

Gran Mutual Water Company

Annual Meeting
01/28/15
Nash's Restaurant
1717 Esplanade
Chico, CA 95926

Called to Order at 6:02 PM by Randy Hill, President

Board Members Present: Marilyn Everett, CFO; Bill Beckett, Secretary; Judy Gargas, Director.

Board Member(s) Absent: Paul Krause, Vice President

Guests Present: Diane Azevedo, Administrative Support; Kevin O'Shea, Water Master and Bob Koch, Administrative Consultant.

President Randy Hill introduced the Board Members.

Stockholders (owners) attending including Board Members amounted to 17 plus 6 spouses for a total of 23.

A quorum of stockholders is required to take action at the annual meeting. A quorum is 53 stockholders. There was not a quorum present at the meeting. Pursuant to Section 2.08, of the Bylaws for Gran Mutual Water Company, an adjourned meeting was rescheduled to February 19, 2015 at Nash's Restaurant.

The Minutes of the Annual Meeting held on January 29, 2014 were distributed to owners present. Minutes are posted on the website: granmutual.org.

Randy gave an overview of the water company which was started in 1965. Skansen was the first subdivision developed. The system lacked consistent preventative maintenance. In 2006, the system was reviewed and determined to be in dire need of repair. An assessment of \$10,000 per lot was imposed to upgrade the system. The developer of the last phase in Rocky Bluffs, which consisted of 11 lots, contributed \$200,000 to the project. A million dollars was raised to upgrade the water system. The old system consisted of one well, one newer water tank (1992) and one deteriorated water tank. A second well was drilled, the old well was refurbished, a new 120,000 gallon water tank was added, generators were installed on both wells and chlorination stations and water test sites were added. Additional fire hydrants have also been added. Kevin O'Shea working for Durham Pump was hired as the project manager and subsequently hired as an independent contractor to continue monitoring the system and to act as our Water Master. There were several health department violations that were corrected and now, Butte County uses our system as the showcase water system.

Randy also discussed the State required installation of meters. The State passed a law that all properties must be metered by 2025. The Board elected to bill for the cost and installation of meters at the time properties were sold. A tiered water billing system needs to be developed for billing water usage. Several homes have been metered and Kevin reads them each month and reports the water usage to the Board. Meter installations in Skansen are on hold until the new pipeline loop is completed.

Randy asked Kevin to report on the various projects he has overseen during 2014. Kevin reported on the La Mesa project. A new fire hydrant was installed to protect the Canyon Rim properties.

He also discussed the contamination in the system. He had to chlorinate the water and then attempt to find out how the well became contaminated system wide. He took samples every week for a month. It was determined that the contamination was from the Skansen line. The line was replaced and a new isolation valve installed to isolate any future problems. The cost of the project will be about \$15,000 and will be paid the first of 2015.

He also reported that the State is getting “meter happy”. Some water systems have run out of water. The State may shorten the time in which meters must be installed. The state has issued mandatory reduction of water use in all systems.

Financial Information

Marilyn presented an overall view of the financial condition of the company. She provided owners present with 5 year financial reports for the operating account and reserve account through December 31, 2014.

The December 31, 2014 statement of revenue and expenses for the operating account shows total revenue of \$177,371 and total expenses of \$99,593, leaving net income before transfers of \$77,778. Beginning cash at January 1, 2014 was \$25,889 plus net income of \$77,778 less transfers to the reserve account of \$88,508 leaves a cash balance of \$15,159.

The reserve account had a beginning balance on January 1, 2014 of \$241,682 plus a net change of \$116 plus the transfers of \$88,508 leaves a balance of \$330,306 at December 31, 2014.

The combined total cash of both the operating account and the reserve account is \$345,465 at December 31, 2014.

The balance sheets for December 31, 2013 and 2014 show total assets of \$1,011,565 and \$1,089,200, respectively, which equals the net assets.

A budget to actual report for the year ending December 31, 2014 showed the variances. More revenue was collected due to the past due balances on the Jarrett parcels getting paid, collection of late fees, hookup fees and transfer fees. Actual expenses were 3% higher than budget due to buying a new data base management program.

A budget for December 31, 2015 was presented showing total revenues of \$166,100 less total expenses of \$99,800 leaving a net profit of \$66,300. All of the profit will be transferred to the reserve account.

Other

Paul Krause had updated the capital asset replacement reserve requirements, which was presented to the owners by Marilyn. Paul had used a 3% inflation factor, which showed the fair value of the system as of June 30, 2014 was \$4,455,000, which equates to \$43,000 per lot.

The calculated amount we should have on hand at the end of December 31, 2014 is \$665,000. The current balance in the reserve is \$330,306 and when we transfer \$66,300 of the 2015 estimated income, the expected balance will be \$396,606, which leaves a shortage of \$268,394.

Capital assets addition plans are being made to upgrade the exposed pipeline in Spanish Gardens. The project will be done in two phases and the projected cost is estimated to cost \$250,000.

Paul Krause had also calculated a comparison of water usage and costs for three water companies, Paradise Irrigation, Cal Water, Chico and Gran Mutual. His comparison showed that Gran Mutual water is much less costly than the other two companies.

Randy spoke to the water system's efficiency and Kevin's involvement in maintaining the system, making repairs as needed and keeping all of the water testing reports current.

A questionnaire was sent to all owners requesting, among other things, emergency email addresses so that owners could be emailed in the event of fire or system failure. There were a very small number of responses. It was suggested that volunteers from each development be identified to collect the data. It was suggested that Deborah Burgess for Skansen; Sally McCaffrey for Rocky Bluffs and Carl Madsen for Spanish Gardens.

Randy announced that Garey Weibel had resigned from the Board after 10 years of service.

There being no further business, the meeting was adjourned at 8:00 PM. The rescheduled annual meeting will be held at Nash's Restaurant February 19, 2015 at 11:30 AM.

Respectfully submitted,

William C. Beckett, Secretary