

MINUTES

Gran Mutual Water Company Annual Meeting of the Board of Directors - January 25, 2017 Nash's Restaurant, 1717 Esplanade, Chico

The meeting was called to order at 6:35 p.m.

Board Members Present: Randy Hill, President; Paul Krause, Vice President; Bill Beckett, Secretary; Marilyn Everett, Chief Financial Officer; and Bob Gaines, Director.

Board Members Absent: None

Gran Mutual Staff Present: Bob Koch, Administrative Consultant; Kevin O'Shea, Water Master; and Randy Stark, American Business Services.

Owners in attendance: 14 owners were present plus 6 related others for a total of 20 in attendance.

Board of Directors Election. It was noted by Marilyn Everett that 53 stockholders (property owner) votes, either on ballots, in person or by proxy, were needed to complete the election of the members of the Board of Directors. Since only 31 votes were submitted, there was an insufficient number to constitute a quorum to complete the election, or to transact business at tonight's meeting. Therefore, pursuant to Section 2.08 of the Bylaws for Gran Mutual Water Company, an adjourned meeting was scheduled for February 16, 2017, at 11:30am, at Nash's restaurant. At that meeting, per the Bylaws, one-third of the voting power, or 35 votes, will be needed to transact business of the Company.

Minutes. It was noted that the minutes of the Annual Meeting held on January 27, 2016, which were previously approved by the Board, were available for viewing on the Company web site.

Administrative Services. Marilyn introduced Randy Stark of American Business Services, who is now handling the administrative services for the Company. In response to a Stockholder question, Randy indicated that water bills will be processed in a more timely manner, and that questions regarding those should be directed to him.

Water System Report. Water Master Kevin O'Shea reviewed the work done on the system over the past year including the installation of fire hydrants to improve fire protection, and the planning for the bypass water line to address concerns regarding the exposed above ground line that serves Spanish Gardens. He also noted that both water storage tanks had been inspected internally, with some minor repair work being done. He is recommending that the bolted tank be completely recoated on the inside to extend the life of the tank. The cost would be about \$55,000 and take about a week to complete. Since the tank has to be emptied, the work would be done in late Spring or early summer.

With regard to the requirement for the installation of water meters, Kevin noted that the State law continues to require that all homes go off a flat rate system and be metered by 2025. As homes sell in the Gran Mutual service area, we are charging for the cost of installing meters and we are installing so-called “smart” meters that can be read remotely. So far, 25 have been installed with an additional 20 to be installed this year. Owners of homes not on meters when the 2025 conversion becomes effective will bear the cost of installing the required meters. Marilyn discussed the Board’s project to develop a tiered rate system to use when we do go to a metered system.

It was noted that water from the Gran Mutual wells is of very high quality and we have a large capacity for pumping over our current 700 gallons per minute rate. Water test data for these wells is available on the Gran Mutual.org web site.

Financial Report. Marilyn distributed a comparative annual Statement of Revenues and Expenses and a comparative Balance Sheet for December 31, 2016 and 2015. She noted that the 2016 Statement of Revenues and Expenses is on a cash basis with approximately \$69,170 income for the year, but that depreciation and capital asset additions had not yet been recorded. The Balance Sheet showed cash balances of \$31,274 in the operating account and \$459,363 in the reserve account at December 31, 2016.

Marilyn also distributed copies of the Capital Asset Replacement Estimate, noting that the estimated total dollar amount desired to have in our Reserve Fund based on this estimate was \$525,000 as of December 31, 2016, and our current balance is \$459,363. The annual funding requirement is approximately \$135,000 per year. The cost of the Spanish Gardens project is estimated at \$150,000 plus the cost of recoating of the tank is estimated at \$55,000 for total capital expenditures of \$205,000. That would leave a balance in the reserve account at \$255,000, well below our estimate of \$525,000. She noted that the Board is studying the need to increase water rates in order to ensure we have enough money available to repair or replace these facilities as needed.

Marilyn distributed copies of the 2017 annual budget, with revenues based on current rates estimated at \$172,500, expenses at \$106,200, with a profit of \$65,800 and proposed transfer to the reserve of \$66,000. The transfer is short by \$69,000 of the estimated amount needed. .

A question was raised regarding the fairness of the difference in the fees for a vacant lot owner versus built-up lots, because when system maintenance is costed out, the undeveloped lot owners pay more. The Board agreed to look at this issue.

Adjournment. There being no further business, the meeting was adjourned at 8:05 p.m. to February 16, 2017 at 11:30 a.m. at Nash’s Restaurant.

Respectfully submitted,

William C. Beckett, Secretary