

**SILVER SPRINGS MUTUAL WATER COMPANY
BOARD OF DIRECTORS
MEETING MINUTES
FEBRUARY 21, 2013**

President Peek called the meeting to order at 4:00 p.m.

Roll Call:

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

Officers Report:

- The Officers Report put an emphasis on communicating proper information since there has been considerable misinformation circulating in the community and reinforced transparency in business practices.

Public Comment:

- The Board of Directors and General Manager Roy McDonald introduced themselves to those in attendance who included Betty Aleck, Editor . Fernley Leader Courier, Marjorie Hopkins, Charles Noble, John & Sylvia Kirk, David Ellis, Kevin & Vicki Linscheid, Ed Cohee, Richard Egan, Liling Miller, Dave Thompson, Delbert Smith, Richard & Sally Bogoger, Dixie Sunderland, Frances Molarius, Harriet Marshall, Robert Jerman, Jacqueline Picciani, Benjamin & Janice Avila, Alex Echo, Ron & Lee Zuti, Jack Jacoby, John Cappello, Darrell Scholle, Maria Jessop, Sherry Flynn, Sammy Flynn and Holly Short. Comments were received and questions were answered at length by the Board. Disruptive behavior was promptly addressed and argumentative interruptions were experienced throughout the meeting. Persons wishing to speak were asked to raise their hand and state their name and concern. Answers to some of many questions included clarification of voting procedures in accordance with the bylaws and that nomination for the three (3) seats up for election may be made by any member of the service area for any member of the service area. Other topics included properties located on a water line that have a well *are not* forced by the water company to hook up. The State Water Engineer is the deciding authority in cases where a well fails and there is a water line within a designated distance of the subject property. As an aid to residential property owners, Domestic Well Credits are a State program that makes a property eligible for connection to the water system by transferring their right to drill a well. Capacity fees and meter fees would be charged at the time of hook up if an owner was approved for a state domestic well credit. Application is made through an individual's local water company. To date, 25 properties have obtained this credit. Commercial properties are ineligible. The State of Nevada requested connections to Five Star Mobile Home Park and Silver Springs Mobile Home Park for arsenic and/or nitrate levels exceeding requirements for safe drinking water. A combination of the American Recovery and Reinvestment Act (ARRA) and State Revolving Fund (SRF) money paid for these system expansions that became the property of SSMWC. New customers are conceivable along the path of these new waterlines and developers would be responsible to fund future system improvements to bring water to their property and with all appropriate connection fees. SSMWC membership certificates and membership notifications were a contentious issue at the meeting with audience questions and comments received out of decorum, especially the topic of proxies. Further discussion occurred about properties within the service area without dwellings and/or no water hookups. Many property owners (members) live out of state. The procedure for a new fire hydrant installation was explained along with planned system improvements coordinated with the United States Department of Agriculture (USDA). Further, financial and operational aspects related to the planned USDA improvements were discussed. Increased water rates were also discussed and the Board implored the public to compare SSMWC rates to others in the surrounding area.
- Ms. Frances Molarius interpreted specific Nevada Revised Statutes and related her findings. It is her belief that SSMWC is in violation of numerous points of law. Further, she believes that all members have not been properly noticed of the annual meeting. It was also her belief that notification for Board Member Nominations were not included on the February billing for the February meeting, proven as inaccurate with billing card copy review. Additionally, she had issue about the connections to Five Star Mobile Home Park and Silver Springs Mobile Home Park that was requested and funded by the State of Nevada.
- Mrs. Valerie Messaros indicated she would be upset if the Board caused a big lawsuit and she, as a member, bore the cost of suit but indicated she would agree to pay extra to hear from SSMWC more often. Many others in attendance disagreed with any added costs, noting fixed incomes. Mrs. Messaros offered a suggestion to revise the bylaws to allow for earlier notice to members for those nominated in annual elections.

- Mr. Alex Echo thanked SSMWC for their financial planning with the USDA that stands to result in 1.7 million dollars in needed system improvements at very little cost above the two current loan payments.
- Mr. Richard Egan spoke to private party realtor transactions and where blame lies in realtor disclosure law. Mr. Egan opined that the cumulative financial reserves of somewhere in the area of \$400,000.00 to \$500,000.00 has been due to members at the end of each year. Prudence in funding depreciation was indicated in the response. Mr. Egan's disruptive applause was addressed during the course of bylaw discussion and comment.
- Mr. Richard Bogoger questioned conflict of interest for a realtor, Mr. Peek, to serve on the Board.
- Ms. Jacqueline Picciani commented that she believes in clean air and clean water and therefore expressed approval for the actions of the Board on the ARRA shovel ready project that funded the construction of the needed Arsenic Treatment Facility and its related components. Further, she noted that SSMWC is not a for-profit water company and if it was, water bills would not be any less and contingency funding would be greater.
- Ms. Marjorie Hopkins expressed her utmost displeasure at falsehoods being circulated at the Senior Center regarding water company business matters.
- Several persons left the meeting during the public comment phase of the meeting. A short break was taken from 5:45 p.m. to 6:00 p.m.

Secretary's Report:

- President Peek called for a motion to accept the meeting minutes of December 20, 2012. Treasurer Moniz made a motion to accept the minutes of December 20, 2012 as presented; 2nd to the motion was made by Secretary Butler. Motion carried.

Treasurer's Report:

- The financials for November and December, 2012 were presented. In November, total current assets were \$732,311.18 and total assets were \$5,749,523.55. Total liability was \$886,354.63. Net income was (\$13,444.11). Net income for December was (\$6,196.05). There were \$742,396.95 in total current assets and total assets were \$5,756,831.84 in December. Total liability was \$899,858.97. President Peek called for questions. Secretary Butler made a motion to accept the Treasurer's report as presented and file for audit; 2nd to the motion was made by Scott Keller. Motion carried. Certificate of Deposit (CD) balance and interest figures were reviewed for period ending December 31, 2012 with one maturing now. Negotiations with lending institutions are underway for rates. Ending balances were \$96,605.71, \$182,701.22 and \$114,135.20 for a total \$393,442.13. The debt reserve was \$41,478.91. President Peek explained the concept of funding depreciation in that it is dollars set aside for large infrastructure items and catastrophic uninsured replacement through normal use. General Manager McDonald noted at December's meeting, a 4.75% loan was paid off because it was being guaranteed with a .15% interest CD.

Manager's Report:

Equal Pay Program

- Since our last meeting in October we have had three (3) additional enrollments and one (1) customer drop from the program, giving us a total of eight (8) customers currently participating. It is helping owners spread their payments out year round to assist with landscaping and gardens, etc. in the growing season.

SoftelPay Program

- To date sixty seven (67) customers have utilized this electronic pay program to pay their monthly water bill. This program was instituted due to customer requests indicating a preference for online or phone payment availability. A third party provider retains the transaction fee on the per use service.

ADA Upgrade

- The required upgrades to the inside of the office have been completed. These deficiencies were brought to our attention by the USDA. They will return sometime this year to inspect. Upgrades were approximately \$1,400.00.

Infrastructure

- Cold weather over the last two months caused a number of problems for our customers. There were numerous frozen and/or broken water lines. Many homes were not insulated underneath. Our technicians replaced four curb stop valves that froze along with five freeze plates.

Items for discussion, Action may be taken:

Bylaw Committee

- These were sent to the law firm of Brooke-Shaw and Zumpft in Minden for review. Attorney remarks were forwarded to the bylaw committee and proposals are ready for Board approval. The committee has met twice and is proposing the following bylaw changes:

1. Article III, Sec.2 Add Liaison Appointment form #211. This form was derived because there is water right banking and shared voting. One vote per property is allowed. This form allows shared ownerships to designate their voting liaison. If shared owners cannot agree on their voting preference, one of those owners can relate such in writing to the Board Secretary and the shared vote would not be counted.

2. Article III, Sec.4 Add wording allowing up to 15% of revenue from non-members. This recommendation is for construction (bulk) water users. There was discussion concerning placement of this item in the bylaws due to a typographical error that was raised by Ms. Molarius who noted the appropriate placement to be section 5 of article III rather than section 4 of article III. General Manager McDonald spoke to Ms. Molarius being correct; Mr. Egan broke into sole applause. The impropriety was promptly addressed by the Board President to which Mr. Egan argued the point as having been a completely necessary thing to do. President Peek assertively reminded Mr. Egan that the Board will not accept that type of behavior. In response to an inquiry from Ms. Picciani, General Manager McDonald assured that bulk water obtained here is recharged back into our basin and not transported elsewhere. This item was removed from the agenda.

3. Article IV, Sec.1 Change Annual meeting date to 3rd Thursday in March and meeting time to 4:00 p.m. Ms. Molarius reported the meeting time as unfair because day shift and swing shift cannot make it and proposed an alternate time of 7:00 p.m. President Peek responded no time is a good time for everyone to attend. General Manager McDonald reported contact with a number of senior citizens who prefer an earlier meeting time because they do not like to venture out at night. Member Keller indicated a preference for 5:00 p.m. with Member Geurts preferring 4:00 p.m. Lengthy discussion to include re-mailing costs and noticing the membership pertaining to the time and day of week occurred. Future revision was noted to include seasonal daylight variations.

4. Article IV, Sec.8 Add Proxy Form # 210 and that it must be submitted 3 business days prior to the Annual Meeting. Discussion regarding proxy submission and voting by proxy was held. Ms. Molarius held that proxies cannot be mandated under the law for submission three days in advance and contested legality of the proxy form issued by SSMWC. General Manager McDonald responded that SSMWC is a private corporation. Ms. Molarius held that SSMWC does not have the right on both points because SSMWC is a co-op. President Peek indicated the three day requirement, or 24 business hours, is to allow for processing time to check individuals against parcel numbers prior to an election and prevent the annual meeting from going way past midnight verifying authenticity of submitted proxies. Determination of quorum and subsequent voting could not be accomplished until proxy forms are verified. Mr. Bogoger questioned why property owners who do not live here are entitled to membership and a member vote, indicating a preference for non-use of proxies.

5. Article V, Sec.2 Add nomination for Director will be accepted at the meeting before the annual meeting and at the Annual Meeting.

6. Article V, Sec.3 time and date of meeting change to read, 3rd Thursday of the month at 4:00 p.m.

Article V, Sec.5 Remove notice by telegram and add notice by e-mail.

7. Article VI, VII and VIII add the words she or her behind each he or him.

8. Article VII, Sec.2 add the President may remove any Committee member. Ambiguity of the current wording gave cause to this proposal. Committee members hold review authority and present recommendations to the Board of Directors.

Secretary Butler made a motion to accept bylaw items 1, 3, 4, 5, 6, 7 and 8 as presented and to become effective upon vote; 2nd to the motion was made by Member Keller. Motion carried unanimously. President Peek thanked the bylaw committee and attorney for their work.

Water Rate Review Proposal Farr West Engineering

- In 2011 when the rate increase schedule was adopted the motion stated that after the second year rate increase and before the third year increase went into effect, that it would be reviewed to see if the next increase would be needed or if the rate schedule was adequate. The cost of the rate review is \$4,400.00 and selection of another independent firm would result in a significant cost increase for data analysis. Farr West was the original consulting firm that recommended a 4,000 gallon base rate in their previous water rate recommendation in which the Board did not follow. Secretary made a motion to accept a rate review to be conducted by Farr West Engineering; 2nd to the motion was made by Treasurer Moniz. Motion carried unanimously.

Request for Attorney Proposal

- In the review of the proposed bylaw amendments from the attorney, one of the items discussed was attorney review of the Articles of Incorporation and the amendments and the bylaws with amendments to be made to see what may need to be done to bring them up to date with any new regulations. Requested is the Board's permission to obtain a proposal from Brooke-Shaw and Zumpft. President Peek called for questions; Ms. Molarius highly recommended attorney consultation. Secretary Butler made a motion to direct General Manager McDonald to obtain a review proposal from Brook-Shaw and Zumpft; 2nd to the motion was made by Member Keller. Motion carried unanimously.

Closed Personnel Session:

- None.

Old Business:

- None.

New Business:

- Election of Board Officers: Under Article VI, Section 2. The Officers of the Corporation shall be appointed annually by the Board of Directors at the first regular meeting of such Board of Directors. If appointment of Officers shall not be held at such meeting, such appointments shall be held as soon thereafter as conveniently may be. Member Jenkins made the motion to nominate and keep the present officers in their current positions; 2nd to the motion was made by Treasurer Moniz. There being no other nominations, motion carried unanimously.
- Nominations for Board of Directors: There are three (3) Board Member seats up for election. George Peek, Peggy Yon, Scott Keller, Chuck Noble and Sherry Flynn were nominated by the membership. Secretary Butler made a motion that the nominations be closed for this meeting; 2nd to the motion was made by Member Keller. Motion carried unanimously with nominations still being open for the annual membership meeting.
- A request for donations from the Lyon County Search and Rescue and the Senior Center were received. Discussion regarding company philosophy was held and no action was taken.

Adjournment:

- Member Geurts made a motion to adjourn the meeting; 2nd to the motion was made by Member Jenkins. Motion carried and the meeting was adjourned at 7:45 p.m. The annual meeting is to be held at 4:00 p.m. on Thursday, March 21, 2013 at Silver Stage High School Commons Building.