply with AB240. Dee to coordinate with CPA after 4/15

## **OPERATIONS AND TECHNICAL – Patrick Treacy and Bill Angeloni**

Performance of the distribution system in the first quarter was good overall.

## Major maintenance incidents:

There was one major leak at the end of Wildwood Court, which was difficult to repair. The final cost was nearly ten thousand dollars.

### 1. Status of Zone 1 Tank:

- a. A radio link has been installed between Tank 1 and Wells 1 and 2 to replace unreliable telephone lines. Failures were resulting in tank overflows. The link has been performing as designed.
- b. Defective outlet valve at Zone 1 tank will be replaced as part of the piping modifications required for the new tank. This work is in progress and will be completed in April.
- c. Engineering has started for the Tank 1 replacement. The permit application process has begun and the Sonoma County Planning Office has approved the Site Plan.
- d. Two 5000-gallon tanks used as temporary storage for the Tank 3 replacement have been installed at the Tank 1 site in preparation for the new replacement. The electrical work is completed and the plumbing will be completed in April.
- e. Exploration and site survey have been completed. The engineering drawings will be completed as soon as Brelje and Race Engineers receive the final geotech report.

### 2. Well Performance monitoring Status:

The 4 wells have 115 to 140 feet of water above the pump. They appear to be very stable and not impacted by the drought at this time.

### 3. Well Upgrades:

Wells 1,2 and 3 have new motors and pumps. The motor and pump in Well 4 appears to be in good condition. The newly installed air monitoring tubes will provide data to allow us to evaluate our system performance with a high level of confidence.

### 4. Back Flow Valves at Tank 3:

The valves have been purchased and will be installed in coordinating with the three homeowners requiring pumps to supply water to homes located above the tank elevation.

### 5. Residential Pressure Regulators:

Shareholders should install a pressure regulator to protect plumbing and appliances.

### 6. Water Usage:

Water usage from 2001 through 2014 averaged 39 million gallons per year. The lowest use was in 2011 at 33 million gallons and the highest in 2013 at 47 million gallons. 2014 usage was just less than 40 million gallons. For reference, 40 million gallons is equal to 123 acre-feet

## **GOVERNANCE - Peter Hohorst**

As a result of the passage of AB 240 we have reviewed the Articles of Incorporation and the By-Laws of the Diamond A Mutual Water Company to determine the changes necessary to comply with the new law. During this process we have discovered some additional changes that are needed in order to bring these documents into compliance with our current operating practices.

### **1. Articles of Incorporation**

The most recent copy of the Articles of Incorporation on file with the Secretary of State needs the following changes:

- Units two through five will be added to Section 1, Membership. Only unit one is currently mentioned.
- The membership restriction of one membership per owner will be removed. Owners of lots in any of the five units with membership certificates in good standing will be entitled to one vote for each membership certificate.
- Owners requesting new membership certificates will be required to pay a onetime membership fee of \$25,000.
- The maximum number directors on the Board will be increased from five to seven.
- The Board may establish reasonable regulations for the collection of unpaid Water Company invoices included but not limited to placing a lien on a property.

### **2. By-Laws**

Amendments are needed to the By-Laws as follows:

- Art. I, Sec. c: Open Meetings: All meetings of the Membership shall be open to all members. All meetings of the Board or any committee of the Board consisting of a quorum of the Board, except for Executive Sessions, shall be open to all members/eligible persons and shall comply with the provisions of the Mutual Water Company Open Meeting Act, Corporations Code Sec. 14305.
- "Member" and "eligible person" are not the same. "Eligible person" includes renters/tenants of members. Under the law notice must be given to all eligible persons including the renters. What this means is that Notice cannot be effectively given only by mail to holders of membership certificates, and must be done by posting and mail to those who have requested it from the eligible persons. (Corp. Code Sec. 14305(f) & (o)(1)(B).) This distinction also renters to make requests for records
- AB 240 adds the right to lien to a Mutual Water Company for the collection of delinquent invoices, in Corp. Code Sec. 14304. It must be added to Articles or By-Laws (probably both) before it can be used, and a rule process needs adopted complying with the rest of the Act.
- AB 240 requires a pro forma budget be submitted to the membership at the annual meeting each year. (Code Secs. 14305(e) & 14306)

- A provision spelling out the continuing education requirement of the Health & Safety Code Sec. 116755 should be added to the By-Laws to make sure it is not forgotten.

### 3. Next Steps

- A draft of changes to the Articles of Incorporation and the By-Laws will be prepared for discussion at the next Board meeting in June.
- If the Board approves the changes, a special meeting of the membership will be called in midsummer to approve the changes.

### **COMMUNICATIONS – Joe Lieber**

- The next issue of the Newsletter is under preparation. Board members were asked to provide Joe with topics for the issue.

### **PERSONNEL, PROFESSIONAL SERVICES AND ADMINISTRATION - Dick Bryan and Dee Young**

#### 1) Annual Meeting of the Members

- a) Prior to the Board meeting, the company held it's annual meeting. Approximately 20 shareholders attended. The agenda included the following topics:
  - i) Financial status
  - ii) Operational status and 2015 plan
  - iii) Communications
  - iv) Bylaws update
  - v) Personnel and services update
- b) After introductions of the board and guests, a short video was shown illustrating the major activities of the company over the last two years and examples of the facilities owned and operated by the company.
- c) Board members then presented on the agenda topics and an open discussion was held at the end of each presentation.
- d) At the end of the meeting the Board acknowledged Shirley Angeloni for her 20 years of service to the company at her retirement from the company in January. Shirley kept our finances in order, oversaw the meter readings, billings, payments, communications with external agencies and whole host of other duties associated with managing the water company. Dee Young carries on the duties held by Shirley. Shirley will continue to provide administrative support to Bill Angeloni, our System Operations Manager. Shirley was provided a gift certificate to one of her favorite restaurants.

#### 2) Records Consolidation and Storage

- a) Dee and Shirley will determine the scope and locations for records that currently exist.
- b) An evaluation will be made to determine a single storage location for documents requiring storage in accordance with the Records Retention Procedure such as:
  - i) Storage companies like Iron Mountain
  - ii) Paperless Cloud storage

- iii) 20' shipping container located on water company property
- 3) Bookkeeping transition from Shirley to Dee has been completed.
- 4) Rules and Regulations (1987) are in the process of being updated.
- 5) Outsourcing of selected company operations
  - a) Discussions have been held and proposals received from two companies that provide support services to water companies.
  - b) The board approved the President to review proposals and negotiate a service agreement.
- 6) In remembrance.

Bill Angeloni reported that Ray Zastro had passed away on December 24, 2014. Ray served the water company with technical and operational support for more than twenty-five years. In his memory, a donation was made to his favorite charity.

The next Board meeting will be held on June 22, 2015 at the Diamond A Recreation Center.

Meeting Adjourned at 4:50pm