

DIAMOND A MUTUAL WATER COMPANY BOARD MEETING

MEETING NOTES

Date and Location: September 26, 2014, 7:00 p.m., Diamond A Recreation Center Building, 18843 Spring Drive, Sonoma County, California

Presiding: Richard Bryan, President

ATTENDEES: Richard Bryan, Peter Hohorst, Dave Martinelli, Celia Schake, Joe Lieber, Dee Young and Patrick Treacy. Absent: Mike Buckley. Absent: Operations Manager: Bill Angeloni

Shareholder Guests: Gail and Martin Jacobs, Elaine Lieber, Jack Nisson, Steven Pavy, Mark and Tia Pierce, Chris Read, Wayne Schake, Saga and Vagn Thovtrup, Liz Treacy and Judith Walsh

WATER CONTAMINATION:

A presentation was made by John Ramsier, Distribution Operator and Andy Zastrow, Water Technician on the status of the water system relating to contamination found to be in the water system on September 23. The system has been inspected and any deficiencies corrected. Testing of samples is continuing until two consecutive sample sets are found to be negative. Questions from the member guests and the board were answered.

MEETING NOTES:

Meeting notes from the Quarterly Board Meeting on June 25, 2014 were approved by the board.

COMMITTEE REPORTS AND DISCUSSION:

Financial –Dave Martinelli

1. Mid Year Financial Update

A reforecast of 2014 Income and Expenses was recently distributed to the members.

Highlights are:

- Revenue from Water Sales now forecast to be \$22k higher than Budget, due to the new rate increases and higher overall water usage than Budget due to the drought
- Revenue from the quarterly Maintenance and Improvements to be \$9k lower than Budget since the increased rates did not take effect until April
- Maintenance and Repairs now forecast to be \$20k higher than Budget, primarily due to the multiple breaks on the Grove main distribution line this past Winter

- Revised Capital Expenditures of \$66k vs the original Budget of \$25k. The increase is primarily for the installation of air line instruments to monitor water levels, along with the resulting pump and casing replacement that was triggered by this work
- Total Cash Flow per the Reforecast is \$90k versus the original Budget of \$109k
- Ending Cash Balance per the Reforecast is \$34k versus the original Budget of \$94k

As a result of the lower Cash Flow and Ending Cash Balances, some of the Cap Ex will be deferred into 2015 and the replacement of the White Oak tank is now targeted for 2017. During the meeting, some members expressed a concern with deferring capital replacements into the future and suggested that the Board look at rate increases or special assessments to generate capital more quickly to be able to fund capital replacements in a more timely fashion.

It was also noted that the Board needs to develop more rigor around Capital Spending, both in terms of more accurately forecasting the need for and the cost of future capital projects, as well as exercising more fiscal restraint by staying within the annual capital budget.

Electronic Billing and Payment

Dee Young will take over billing effective January 1, 2015. Her goal is to launch electronic billing by the second quarter (i.e. billings in April 2015). Members will be able to pay via Pay Pal or with traditional checks.

2. Retention and Storage of Records

Dave Martinelli and Dee will work on developing a policy.

3. Insurance Coverage

Dave reviewed the existing coverage and finds it to be appropriate and adequate.

4. Sale of Excess Parcel on Kenleigh Drive

The Water Company owns a parcel on Kenleigh Drive that has some springs. Bill Angeloni has advised that the State generally frowns on springs (considered surface water) as a water source for a mutual water company. The spring box on the parcel is no longer in service, nor are two old small redwood tanks. It is unknown whether the parcel would provide a water source of value to the Water Company in the future.

Leo Merle reports that one of the neighbors may have an interest in acquiring the parcel. Dave has started some preliminary investigations with local appraisers. He proposed the following steps:

- Obtain a quote for appraisal cost
- If acceptable to the Board, proceed with an appraisal
- Board to review the appraisal and if there is sufficient value to warrant consideration of a sale, Board to perform appropriate Due Diligence on the value of

the parcel to the Water Company as a future water source. Ultimately the Board will have to decide whether a sale of the parcel is appropriate at this time.

- a. Technical – Dick Bryan
 - i. The distribution system has been performing without major incidents.
 - 1. The system was inspected after the recent earthquake and no damage to the system was observed.
 - 2. Divers are scheduled to enter Zone 1 Tank to attempt to block or reduce several leaks in the lower portion of the tank.
 - ii. Well water level instrumentation have been installed in wells 1, 2 and 3. Well 4 installation is scheduled for February/March of 2015.
 - iii. New pumps and motors have been installed I wells 1, 2 and 3. The replacements were made based on inspection of the equipment when removed in order to install the air line for the water level instrumentation.
 - iv. Replacing phone lines with cellular equipment continues to be studied
 - v. A back flow valve at tank #3 will be installed 1n 2015.
 - vi. Maintenance - major repairs/incidents to date for 2014
 - 1. Water Main repair at Grove and Prospect \$25,000
 - 2. Water Main repair at Kenleigh and Grove \$3,400
 - 3. Water Main repair White Oak and Kenleigh \$2,000
 - 4. Upgrade of valve and meter on White Oak Drive \$3,400
 - 5. Replace three pumps and motors \$40,000
 - 6. A Zone 1 Tank signal failure resulted in an overflow due to a signal problem in the telephone lines controlling the pumps feeding the tank. A radio system to replace the telephone lines at this location will be evaluated.
 - vii. The outlet valve at the Zone 1 tank is defective and will be replaced.
 - viii. Residential Pressure Regulators are required for each user of the system

- b. Communications-Joe Lieber
 - i. Board discussion on future articles for the next issue of the newsletter
 - ii. Participation in Sonoma County Water organization

- c. Personnel and Professional Services- Dick Bryan/Dee Young
 - i. Bookkeeping transition status is underway and will be completed at the end of the year.
 - ii. Update of Rules and Regulations-June, 1987 is underway
 - iii. Transition planning for professional technical services was discussed. Professional water system service providers to water companies will be evaluated in order to take on tasks such as report submittals to the State, water sampling and system inspections.

- iv. Shareholders will be notified in the next billing that future billings will be issued by email and mailed to those who do not have email accounts. Dee Young will set up check and credit card system.
2. Comments from shareholders were received and discussions took place regarding the contamination of the system.
3. Adjournment at 9:00pm