

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

Date and Location: December 10, 2015, 7:00 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, and Patrick Treacy. Absent: Mike Buckley.

Staff: Dee Young-Administration and Bill Angeloni-Operations Manager.

Shareholder Guests: Sheryl Glon, Geri Randall and Dick Hanna

MEETING NOTES:

The board approved the meeting notes from the Quarterly Board Meeting held on September 24, 2015. (Attached)

COMMITTEE REPORTS AND DISCUSSION:

1. Operational and Technical –

a. Operations – Dick Bryan/Bill Angeloni

- System status: Normal operation throughout the period
- There were no major maintenance activities
- Storage location for tools, materials and equipment is under evaluation
- Zone 1 tank replacement work continues with cutover of water supply from the temporary tank to the new tank scheduled for December 14.
- Zone 3 Tank piping modifications will be performed in early 2016
- Well production vs. State target period (June thru November) has met the required 25% reduction mandate by State law.

2. Financial –Dave Martinelli/Dee Young

a. Year End Financial Update

A reforecast of 2015 Income and Expenses was reviewed. Highlights were:

- Net Cash Flow for 2015 consistent with Budget
 - Estimated will be \$152k vs Budget of \$153k
- Capital Expenditures for 2015 are estimated at \$271k vs Budget of \$302k
 - Due to unforeseen County requirements for earthwork and geo tech review, the White Oak Tank will cost \$260k vs a budget of \$220k
 - Capital expenditures in all other areas either came in below budget or were eliminated

b. 2016 Budget

A Budget for 2016 was presented for Board review and discussion. Highlights were:

- Key Assumptions
 - Revenue was kept consistent with 2015, which is felt to be conservative due to the State mandated conservation requirements instituted in 2015
 - Expenses were based on 2015 with a 3% increase for inflation. 2016 Interest is based on loan amortization
 - As was the case in 2015, an allowance of \$40k has been made in the Capital Expenditures to cover unforeseen capital projects (such as the well monitoring air lines) that may come up during the course of the year.
- 2016 Budget
 - Net Operating Cash Flow of \$145k
 - Cap Ex of \$60k, including the \$40k allowance
 - \$37k Net Cash Flow after the \$60k in Cap Ex and \$48k in loan principal reduction

After discussion and review, the Board unanimously approved the 2016 Budget as proposed. (Attached)

3. **Governance** – Peter Hohorst

a. By laws

- Legal counsel has prepared a draft of the revised Company By laws to conform to current legislation and other requirements. After Board approval, the By laws will be presented to membership at the next Annual meeting of members for approval.

b. Articles of Incorporation

- Company Articles of Incorporation has undergone a reviewed by legal counsel who determined that a revision is not required.

4. **Conservation and Communications**-Joe Lieber/Celia Schake

- a. A report of individual connection usage was reviewed and the board will be communicating with members that use a disproportionate amount of the water.

5. **Personnel, Professional Services and Administration** - Dick Bryan/Dee Young

- a. Meter reading recording is now captured electronically and the data produced has provided the board with a tool to assist in water conservation efforts
- b. Records inventory and storage activity is continuing with a decision to obtain a bank safety deposit box for company documents under the control of the company Secretary, Celia Schake and a decision taken to have all financial related documents maintained by Dee Young who is providing administrative services to the Company

- c. The process and date for the annual meeting will be developed. The agenda will include the approval of the revised company By laws and provide for election of Board members.
- d. A Nomination Committee consisting of Board members Dick Bryan, Celia Schake and Joe Lieber was appointed by the President to select qualified candidates for election to the board.
- e. Key Water Company accomplishments for 2015:
 - Completed the installation of new pumps in three of the four company wells. The fourth well pump did not require replacement
 - Performed major repairs of water mains at the end of Wildwood Court and near the intersection of Grove and Viewcrest and replaced failed backup booster pump for Tank 4
 - Engaged water services company JDY to perform system maintenance
 - Obtained bank financing, designed and installed a 100,000 gallon replacement for the Zone 1 tank
 - Exceeded the state conservation goal of a 25% reduction in water production by reducing water production 29% below the base period of June-November 2013
 - Started recording meter readings electronically to develop data for evaluation of water usage consistent with current drought conditions
 - Developed a draft revision of the company By laws to be consistent with AB240 requirements and other applicable regulations for submission to Board and Members for approval.
 - Achieved significant progress in delinquent account collection by utilizing provisions in AB240

The next Board meeting is currently scheduled for February 25, 2016 at the Diamond A Recreation Center.

Meeting Adjourned at 8:30pm

Attachments:

1. 2016 Budget