

Gran Mutual Water Company Annual Meeting  
Held at Nash's Restaurant, 1717 Esplanade, Chico, CA.  
January 25, 2012

Called to Order at 6:30 PM

Board Members Present: Randy Hill, President; Marilyn Everett, Treasurer; Bill Beckett, Director.

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

Randy introduced each Board member and Guest and explained their duties. Bill keeps the website updated and authors the newsletters and Marilyn provides financial services. Kevin is the Water Master and knows the system better than anyone and Diane provides all office support including billing. Randy discussed the development of the system historically and where it is today. He discussed the water usage and the Watchman water monitoring program.

Minutes of the last Annual Meeting dated January 26, 2011 were approved as submitted.

Marilyn discussed the 2011 income and expenses. As of 12/31/11 the total gross income was approximately \$82,000. The major expenses were:

PG& E - \$24,655.

Water Master, Kevin O'Shea - \$18,000.

Repairs - \$9,400 and \$3,300 for the tank inspection.

Insurance - \$5,000.

The expenses totaled \$75,000 and the net income was \$7,457. The Reserve account has a balance of \$221,897 and the operating account has a balance of \$16,767 for total cash of \$238,664. A balance sheet was handed out to show the financial condition of Gran Mutual Water Company as of December 31, 2011.

Kevin explained tank inspections. The new tank is 120,000 gallons and the older tank is 85,000 gallons. The older tank had never been inspected. He recommended an inspection every three to five years for each tank. The tank inspection of the old tank showed that it was in good condition.

Marilyn discussed the budget for 2011, which had a projected loss of \$4,500. However, the 2011 PG&E bills were the lowest in the last 5 years. PG&E was \$7,000 less than projected. Additional revenue from late fees also contributed to the better than budget performance.

Vacant lots located in Rocky Bluffs. A change in the Rocky Bluff home owners bylaws caused the Department of Real Estate (DRE) approval to sell the lots to be revoked. It was necessary to re-file with the DRE. The Board agreed that water bills for vacant lots would not be charged until a lot sells. At that time, a vacant lot fee would commence. This decision was based on the fact that MIK contributed \$200,000 to the assessment for the new water system and given the

economy and the lack of sales, the Board felt it was prudent not to charge a vacant lot fee until lots began to sell.

A number of shut-off notices have been sent to terminate water service to delinquent accounts. In the event that the delinquent accounts are not paid, the lot share in Gran Mutual Water Company would be revoked and the owner would be required to pay the fair market value of the share, which was estimated to be approximately \$30,000 in order to hook back up to a water supply.

The 2012 budget was discussed. It was estimated that the income would be \$77,100 from water fees and an additional \$2,500 for hook-up fees and transfer fees, totaling \$78,600 in gross revenue. The estimated costs amounted to \$77,950 leaving a net income of \$650.

The capital replacement plan was discussed. When the new water system was engineered and the *Engineers Report Update for the System Expansion and Upgrades* was prepared in July 2007, it included an analysis of the estimated lives of the system components and the annual funding costs required to prepare for replacement. Marilyn used that report to compile a capital replacement analysis to calculate the funding required to provide enough money to pay for the components as needed. At the end of 2012, we should have at least \$186,000 in a reserve fund. This calculates out to an annual cost per billed lot of \$2,000 or \$168 per month.

The Board discussed the State law requiring that all residences be metered by 2025. Skansen was discussed as access to the water lines is difficult in many of the lots. The Board needs to have an idea of how much usage homes require in order to determine how to structure the water charges. The water charges have to be billed using a tiered system. So in order to know how to structure the tiers, some lot owners have volunteered to have meters installed and the usage will be recorded. The Board passed a policy that when a lot sells, a meter will be installed and paid through the escrow process. The estimate at present is a 1" meter would cost approximately \$450 although the cost of installation would have to be determined, given the location. It is possible that a rock trencher would be required in the Skansen development. An inventory of the cost and location of the meters installed will be compiled so the compliance with the 2025 law can be monitored.

The Inspector of Elections announced the result of the election of Board members as follows:

Bill Beckett  
Marilyn Everett  
Randy Hill  
Paul Krause  
Garey Weibel

The meeting was adjourned at 8:15 PM.

Note: the number of votes received by Judy Gargas was very close to the votes received by another Board member, so the Board approved the addition of one more Board member at the February 2012 meeting to include Judy Gargas pursuant to section 3.01 of the Corporate Bylaws.