

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

Date and Location: February 25, 2016, 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, Rich Cooper, Wayne Mehl and Christopher Read

MEETING NOTES:

The board approved the meeting notes from the Quarterly Board Meeting held on December 10, 2015. (Attached)

COMMITTEE REPORTS AND DISCUSSION:

1. Operational and Technical – Dick Bryan/Bill Angeloni

- a. System status: Normal operation throughout the period
- b. Maintenance activity: The control system for Zone 3S Pump at Well 4 and the Zone 3S Tank required repair due to a faulty switch and float valve.
- c. Well monitoring: In general, the water level above the pumps in the four wells is about 200 feet.
- d. Zone 1 tank replacement work was completed with cutover of water supply from the temporary tanks to the new tank on December 14, 2015, approximately one year after the project was started.
- e. The Board discussed starting the engineering for Tank 4 replacement in 2016 pending outcome of a technical and financial evaluation (see Financial discussion below).
- f. Upgrading of the chlorination system at Well 4 has started with the replacement of a failed chlorine pump and will be followed by the installation on a magnetic flow meter and controller. The upgrade at Tank 3 will follow.
- g. Zone 3 Tank piping modifications are under evaluation and are scheduled for 2016.

2. Financial –Dave Martinelli/Dee Young

- a. Final Operating Net Income for 2015, before Depreciation, was \$149k versus a budget of \$153k. For reference, the Budget for 2016 is \$143k.
- b. 2016 forecast year-end cash is \$161k. As of 2/16/16 cash amount is \$158k plus \$19k in Accounts Receivable.

- c. The board discussed accelerating the replacement of the Zone 2 Tank at Well 4. Current projections are that the Water Company will amortize the existing tank loan by 2019 and also have saved enough cash to pay for the replacement of the Zone 2 Tank in the same year (2019). The Water Company relationship bank has expressed an interest in financing the next tank project.
- d. A preliminary projection was made assuming a tank replacement in 2017 for \$325k, of which \$200k was financed by our bank under the same terms as the existing loan. In this scenario, Ending Cash reserves for the Water Company never dip below \$60k and all debt is paid off in 2021. The discussion led to a decision by the Board to conduct a more detailed evaluation of the early Zone 2 Tank replacement by the Operations and Finance Committees. The evaluation will be presented to the Board at the Board meeting following the Annual Meeting on April 24, 2016.

3. Governance – Peter Hohorst/Celia Schake

a. Bylaws revision

- A draft revision of the Company Bylaws by legal counsel to conform to current legislation and other requirements has been reviewed. Comments were provided at a review meeting with counsel. Counsel has issued a second draft, which is currently under review.
- After Board approval, the Bylaws will be presented to membership at the next Annual Meeting for approval

4. Conservation and Communications-Joe Lieber/Celia Schake

- a. The Board will be contacting members who use a disproportionate amount of water to request that they evaluate their water usage and take appropriate action to reduce usage.
- b. Excessive usage threatens our ability to meet state conservation mandates and could threaten our well production capabilities over the long term.
- c. We will request, in the next Newsletter, that all members evaluate their water use and take appropriate steps to reduce usage. Some of the steps that can be taken to minimize water usage include:
 - Inspect the system for leaks. This is one of the common reasons for unusually high usage and, usually, can easily be fixed.
 - Check the irrigation system and adjust for seasonal changes and turn the system off when not required.
 - Convert spray systems to drip.
 - Consider using native drought-resistant plants.
 - Add mulch and compost to reduce evaporation and provides nutrients for the plants
- d. Board members were requested to provide subject matter for the next newsletter to Joe Lieber.

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

- a. Committee structure: The Board approved the Committee structure outlined below:
 - Operations and Administration
 - 1. Dick Bryan
 - 2. Patrick Tracey

3. Dee Young
 4. Bill Angeloni
 - Financial
 1. Dave Martinelli
 2. Patrick Tracey
 3. Dee Young
 - Governance
 1. Peter Hohorst
 2. Celia Schake
 - Conservation and Communications
 1. Joe Lieber
 2. Celia Schake
- b. Board Training opportunities: Dick Bryan reported that the California State Water Resources Control Board provides free drinking water workshops presented by the Rural Community Assistance Corporation (RCAC). The workshops are presented both in a classroom setting and online on an extensive list of topics of potential interest anyone involved in operating or managing a water company. A list of current workshops was distributed.
 - c. Records inventory and storage: A bank safety deposit box has been obtained for company documents and is under the control of the company Secretary, Celia Schake. An update of the records inventory and storage location was reviewed with the Board by Dee Young.
 - d. Insurance: A proposal was made by a Member, John Walker, through Dick Bryan that the pooling of insurance by DANA, the Recreation Center and The Water Company could result in expanded insurance coverage and/or lower rates. The Board agreed to consider a proposal after an evaluation has been completed
 - e. Mike Buckley, a Board member for 32 years, has decided to not stand for reelection. The Board recognized Mike's significant contribution to the Company over the last three decades.
 - f. The Nomination Committee consisting of Board members Dick Bryan, Celia Schake and Joe Lieber selected three qualified candidates for election to the board. The Board approved the three nominees: Peter Hohorst and Dave Martinelli, both current Board members who have agreed to stand for reelection for another term and Ron Matteson, a Member who has agreed to stand for election for the Board position to be vacated by Mike Buckley.

The next Board meeting will take place take place immediately after the Annual Meeting scheduled for 2:00pm April 24, 2016 at the Diamond A Recreation Center.

Meeting Adjourned at 8:30pm