

DRAFT
DIAMOND A MUTUAL WATER COMPANY
BOARD MEETING NOTES

Date and Location: The meeting started July 7, 2016, at 7:00 p.m. 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,

Absent: Peter Hohorst,
Patrick Treacy

Staff:

Dee Young-Administration
Bill Angeloni-Operations Manager.

Shareholder Guest: Richard Cooper, Lorraine Hohorst, Wayne Mehl

MEETING NOTES:

The board approved the meeting notes from the Quarterly Board Meeting held on April 24, 2016.

COMMITTEE REPORTS AND DISCUSSION:

- 1) **Operational and Technical** – Dick Bryan/Bill Angelon
 - a) Marcus Trotta, Sonoma County Water Agency, presented an update on the Sonoma Valley Groundwater Management program
 - b) System status: Normal operation of the system for the period
 - c) Maintenance activity:
 - i) Divers have been scheduled to stop leakage in the 50,000 gallon Zone 2 Tank
 - ii) A booster pump at the Zone 2 tank failed and was replaced
 - iii) Upgrading of the chlorination system at Well 4 has been completed. The next and last upgrade will be installed at Well 3.
 - d) Well monitoring:

- i) A meeting was held with the Sonoma County Water Agency. Historical Company data was reviewed and agreement was reached to continue to participate in the sharing of well level data.
 - ii) Nominal well water levels are unchanged.

- e) Water production:
 - i) The Consumer Confidence Report has been sent to the State and will be provided to Members. There were no quality issues with water produced by the Company relative to the quality parameters set by the State.
 - ii) Approximately 8.4 million gallons of water were produced during the Second Quarter of 2016.
- f) The Board approved starting Preliminary Engineering for replacement of the 50,000 gallon redwood Zone 2 Tank with a steel bolted tank similar to the Zone 1 and Zone 3N tanks.
- g) Zone 3N Tank piping modifications remain on hold pending completion of a technical evaluation.
- h) The Company Operations and Maintenance Manual will be updated
- i) A Member request for a "Will Serve" letter to support a permit application for a property upgrade for a second dwelling was approved by the board
- j) Water company training
 - i) A schedule of 2016 classroom and online workshops for small water company training provided by the Rural Community Assistance Corporation and California Waterboards was provided to the Board members for their use.
 - ii) Dick Bryan briefed the Board on a Rural and Small Systems Sustainable Management Workshop presented by The California Rural Water Association that he attended. A water company self-evaluation exercise at the workshop was discussed and the Board agreed to perform the self-evaluation using the guidelines presented at the workshop.

1) **Financial (Dave Martinelli)**

a. **Current Financial Status**

- i. Water Sales Revenue was \$10,000 below 2015 in the Jan/Feb/Mar usage period (April billings). 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. If usage continues to hold even with 2015 levels for the balance of the year, Water Sales Revenue will be approximately \$10k below budget.
- ii. Electricity costs tend to mirror usage levels and we are seeing less than budgeted expense in this category. While not enough to fully offset the reduced Water Sales Revenue, we should end the year \$2k-\$5k below our budgeted electricity costs.
- iii. Expenses are generally near the budgeted levels, with the exception of Repair and Maintenance costs. During discussion at the meeting, it was discovered that

some of the work done by JDY to install new meters should not be considered repairs, but should be capitalized as part of the project to install a new chlorinator at well #4. Dee and Bill will follow up to review the invoice and code to Cap Ex.

b. Insurance Review

- i. A meeting of the Finance Committee, plus neighbor John Walker who is a professional risk manager, was held with Marty Watkins from Glatfelter insurance to review our current policy and prospective options/enhancements. Watkins has not been in recent contact, but is supposed to provide quotes on increasing the umbrella coverage to \$5-\$10mm and seeing what impacts, if any, increased deductibles would have on premium levels.
- ii. Work is underway to update our Statement of Values for the Water Company assets. Total insured value is expected to rise from \$1.050mm currently to \$1.25mm.
- iii. Glatfelter is also offering a new 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. The intent of the insurance renewal is to utilize an alternate policy structure like Member Guard, while at the same time enhancing coverage (e.g. higher umbrella limits, higher Statement of Values coverage). The goal is to maintain costs at more or less their current level, but get better coverage. In order to facilitate the insurance renewal, the Board unanimously agreed to give the Finance Committee discretion in negotiating the best structure/coverage that it can at renewal.
- iv. Glatfelter does not provide Earthquake insurance, so the Finance Committee will have to work with a different broker to get a Quake quote. This will be pursued after the existing coverage has been renewed on September 1, 2016.

c. Rate structure

- i. The Finance Committee has done some preliminary work on our current rate structure. One proposal is to create a new tier at the 150,000-200,000 gal level. There is minimal volume of water sold at this level so the incremental revenue generated would be minimal.
- ii. The Finance Committee needs a refresh from Bill Angeloni on water rates in other local districts so it can produce an updated report to see how our rates stack up with other local water providers.
- iii. One other scenario to evaluate would be a roll back of the quarterly M&I, while raising the Water Usage rates to compensate. 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.

d. Housekeeping Updates

- i. Water Company parcels—An e-file has been created that has updated addresses, parcel numbers, parcel maps, and legal descriptions for all the various properties that the water company owns. Dick, Dee, and Dave all have a copy.
- ii. CPA reviewed financials—the Review is finished and copies of the reports are available to members. See Dee for details.
- iii. Insurance Certs—Dee is to follow up with Rossini and JDY to make sure that we get insurance certs naming the Water Company as an Additional Insured.

2) Governance – Peter Hohorst

See “Will Serve” discussion above.

3) Conservation and Communications-Joe Lieber/Celia Schake

- a) The 2016 State conservation requirements for small water companies (companies not defined as urban water companied) were provided in a handout to the Board. The State requires small water companies to report their monthly and total production at the end of the year and explain any actions taken to encourage or require customers to conserve water.
- b) Letters recently sent out to a number of members advising them of their exceptionally high usage resulted in evaluations by some of them that led to discovery of significant leakage problems. In the future, he board will publish usage date in the Company Newsletter so that Members can compare their usage with averages for the entire system.

4) Personnel, Professional Services and Administration –

No discussion

Meeting adjournment at 9:20pm.

The next two Board meetings will take place take place at the Diamond A Recreation Center at:

7:00pm October 11, 2016

7:00pm December 6, 2016