Afuera de Chorro Water Company
Annual Meeting Agenda

Date: May 3, 2021
Time: 6:00 pm (via Zoom teleconference)

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<tr><td rowspan="8"><u>Action/Discussion</u></td><td>Legal Counsel
• By-Law changes - require vote of members (updated By-laws attached</td><td>Collins/Price</td></tr>
<tr><td>Approval of the Annual Meeting Minutes from July 20, 2020 (attached)</td><td>Board</td></tr>
<tr><td>Review of Finances
• Finance report
o Checking Account Balances
▪ Operating
▪ Reserve
• Approval of the 2021-2022 budget</td><td>Rusco/Collins</td></tr>
<tr><td>Updated Membership List</td><td>Rusco</td></tr>
<tr><td>Review of 2020-2021 Activities
• Board activities
• Well status and water use</td><td>Collins/ Lindgren</td></tr>
<tr><td>Nomination and Election of Board of Directors
• Positons (two year term)
o Kathy Collins
o Pat Rusco
o Paul Vanderheyden
• Vacancy (one year term)
o Vacancy</td><td>Board</td></tr>
<tr><td>• Review of Meter Replacement with Remote Reading capability and Leak Detection</td><td>Lindgren</td></tr>
<tr><td>Meeting dates:Tentative
• Meeting Dates for 2021
o June 7, 2021 -
o Sept 13, 2021
o November 15, 2021</td><td>Board</td></tr>
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Afuera de Chorro Water Company
Annual Meeting Minutes

Date: July 20, 2020
Time: 6:00 pm
Location: Teleconference/Zoom Meeting

Board Members:
Kathy Collins √
Tim Romano √
Tom Maino - √
Pat Rusco- √
Paul Vanderheyden √

Operations:
Mark Lindgren -√

Share Holders Present:

Lot Number		Member	Lot Number		Member	Lot Number		Member
1	A	O'Hagan	7	A	Kissell √	13	B	Hickok √
1	B	Romano √	7	B	Kissell √	14	A	Sinsheimer √
2	A	Hather √	8	A	Callahan	14	B	Sinsheimer √
2	B	Hather √	8	B	Callahan	15	A	Lindgren √
3		Moore	9	A	Breazeale	15	B	Lindgren √
4	A	Rusco √	10	A	Forster √	16	A	Collins √
4	B	Cheney √	10	B	Forster √	16	B	Maino √
5	A	Rosenthal √	11	A	Hanover √	17	A	Hill
5	B	Rosenthal √	12	A	Ronca √	18	A	Vanderheyden √
6	A	Stahl √	12	B	Ronca √	18	B	Santos √
6	B	Dostal	13	A	Stenovec	19	A	VanTil

Agenda Item/Discussion	Action
Call To Order Procedures for the meeting were presented by Collins requesting muting, and a review of the voting process	Meeting called to order at 6:05 PM
Public Comment – • Rosenthal – reiterated her displeasure with the level of details in the minutes and asked if others agreed. No other members commented. She suggested someone other than Collins take the notes.	Board will reach out to Rosenthal to identify more specific details on what she is looking for.
Approval of the Annual Meeting Minutes from May 6, 2019 - motion to approve minutes - Maino / Romano	Minutes were approved via the Zoom meeting "raised hands" option and text/chat messages
Repots and Action Items	
• A review of the Board activities for 2019-2020 was presented by Collins. Santos updated the members on the 2020 anticipated tank inspection – that it had recently been completed. There was additional discussion on the investigation of solar and back-up power resources. The Board clarified that they are in the early phases of investigation and	The Board will continue to look into the feasibility of a back-up power resources for both emergency needs and to off-set power costs.

would welcome any suggested referrals. Hather presented an brief overview of the information he had presented to the Board earlier this year, noting municipal water companies are not entitled to the rebates and that the cost for a solar system to act as a back-up power option for one well would cost about $50,0000. Stahl asked if there was a timeline. Board member Romano stated that this was an ongoing project and did not see urgency. • Financial Income Statement for the fiscal year 2019-2020 was presented by Rusco. • Budget for 2020-21 was presented. This was the budget used for the purpose of obtaining the DOC permit	A list of solar contacts will be sent to members. No questions or comments received regarding the Income Summary document Proposed budget for 2020-2021 approved via the Zoom meeting "raised hands" option and text/chat messages
Election of Board Members – the following Board members were nominated and elected to continue on the Board o Tom Maino o Tim Romano	Maino and Romano were approved via the Zoom meeting "raised hands" option and text/chat messages (Hickok abstained)
Presentation by Water Company Attorney: **Glen Price with Best, Best and Krieger** • An overview of Mr. Price's presentation is attached; • Questions were solicited from the members and presented to Mr. Price the week prior to the meeting. There were four (4) primary areas of concern identified: 1. The connection between the CC&R's and the Mutual requirements and what is the difference between an accessory building and a primary residence. 2. The timing and availability of will serve letters for the lots within the Mutual 3. Ability to enforce conservation measures 4. The potential for annexation by the City • Members were able to ask specific questions on each area of concern. The following is an overview of the discussion of those areas of concern: **1. Responsibility of the Mutual Water Co. and enforcement of CC&Rs** The Mutual was originally formed as a non-profit mutual corporation to provide water and act as the enforcer of the CC&R's (HOA). In 2008 the Articles were changed creating a Mutual Water Company, dropping the HOA provisions and to simply provide the water services. No members were able to provide historical data on why this occurred. Questions were	Attached: summary from Mr. Price on information presented. The Board will review discussion and develop a working plan to address some of the concerns with the assistance of Mr. Price and the Company Engineer, the Wallace Group. Board will look into options of distributing the balance of the water shares and a rewrite of the By-laws under the direction of Mr. Price to do so.

asked (Rosenthal/Romano) on how to enforce the CC&R's or if an HOA should be created – Mr. Price noted any individual(s) could address CC&R violations, file a law suit and/or create a HOA group. However it would be voluntary and landowners would not be required to join. Ronca asked if the Bylaws could be amended to enforce non-water issues of the CC&Rs – Mr. Price noted the Mutual is restricted to water issues and not appropriate to enforce non-water issues related to the CC&Rs

Mr. Price clarified the SLO County definition of an accessory unit vs. a primary residence. Under the current understanding of the Mutual these would share one meter/allocation.

2. **Timing and Availability of Water Service**
   Requirements for a new service were reviewed:
   a. Legal Parcel
   b. Water Company must have capacity
   c. DOC must be valid
   d. Payment of the new member and service assessments

   Based on the engineer studies the community was designed to support 40 water connections/meters. All but 4 of the Community lots have been split and would potentially need a will serve for an additional (4) water meters. There are currently a total 32 lots that have meters or have a will serve in process- thus the potential total is under the suggested 40 threshold. There was discussion on allocating the remainder of the water shares, which would also eliminate the need for filing the DOC permit each year. This would require a re-write of the by-laws and some thought into the fee structure for these shares – a policy change by the Board. Any By-law changes would require a vote of approval by the members.

3. **Enforcement of Conservation Measures**
   Mutual Water companies may not levy punitive water fee charges. They may charge for the cost of water. There are mechanisms to cut-off/restrict water to heavy users but these come with consequences in health/safety and liability. Mr. Price suggested the Board work with the Wallace Group to review current water rates and look at other Mutual Companies for

billing practices. Mr. Price confirmed the requirement of a reserve account and suggested the Board review (update) the recommended amount with the Wallace Group. **4. Potential for Annexation** Annexations are generally initiated by a Mutual water company when water quality standards can no longer be met or when there is a desire to increase density. The Mutual/members would most likely be responsible for the cost to bring the system on line and meet the city standards – potentially at very high dollar amount. The question was raised regarding the ability to have an interagency agreement for city water in the event of the need for fire suppression. The Board can look into the feasibility of such with the added development and proximity of City water occurring on the west side of Orcutt.	
Meeting adjourned at 7:45 pm Next Annual Meeting - scheduled for May 3, 2021	

Afuera de Chorro Water Company

Income Statement Summary

April 2020 through March 2021

		Fiscal '20-'21	Last Fiscal Year	% Change vs Previous Fiscal Year
Ordinary Income/Expenses				
Income				
Water Fee/Quarterly		$ 55,250.00	$ 56,721.22	-2.59% [1]
Excess Water Usage		$ 7,822.50	$ 12,142.00	-35.57% [2]
Quarterly Fees to Reserve Account		$ 33,150.00	$ 33,960.19	-2.39% [3]
New Lot Fees (to Reserve Account)		$ 11,925.00	$ 47,950.00	-75.13% [4]
Additional Credits		$ 1,186.25	$ 265.00	347.64%
Total Income		$ 109,333.75	$ 151,038.41	-27.61% [5]
Expense				
Contracted Services		$ 10,535.76	$ 10,403.40	1.27%
Electricity		$ 7,313.15	$ 7,233.64	1.10% [6]
Insurance		$ 2,506.00	$ 2,394.00	4.68%
Legal, Accounting & Engineering				
Accounting	$ 2,825.00		$ 775.00	264.52%
Legal	$ 7,390.41		$ 2,809.72	163.03%
Engineering	$ 3,397.50		$ 3,983.98	-14.72%
	$ 13,612.91			
Total Legal, Accounting & Engineering		$ 13,612.91	$ 7,568.70	79.86% [7]
Office Supplies		$ -	$ 59.84	-100.00%
Maintenance		$ 10,987.80	$ 9,576.85	14.73% [8]
Testing/Permits		$ 5,683.40	$ 4,645.50	22.34%
Misc Capital Expenses (Infrastructure)		$ -	$ 14,353.67	[9]
Additional Debits		$ 452.20	$ 180.00	[10]
Total Expense		$ 51,091.22	$ 63,984.30	-20.15% [11]
Net Ordinary Income		$ 58,242.53	$ 94,622.81	-38.45%
Net Income		$ 58,242.53	$ 94,622.81	-38.45% [12]

Beginning Operating Balance	$ 40,499.21
Ending Operating Balance	**$ 44,844.24**
Change in Operating Account	**$ 4,345.03**
Beginning Reserve Balance	$ 99,966.52
Ending Reserve Balance	**$ 153,864.02**
Change in Reserve Account	**$ 53,897.50**
Total Ending Balance	**$ 198,708.26**
Total Net Change (Combined)	$ 58,242.53

Footnotes:

1 Full members remained at 23; 10 lots are paying "standby" fees. The slight decline in income was due to a duplicate payment made in the last fiscal year that increased last year's income. The overpayment was refunded this fiscal year.

2 See the Detail page for specifics.

3 The Reserve account last year included duplicate payments and prorated back payments that were not present this fiscal year. Hence the decline.

4 There was 1 new service connection this fiscal year, versus 4 new service connections last year.
5 The primary reason for the reduction in income was the decrease in new service connection fees.
6 Water consumed, based on meter reads, increased approximately 6.25% versus the last fiscal year. This slight increase in usage means longer pump times, leading to more electricity use.
7 Accounting in '19-'20 was a tax return only. This year added a review of our financials for the DOC permit. Legal fees increased substantially due to DOC permit work and the costs associated with our attorney preparing for, and attending (via Zoom), our last annual meeting. Engineering expenses were slightly lower.
8 Our FRM maintenance costs declined year-over-year, but overall costs increased due to grading around the water tanks ($1,800) and an interior tank cleaning ($2,875).
9 We had no infrastructure costs this year.
10 This was the refund of the duplicate payment of quarterly fees.
11 The primary driver for the decline in overall expenses was the lack of major infrastructure repairs this year, relative to last year's $14,353.67.
12 The Net Income decline, year-over-year, was due to the receipt of just one "new lot" fee this year, versus receiving four last year. Overall, our fiscal budget worked well this fiscal year...income from quarterly fees was $55,250, and our expenses were $51,091.22, yielding an account increase of $4,345.03. The reserve account increased by $53,897.50.

Afuera De Chorro Budget2021-2022 DRAFT

Operating Revenue

	Actuals 2018-19 budget x 25.5 @ $800/Quarter - $500 quarterly and $300 to reserves	Actuals for 2019-20 budget = 26.5 members @ $800/Quarter - $500 quarterly and $300 to reserves	actuals 28.5 members (24 full members @ $800/Quarter - $500 quarterly and $300 to reserves and 9 @ $250 quarter/$150 reserves)	Proposed 31 members (27 full members @ $800/Quarter - $500 quarterly and $300 to reserves and 8 @ $250 quarter/$150 reserves)
Quarterly Assessments	$ 53,900	$ 56,721	$ 55,250	$ 62,000
Assessments			$ -	$ -
Total Operating Revenue	**$ 53,900**	**$ 56,721**	**$ 55,250**	**$ 62,000**
Other Revenue				
Other, excess use fees, etc.	$ 4,086	$ 12,142	$ 7,823	$ -
New service fee - towards reserve	$ 250	$ 47,950	$ 11,925	
Reserve Assessment fee of $300/quarter (or $1200/yr.)	$ 23,250	$ 33,960	$ 33,150	$ 37,200
Other Income, interest	$ 231	$ 265	$ -	$ -
Totals for special fees and assessments	**$ 27,817**	**$ 94,317**	**$ 52,898**	**$ 37,200**
Total Revenue	**$ 81,717**	**$ 151,038**	**$ 108,148**	**$ 99,200**

# of members = 24 with meters and 9 with no meters (historically charged 1/2)

Operating Expenses	2018-2019 actual	2019-2020 Actual	Proposed for 2020-2021	Proposed for 2020-2021
Contract Labor	$ 10,403	$ 10,403	$ 10,535	$ 11,000
Testing/Permits	$ 4,526	$ 4,645	$ 5,683	$ 6,000
Electricity	$ 6,381	$ 7,233	$ 7,313	$ 7,500
Insurance	$ 2,330	$ 2,395	$ 2,506	$ 2,600
Legal	$ 6,142	$ 2,810	$ 7,390	$ 5,000
Accounting	$ 2,590	$ 775	$ 2,825	$ 3,000

Engineering	$ 18,498	$ 3,985	$ 3,397	$ 4,000
Office Supplies	$ 270	$ 60	$ -	$ 100
Maintenance w/o major repairs	$ 6,884	$ 9,580	$ 10,987	$ 11,000
Misc		$ 180	$ 452	$ 452
Total Operating Expenses	**$ 58,024**	**$ 42,066**	**$ 51,088**	**$ 50,652**

Notes:
Electricity increase due to usage and PGE rates
Permit fees fluctuate with required tests each year

Reserves for Infrastructure Maintenance/Capital Improvements

Reserves for Capitol Improvement (Revenue funds)	$ 23,693	$ 94,317	$ 52,898	$ 45,075
Well abandonment 2017-18	$ (19,000)			
Repair of Sequoia 2018-19			$ -	$ -
Repair well 3		$ (14,355)		
Additional repairs			$ (14,434)	$ 20,000
Additional debt (Returned check and bank fees)	$ (1,040)			
Carry Over from previous year		$ 23,500	$ 103,462	$ 141,462
Profit/Loss placed into Reserve Account	**$ 3,653**	**$ 103,462**	**$ 141,926**	**$ 206,537**