

MINUTES

Gran Mutual Water Company Annual Meeting of the Board of Directors - January 29, 2020 Nash's Restaurant, 1717 Esplanade, Chico

The meeting was called to order at 6:30 p.m.

Board Members Present: Steve Moreland, Acting President; Bob Gaines, Vice President; Bill Beckett, Secretary; Marilyn Everett, Chief Financial Officer; Scott Chalmers, Director and Don Dahlmeier, Director.

Board Members Absent: None.

Gran Mutual Staff Present: Bob Koch, Administrative Consultant and Kevin O'Shea, Water Master.

Owners in attendance: In addition to the six Board member owners, nine owners were present plus five related others for a total of 14 other persons in attendance.

Opening Remarks: Acting President Steve Moreland opened the meeting by welcoming those in attendance and initiated Board, staff and audience member introductions. As this was her last meeting as a member of the Board, the Board recognized and thanked Marilyn Everett for her many years of service to Gran Mutual, on the Board and as Chief Financial Officer, and she was presented with a gift in appreciation.

Board of Directors Election. Steve advised that because only 27 ballots or proxies from owners had been received or were in attendance at the meeting, and since 53 were needed for a quorum to elect the Board of Directors or to conduct other Company business, no action was able to be taken at tonight's meeting. This annual meeting and the election of the Board would be continued to the February 18, 2020 meeting. Marilyn Everett noted that per the Bylaws, at that meeting, a reduced quorum number of 35 votes would be needed to elect Board members and to transact business.

Financial Report. Marilyn distributed copies of the comparative annual Statement of Revenues and Expenses for the periods ending December 31, 2019 and 2018, the Balance Sheet for the year ended December 31, 2019, and the Actual versus Budgeted Revenue and Expense report for the year.

With regard to the Actual versus Budgeted Revenue & Expense report, she noted Regular Fees income was down by \$1,860 due to a number of unpaid owner water bills which were still pending. However, total income was up by approximately \$10,700 as a result of the receipt of insurance proceeds for reimbursement for damage and expenses from the Camp Fire. She noted that damage and expenses were \$25,801 and the insurance reimbursement was approximately

\$19,350. With regard to Expenses, Membership, Dues and Fees were over budget by about \$2,080 due to payment to the County for permit fees for the years 2018, 2019 and 2020, which had not previously been billed. Also, actual expenditures for the Skansen water line project were significantly lower than the budgeted amount because the project was not completed and will be carried over into 2020. Net income ended up being a positive amount at approximately \$39,900 rather than the budgeted deficit amount because of the lack of progress on the Skansen project.

With regard to the Balance Sheet, total cash available was at \$384,000, including two Certificate of Deposits of \$100,000 each, versus \$344,000 at the end of 2018.

For the 2020 Budget, revenues are anticipated to be \$178,360 and expenses to be \$218,900 for a net loss of \$40,540, with utility expenses at \$50,000, capital projects at \$70,000 and a contingency fund of \$20,000. This will require a transfer from the reserve account of \$55,000, which will still result in a healthy reserve balance since the preferred reserve is to be at or above \$280,000.

In response to an audience question, Marilyn explained that the Spending Forecast for Capital and Major Maintenance expenses through 2026 that former Board President Ken Klages had prepared in 2019, which was approved by the Board, demonstrated that Gran Mutual has more than enough cash reserves to meet capital project costs going forward.

Administrative Consultant Bob Koch explained the Camp Fire insurance claim results, noting that our insurable property loss and expense cost was \$20,350, and that the policy has a \$1,000 deductible, which resulted in receipt of \$19,350 in insurance proceeds. He noted that there were additional damage costs and expenses of approximately \$4,450 that were not covered by the policy.

Water System Report. Water Master Kevin O'Shea noted that after the Camp Fire, the Board decided to abandon the old water line serving Rim Rock and install a new line in the street that would make all of the affected property connections ready for the installation of meters, which needs to be completed by State mandate by 2025. In addition, he noted that the installation of 18 new meters at other locations will begin in the next week, which will make Gran Mutual one-half complete toward that 2025 requirement.

Kevin discussed the tree fall and repair work on a pre-existing water line serving Spanish Gardens, and the work done to install the new isolation valve. He noted that the new bypass pipeline allowed for the ability to turn off the damaged line without affecting water supply to Spanish Gardens, a valuable redundancy in case of future problems. He also noted that the water supply continues to be tested and no adverse chemical findings have shown up as a result of the Camp Fire or damage to Gran Mutual facilities.

In response to audience questions, Kevin noted that both water storage tanks are in excellent shape, and that the Camp Fire had no impact on Gran Mutual facilities other than the damage to the valve station which was replaced.

With regard to the development of a tiered water fee system that will be needed when metering is fully operational in 2025, Scott Chalmers noted that his survey of water rates showed the Gran Mutual rates are currently about one third of those in Marysville, and one half of those in Oroville and Chico. This year, he will begin working on a potential rate schedule with different fee tiers that will provide enough revenue to cover future operating costs and reserve needs. Typically, a tiered rate system will have a base rate, and then one or more water usage rates. He noted that owners will be kept informed of the development of such a rate system but since only one half of all properties will be metered by the end of 2020, finalizing a new rate system is a few years away.

Adjournment. There being no further business, the meeting was adjourned at 7:30pm to February 18, 2020 at 11:30am at Nash's Restaurant.

Respectfully submitted,

William C. Beckett, Secretary