

DIAMOND “A” MUTUAL WATER COMPANY

A California Non-profit Mutual Benefit Corporation

MEETING NOTES

A Meeting of the Corporation was held Monday, December 10, 2018 at 7:00 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

Board Members:

Richard Bryan.....President
Joe Lieber.....Vice-President (absent)
Celia Schake.....Secretary
Dave Martinelli.....Treasurer
Peter Hohorst.....Director
Patrick Treacy.....Director
Ron Matteson.....Director

Staff:

Dee Young- Administration and Finance Manager
Bill Angeloni-Operations Manager

Shareholders:

Whitney Evans, Scott Murray

The meeting was called to order at 7:00pm upon determination of a quorum.

The Board approved the meeting notes from the Quarterly Board Meeting held September 17, 2018.

1. Committee reports and discussion

a. Operations and Administration

i. Water system update

1. System operation

- a. The system experienced four water leaks that were repaired within 12 hours
- b. Apart from the water leaks the system operated normally

2. Zone 3S Tank (Viewcrest)
 - a. Divers were contracted to repair the leaks in the redwood tank. The repair resulted in approximately 50% reduction in the water loss
 - b. Liner options for a more permanent repair have been investigated and priced.
 - c. A steel tank replacement has been investigated and priced. An engineering design will be obtained from the tank company in order to start the initial steps in obtaining a permit for a new tank.
 - d. The bank financing the three previous tank replacements has offered to provide financing as required.
 - e. Water easement to the tank will be confirmed and legal status determined.
3. System Controls update
 - a. Water level monitoring has been installed in two of the four water tanks. The remaining tanks are scheduled to have monitoring equipment by the end of December.
4. A Board Committee has been established to evaluate the installation of backup power to the system The evaluation will:
 - i. Identify risk scenarios
 - ii. Establish risk scenario(s) intended to be mitigated.
 - iii. Establish basic design criteria
 - iv. Provide preliminary design
 - v. Determine financing

Ron Matteson will lead the committee that includes Bill Angelony, Dick Bryan and Dave Martinelli. The work of the Committee will be reported at the Annual Meeting of members in March of 2019.

b. Financial

- i. 2018 Year-end Forecast:
 1. Net Cash Flow From Operations will be \$17k below 2018 Budget
 - a. 2018 Budget is \$122k vs. actual estimated at \$105k
 2. Revenue will be \$10k higher than Budget
 - a. Legal & Accounting \$4k under Budget
 - b. Repairs and Maintenance are \$28k higher than Budget
 3. Cap Ex will be \$56k lower than originally expected driven primarily by Zone 2 tank, which came in \$66k under budget
- ii. 2019 Budget projected at \$86k
 1. Water Sales are based on 2018 actuals, less \$5k. 2018 was a dry year, so \$5k was deducted to develop the 2019 Projection
 2. Expenses are based on 2018 actuals plus adjustments by the Finance Committee

3. Repairs & Maintenance 2018 Budget of \$45k vs. 2018 actual of \$73k. 2019 Budget set at \$60k (allowance of \$7,500/quarter for major pipe breaks)
4. Important Observations:
 - a. In 2019 only 6 months of debt service on the White Oak tank loan remain
 - b. It will be important to keep Cap Ex in check in 2019
 - c. Ending Cash is projected to be \$76k
 - d. Cost of needed repairs to the Viewcrest Tank are unknown (net cost of \$50k included in Budget)
 - e. Back-up generator(s) will be researched and priced, but no money is included in the budget for their purchase
 - f. Ending Cash \$48k better than Budget
 - g. Beginning Cash Balance was about \$9k better than prior year projection
 - h. Expecting \$134k Ending Cash

The Board reviewed and approved the 2019 Budget (Attached)

- iii. A 10-Year capital forecast was reviewed
 1. Going into this review, the Finance Committee believes that our current cash reserves are adequate
 2. While it would be desirable to have more cash reserves, our largest capital expenditures (tanks and pumps) have largely been replaced within the last 5 years and are in excellent condition
 3. A major disaster (e.g. earthquake) could change our Capital Reserve situation
 4. The long term goal would be to build capital reserves to \$250
 5. A capital reserve process will be developed by the board in 2019
- iv. The current water company CPA will no longer perform the annual Financial Review required by AB 240
 1. Current CPA will review 2018 financial info and issue report, but this will be their final year
 2. Current CPA has offered to continue doing tax work, but not the audit. It is not cost effective to split the Tax and Audit work between 2 firms
 3. A new CPA will be engaged for the 2019 review.
- c. Communication
 - i. The Water company has opened and email account with Google to use in communicating with Members.
 - ii. Direct email communication with Members will be made to advise of water problems when they arise and to advise on water company activity.
- d. Governance
 - i) The Nominating Committee provided recommendations for the board vacancies created by four board members with expiring terms. They are Directors Richard Bryan, Cecilia Schake, David Martinelli and Joe Lieber.

- ii) The Annual Meeting will be held on March 31, 2019, at 4:00pm
- iii) Dates for 2018 Quarterly board meetings were established:
 - Sunday March 31, immediately after the annual meeting
 - Monday June 10
 - Monday September 16
 - Monday December 9

All meetings will be held at 7:00pm at the Diamond "A" Recreation Center Building, 18843 Spring Drive, Sonoma, California

- iv) The First Quarterly Board Meeting on March 31 will include Election of Officers for 2019

- 2. Comments from shareholders (limited to 3 minutes each)
- 3. Adjournment

Richard Bryan
December 14, 2018

Notes:

- 1. Postings on the Diamond A Ranch website (<http://diamondasonoma.com>) under Water Company/Board Postings include:
 - a. Quarterly and Annual Board Meeting Notifications, Agendas and Notes
 - b. News Letters
 - c. Annual Reports (financial information)
 - d. Annual Consumer Confidence Reports (results from State water testing program)
- 2. Members may obtain a copy of the posted information upon written request to Diamond A Municipal Water Company, PO Box 150, El Verano, CA 95433.