

**Gran Mutual Water Company  
Annual Meeting – Minutes, January 26, 2011, 6:30 p.m.  
Matson and Isom Training Center, Chico**

Randy opened the meeting at 6:40 p.m. noting the attendance of only one member. Board members present were Randy Hill, Marilyn Everett, Bill Beckett and Dan Boone; member, Malcolm McDonald, and water master, Kevin O'Shea. Marilyn distributed the minutes from the prior annual meeting held on January 27, 2010 that had been approved at a board meeting.

**Financial Reports**

Marilyn distributed the financial reports for the year ended December 31, 2010 consisting of the following: 1) operating account; 2) assessment (construction) account analysis; 3) combined profit and loss report for the operating account and the construction account including a balance sheet and asset detail and a 4) budget to actual comparison for the operating account.

The operating account shows net income for the year of \$4,852. The net income was a result of transfer fees (charged in escrow) that totaled \$5,250 which equates to 7 lots sold in 2010 plus one hook up fee of \$1,000. Without these funds, GMWC would have shown a loss from operations of \$1,400. The budget-to-actual comparison report showed that there was a budgeted loss for 2010 but due to the transfer fees and hook up fee, the budget to actual variance was a positive \$6,700. PG&E is the largest expense. Due to a pump failure in May, only one well was operational for a few months resulting in large power bills.

The assessment (construction) account showed collections of \$22,007 and expenses of \$29,956. Expenses included a generator upgrade for \$4,679, a pump replacement for \$17,705 and a motor replacement for \$6,614. The motor replacement was a result of a lightning strike in October 2010. Surge protectors costing \$958 were installed to protect against future lightning strikes.

The balance sheet shows cash balances at the end of the year of \$9,310 in the operating account and \$214,665 in the construction account. The construction account will be called the reserve account in 2011. The Board authorized a transfer of \$70,000 from the operating account to the reserve account in 2010 for a better interest rate. The asset detail includes only the upgrades from the construction project as all of the old assets were fully depreciated.

The 2011 operating budget was distributed. Budgeted revenue included \$77,100 for water service and \$1,500 for transfer fees. Two homes are estimated to be sold in 2011. No hook up fees are budgeted as there are no homes under construction. Budgeted repair expenses were increased by \$3,000 for inspecting and cleaning the old tank, which should be done every five years. This requires divers to complete the cleaning and inspection. The 2011 budget shows an estimated loss of \$4,500 which equates to approximately \$4 per lot per month. This means that the operating account will have to be supplemented by the reserve account unless monthly water fees are increased. The Board wants to maintain at least \$225,000 in the reserve account, which will not be possible unless fees are increased.

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**Water Fee Increase**

The board will be discussing the need to increase fees in order to make up for the estimated loss and to add to the reserve account. Discussion included making a calculation to increase fees by \$5 per month to cover the estimated operating loss or by \$10 to add to the reserve account. An agency called the Rural Technical Association has information and calculations to assist homeowners associations with a reserve calculation. The last engineer's report showed the monthly fees should be \$110 per month in order to fund the reserve. The calculations are based on the longevity of the assets/equipment. The major upgrades were completed in 2006 through 2008 and there are still outstanding projects to be done such as installation of water meters, pipe line replacement and fire hydrant installation. There was discussion about reviewing the technical report numbers to estimate the cost of future upgrades and to build a reserve accordingly. The technical report was filed with the county and was required to obtain the permit. It is 15 pages in length and includes calculations and specifications.

**Collections**

The Board has been very active in collections and discussed those members whose payments are in arrears. Letters have been prepared and mailed stating that members have until January 31 to pay before receiving the final 30-day notice regarding water shut-off. Those homeowners in arrears but who are making payments will not receive a letter. It was suggested that Marilyn work on the capital replacements cost analysis so that an increase could be calculated for both the operating account and for the capital replacement reserve. An increase of not less than \$10 to \$15 was considered likely.

**Water Master Report**

Kevin informed those present that the meeting of water purveyors on January 11, 2011 and conveyed that all new construction requires the installation of fire sprinklers by State law, which requires a higher flow rate than the standard water delivery meter. New homes will have a dedicated fire suppression water meter installed since fire sprinklers require a minimum of 26 gallons per minute instead of the standard 23 gallons per minute.

It was noted as an example that Paradise Irrigation District charges by service size then adds a separate charge for fire sprinklers. A \$9 fee is charged because inspections must be completed and meters tested. Replacing the current system with meters would require charging by meter size. For instance a 1.5 meter may cost \$50 per month.

Kevin has installed 1" meter lines which would handle the house and fire sprinklers. The service line to the lot can affect this which requires a flow test before building. Kevin suggested that he should be notified to review this with the respective contractor before fire sprinklers are installed. The goal of house sprinklers is to give homeowners at least 10 minutes to exit the home and does not allow time to remove furnishings or save the home itself.

Additionally, current installation requires a 1.5" split (service lines) between two lots. The splits are required to have a minimum flow for each house. It was noted that homeowners have installed solar panels without a permit which are not listed as approved in the CCRs. Kevin stated that the old Burton's Mesa property is approved for a 27-unit hotel, however, water flow would still be a problem.

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Kevin reported that the lightening strike from last fall destroyed one motor on the new well which makes this the second well repair/replacement in two years. The damage to the motor also causes damage to the pump. Kevin said the surge protectors had been installed on the panel for both wells. Repairs to the wells caused some contamination which was hard to clear. The generator is working properly meaning no loss of water to homeowners. Water quality has been excellent. Wharf heads on the fire hydrants have been replaced to match those of the fire department so that fire trucks can hook up to hydrants quickly. The water flow to Skansen has also been increased.

**Website**

Bill Beckett has updated the website and removed the building project status since this has been completed. It was noted that the report to the County is a public report that should be posted on the website. This report is usually updated after the inspection is complete. Inspections should now take place every five years instead of every three years. The board agreed that the report should be posted. The comprehensive report received includes and is not limited to the site sampling plan, meter readings, the back flow prevention report, records submitted on the well, meters installed and long-term plan of meters, discussion on the capacity of the system, emergency notification plan, and any findings or noted as, "no system deficiencies." Board members were notified that GMWC practices and procedures were used as a model on the county and state websites.

**Bylaws**

The new bylaws along with a ballot were mailed to all members in September 2010. The new bylaws were approved by a majority vote. Also approved was a change in the Articles of Incorporation that addresses the number of Board members.

**Stock Shares**

Discussion on the issuance of stock shares will take place at the board meeting. The ongoing issues include who issues shares of stock when lots are sold. When the sales goes through the title company, Diane Azevedo on behalf of GMWC is notified and could issue the share certificate. If a lot is transferred to another family member, the only way we are informed is when the billing name and address changes, which Diane would also know. Jeff Brown needs to be contacted in order to obtain stock certificates.

**Future Projects**

- Adjust water flow in order to furnish the Alms Bluff fire hydrants with more water, which is recommended by the fire department.
- Add a short pipeline and fire hydrant on Rim Rock to help alleviate fire danger and provide a loop system.

The board requested cost estimates on these two projects in order to determine when they can be completed.

Randy stated that there was no other new business and moved to adjourn. All in favor, meeting adjourned at 7:55 p.m.