

MINUTES

Gran Mutual Water Company Annual Meeting of the Board of Directors - January 31, 2018 Nash's Restaurant, 1717 Esplanade, Chico

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

Board Members Present: Randy Hill, President; Bob Gaines, Vice President; Marilyn Everett, Chief Financial Officer; and Steve Moreland, Director.

Board Members Absent: Bill Beckett, Secretary and Ken Klages, Director.

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

Owners in attendance: 12 owners were present plus 9 related others for a total of 21 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 30 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 18, 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 25, 2017, which were previously approved by the Board, were available for viewing on the Company web site.

Financial Report. Marilyn distributed a comparative annual Statement of Revenues and Expenses and a comparative Balance Sheet for December 31, 2017 and 2016. She noted that the 2017 Statement of Revenues and Expenses is on a cash basis with approximately \$9,214 net income for the year. The Balance Sheet showed cash balances of \$42,971 in the operating account and \$459,914 in the reserve account at December 31, 2017. Marilyn noted that fee revenue increased in 2017 due to increased collection efforts. Administrative costs for the year increased due to our new contract with Randy Stark Administrative Services, and unexpected costs were incurred to replace a water well pump and to upgrade the SCADA monitoring system. However, total cash at the end of the year was \$502,885.

Marilyn distributed copies of the 2018 annual budget, with revenues based on current rates estimated at \$175,910, expenses at \$373,900, with a net loss of \$197,990. The increased expenses were mainly the result of budgeting for the Spanish Gardens water line project at an

estimated cost of \$234,000. This requires a transfer from the reserve of \$200,000, which will result in an estimated December 31, 2018 reserve fund balance of \$259,914. Randy Hill noted that revenues that have been accumulated over the past several years allow the Board to undertake projects such as this.

Lastly, it was noted that Director Ken Klages was working on a Reserve Analysis for the capital replacement program which will be considered by the Board at a future meeting.

Water System Report. Water Master Kevin O'Shea reviewed the work done on the system over the past year. Repairs were attempted on the SCADA monitoring system but replacement parts were obsolete or unavailable and the system had to be replaced. Radio read meters were installed on a number of additional properties which will allow reading the meters on an electronic, rather than manual, basis. One-third of the properties are now on radio read meters. A well booster station electrical panel was upgraded along with the installation of the new SCADA system. In December, the upper well pump failed due to a shorted wire and had to be replaced and the well sterilized before being brought back into service.

An easement for the new Spanish Gardens pipeline project was obtained from Gage Chrysler and the contract documents, design and cost estimate were prepared by Northstar Engineering. Kevin noted that this project is necessary in case the existing above ground pipeline were to be damaged in a fire or earth movement. It will provide a redundant water supply and will minimize the liability to Gran Mutual for not being able to provide water to 20 Spanish Gardens homes. It also will provide additional fire protection with the installation of a new hydrant.

Adjournment. There being no further business, the meeting was adjourned at 7:35 p.m. to February 15, 2017 at 11:30 a.m. at Nash's Restaurant.

Respectfully submitted,

William C. Beckett, Secretary