

**SILVER SPRINGS MUTUAL WATER COMPANY
BOARD OF DIRECTORS
SPECIAL MEETING MINUTES
SEPTEMBER 15, 2016**

Vice President Keller called the Meeting to order at 4:00 p.m. at 1315 Lahontan Drive, Silver Springs, NV.

Roll Call:

- Present: Claud Butler, Joyce Jenkins, Scott Keller, Avis Moniz, Charles Noble and Peggy Yon.
- Absent: Excused was George Peek.

Member's Comments

- .003% of voting members attended the meeting excluding Directors; Michael Cammarata, Nancy Crago, Darrel Scholl, Marjorie Hopkins and Lory Price.

Secretary's Report:

- Secretary Butler presented the Secretary's Report. There being no additions or comments Member Noble made a motion to accept the meeting minutes of July 21, 2016 as presented; 2nd to motion was made by Secretary Butler. Motion carried unanimously. There being no additions or deletions to the special meeting minutes of August 11, 2016 Treasurer Moniz made a motion to accept as presented; 2nd to the motion was made by Member Jenkins. Motion carried unanimously.

Treasurer's Report:

- The financials for June and July, 2016 were read by Treasurer Moniz. In June, total current assets were \$688,606.41 with current liabilities at \$96,147.29, long term liabilities of \$2,126,220.38 and total liabilities at \$2,222,367.67. Total liabilities and equity were \$7,149,453.07. Total income for June was \$75,027.81; net ordinary income was \$5,074.95. Other income derived from grants was \$10,745.51, interest at \$302.18, expenses of \$20,870.38 for total net other income at (\$9,822.69) and total net income of grants at (\$4,747.74). Treasurer Moniz called for questions. The month of July ended with \$733,225.76 in total current assets with current liabilities at \$81,846.77, long term liabilities of \$2,123,296.33 and total liabilities at \$2,205,143.10. Total liabilities and equity were \$7,177,569.64. Income was \$104,045.95 with net ordinary income at \$23,875.75. Other income derived from grants was \$21,514.38, interest at \$313.01, expenses of \$362.00 for total net other income at \$21,465.39 and total net income of grants at \$45,341.14. Vice President Keller called for questions and if none to file for audit. Secretary Butler made a motion to accept the Treasurer's Report as presented and file for audit; 2nd to the motion was made by Treasurer Moniz. Motion carried unanimously.

Presentation, Farr West Engineering, Water Rate Assessment

- Engineer's recommendations to replenish and maintain prudent reserves due to unpredicted legal costs incurred in 2014, 2015 & 2016 were presented in full at the August meeting by Matt Van Dyne, P. E. Today's presentation afforded opportunity for in depth questions with Attorney Zumpft noting the period for questions as prudent. There being no additions or deletions, Farr West Engineering's recommendations contained in the water rate assessment presentation were accepted.

Legal Fund Use Policy

- The intended use of the proposed Legal Fund was read into the record by Vice President Keller.

I. PURPOSE OF POLICY

In 2014, 2015 and 2016 the Company spent approximately Two Hundred and Thirty Six Thousand Dollars (\$236,000.00) of capital reserve funds for professional services to defend contests pending before the Nevada Public Utilities Commission and Nevada District Court. The Company prevailed in all contests. The diversion of capital reserve funds for legal matters negatively affects the Company's ability to make necessary capital improvements for the good of its Members. The Board has determined that the best interests of its Members will be advanced by the implementation of a legal reserve to defend the Company against such contests, and to otherwise provide for certain legal needs of the Company.

II. GOAL OF FUND

The Board of Directors has determined that a legal reserve fund of Two Hundred Thousand Dollars (\$200,000.00) is prudent, appropriate and necessary to assist the Company with unanticipated or extraordinary legal affairs.

III. ASSESSMENT

SSMWC will assess a fee of \$5.00 per month per connection, whether or not the connection is active. Assessment revenues will be deposited into a segregated account known as the "Legal Reserve" and may be invested as directed by the Board. Upon the accumulation of Two Hundred Thousand Dollars (\$200,000.00) assessment revenues will be deposited elsewhere as determined by the Board, except as may be needed to maintain the balance of the Legal Reserve.

IV. USE OF FUNDS

The Legal Reserve is for the payment of attorney and other professional services related to unanticipated or extraordinary legal affairs of the Company. The Legal Reserve may be utilized for the defense, prosecution or legal representation of such matters as may be determined by the Board. Routine and recurring legal expenses will be paid from the Company's General Operating Account.

- Secretary Butler noted the implementation date of the legal assessment must be specified in the policy. Lengthy discussion was held; questions pertaining to the specifics of the legal contests were answered by the Board of Directors and General Manager. Secretary Butler moved to accept the Legal Fund Use Policy as presented with the addition of January 1, 2017 billing as the starting date; 2nd to the motion was made by Member Noble. Vice President Keller called for any further questions and there being none, motion carried unanimously.

Director's Comments:

- Member Noble explained that the water company is owned by its members, that's you, that's me, that's them; we have the lowest priced water in the area so obviously, this Board, is doing a mighty good job along with staff in running this mutual company to generate quality water at the best rate possible. Now unfortunately, when you have had issues come up with people casting dispersions on the company, what they're doing right or what they're doing wrong and the lies that they were being told we have to defend it. When they take an action to the Public Utilities Commission and they tell the PUC that we're doing something wrong, then there is an investigation. We have to be represented there. None of this volunteer Board can know the legal, so the legal ramifications require legal help, and with that legal help there is a price tag. Anybody can file a suit against anybody else, whether its got merit or it's justified, its not relevant, you still have to go through the same motions of protecting yourself legally. That cost this company, you and me, over \$200,000.00 just to represent this company against those allegations that we were doing things wrong. When the PUC went through all this stuff every time they found that what we were doing was correct, above board and there was nothing that we were doing that was wrong. But it costs money to have the Attorney go up there to make sure all the eyes are dotted and tees are crossed and things are done correctly. The important thing to remember is that we (the Board) serves just as any member could serve by you being here, as these positions come up, they're vacant, if you're interested, attend the meetings, get involved, get yourself the votes and you too could sit here on the Board to make this a better company and serve this community better. That is what this Board tries to do. Secretary Butler addressed an aspect of the local (propaganda) attack policy meant to discredit the water company and anger the public; he provided the facts for the base allotment reduction from 30,000 gallons to 15,000 gallons. Member Yon concurred in that the government recommendation for the base allotment was 5,000 gallons but the maximum of 15,000 was implemented (gradual reduction from 30,000 to 25,000 to 20,000 to 15,000) to comply with the mandate and that this Board fights for its members as much as it fights for themselves. Vice President Keller noted this company doesn't make money and it is not in the process of "making money" and that smart water policy for rates includes outside expert examination.

Adjournment:

- Secretary Butler made a motion to adjourn; 2nd to the motion was made by Member Noble. Motion carried unanimously and the meeting was adjourned at 4:43 p.m..

"Silver Springs Mutual Water Company is an Equal Opportunity Provider and Employer."

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