

**ALWA Board of Directors
Meeting Minutes
September 22, 2009**

1.) Call to Order:

Board President Perry Cole called the meeting to order at 7:00 pm. Present were Board members Michael Bicak, Merlyn Blue, Perry Cole, Mark Freeman, Mike Hickey, David Hoffmann and Matthew Rodger. Also present were Scott Hemingway, General Manager, Warren Perkins, engineer with Gray & Osborne, Dick Jonson, counsel, Bob Pancoast, Hydrogeologist with Compass Geographics, Kim Fyfe, CPA, and Hamilton Carmean, CPA, with Vine Dahlen & Co., PLLC and Sharon Bakke, Administrative Coordinator.

2. Changes or Additions to Agenda

None

3. Business from Floor

Kim Fyfe and Hamilton Carmean were here from the firm of Vine Dahlen & Co., PLLC, to present the financial statements and results from their recent audit. Introductions were made around the table and Kim passed around copies of their presentation. She said that there were certain required communications she needed to give the Board, and explained that, as before, their opinion was qualified because they cannot confirm the value of donated water system improvements put in by developers, needing rather, to depend upon figures provided by developers who installed it. She said that the Association's books are kept on the cash basis, which is a method other than the Generally Accepted Accounting Practices (GAAP), and that the auditor is not responsible for looking at every transaction but that they rely on sampling. Kim explained that the financial statements have estimates in them and gave examples of areas they estimate, such as management hours in the office vs. the field and the value of developer improvements. She said that during the audit, they had no problems or disagreements with management, she plans to go over adjustments with Susan and that the Management Representation Letter has been signed.

Regarding their audit findings, Kim said records need to be maintained on new assets going into the ground and that our current procedure for that was working well. She suggested the Association continue working on our risk assessment projects and documentation of policies and procedures. She acknowledged that with such a small office, segregation of duties is often difficult, and made some suggestions regarding that, further stating that they had no findings in this area. She noted that there are some reports the billing system is not set up to provide and acknowledged she thought our plans for a new billing system would be a good idea.

At this point Kim answered questions from the Board. She and Hamilton left the meeting at 7:45pm.

4.) Minutes

MOTION 09-22-09-01 – Merlyn moved and Mike Hickey seconded the motion to approve the minutes of the August 25, 2009 Board Meeting. Motion carried unanimously and Board Secretary Michael Bicak signed the minutes.

5.) Action Item Status Reports

Scott reviewed action items saying there was a quick summary of item 90806 in the board packets. Perry asked if he needed help with # 90803 and he said yes.

6.) Financial Reports and Membership Count

a.) Check List – Perry stated he and Mike Hickey had reviewed the check list and signed the checks.

MOTION 09-22-09-02 – Mark moved and Merlyn seconded the motion to approve the check list. Motion carried unanimously.

b.) Membership List - Perry stated he had checked membership list and signed the new membership certificates.

MOTION 09-22-09-03 –Merlyn moved and Matthew seconded motion to approve the Membership List. Motion carried unanimously.

c.) Aging Accounts:

Scott reviewed the aging accounts report.

7. Old Business

a.) Audit Report – covered above.

b.) Annual Meeting – the Board briefly discussed plans for the annual meeting. Perry noted that other agenda items had been tabled. Scott stated he had thought the first two items would take more time than they did. The Board proceeded with the rest of the agenda.

c.) Moratorium – tabled until later in the meeting.

10. Consultant Reports

Warren reported they were still waiting for the comp plan to be approved and that he had been working with John on the handoff of responsibilities. Bob said nothing was new and Dick said the issue with Stein was still open as there has been no response from his lawyer.

12. Business From the Board

Matthew stated he would like to transfer some Association funds to keep them secure by keeping all accounts under the FDIC insured limit of \$250,000.00.

MOTION 09-22-09-04 – Matthew moved that \$70,000.00 be transferred out of the SnoFalls Credit Union savings account, with \$50,000.00 going to the KeyBank Money Market Account and \$20,000.00 to the ING Direct account. Discussion ensued. Motion failed for lack of a second.

MOTION 09-22-09-05 – Matthew moved and David seconded the motion to transfer \$100,000.00 out of the SnoFalls Credit Union Savings Account, with \$60,000.00 going to the KeyBank Money Market Account and \$40,000.00 going to the ING Direct Account. Motion carried unanimously.

Action Item – Scott present analysis by October 6, 2009 on the most cost effective and beneficial way to make use of currently available funds and how much he expects the Association will need for expenses in the coming six months.

7c. Moratorium – The term of the emergency moratorium on new memberships was reviewed and discussed. Conditions have not changed and it was concluded to extend the moratorium.

MOTION 09-22-09-06 - Merlyn moved to renew and extend the moratorium on new memberships for six months effective 8/28/09. Mark seconded, motion carried unanimously.

8. New Business

a.) Water Loss Policy – Scott presented his recommendation to the Board regarding a change to the Water Loss Policy, stating that most leaks cross two billing cycles and the policy as it currently stands, allowing an adjustment to only one billing cycle for leaks that occur under Section 3.2 of the policy, creates a hardship for members. Discussion ensued, particularly about the fact that many people don't realize they have a leak until after one billing cycle ends and they receive their bill. By that time, a significant amount of water could have continued to leak, presenting them with an unmanageable bill in a second billing cycle.

MOTION 09-22-09-06 – Merlyn moved and Mike Hickey seconded the motion to authorize a change to the water loss policy limiting billing adjustments under policy to two billing cycles for all types of water losses. Motion carried unanimously.

9.) Management Report –

Intertie - Scott reported that he has an appointment this week to sign documents with the property owner who will grant the easement.

Wheeling Agreements – Scott reported that Cascade has no policies in place for wheeling water or wholesaling water to utilities who are not members of Cascade. At this point they are considering coming up with a wholesale contract for us. Scott plans to attend their board meeting this week and request they consider a wheeling agreement instead, as he thought a wholesale agreement would take quite some time to put in place and we are already in negotiations with Seattle. He said he thought buying from Seattle would be more secure and less expensive.

SCADA – nothing much new. More wiring and controls have been put in and Systems Interface is working on testing the software. Controls are for pumps and to record data. We don't have any valves that need it right now. Matthew asked about security, and Scott said the system has firewalls. Discussion ensued and Scott answered questions.

Sanitary Survey – Scott said the Sanitary Survey went very well and that the engineer commented upon the extent of positive changes he noted. He said the Department of Health recognized our improvements and their letter would reflect that. Scott said on the Survey three years ago they had noted some minor things and had commented on areas of low pressure and now they're pleased with improvements.

11.) Member Calls and Letters –

a.) **Gebhard** – Perry noted he didn't see a specific request in the letter and asked if it was simply a complaint. Discussion ensued and the Board directed Scott to respond to Mr. & Mrs. Gebhard's letter.

12.) Business from the Board –

Perry expressed his concern about situations in which member complaints to staff might become abusive, and after some discussion the Board suggested Scott put in place a written structured policy about how to handle abusive interactions.

Commercial Accounts – Scott said he had put some information together for the Board regarding commercial accounts and how neighboring utilities have their charges set up. He said they generally use some sort of ERU (Equivalent Residential Unit) calculation to set up commercial base rates so that the commercial base rates reflect the added demand upon the system. For this reason, the commercial base rates tend to be higher than residential. He said the commodity rate tends to be all over the board, but all are either the same or higher than the residential rate and none are lower. The Board suggested he make a slide for the annual meeting with that table on it showing commercial rate comparison.

Perry noted that his experience on the board over the last year and a half has been a lot more enjoyable and productive and he is pleased with how well the staff, board and consultants are all working together. He expressed his appreciation for everyone's efforts.

13.) Action Item Review – not reviewed.

14.) Next meeting –

Annual Meeting – October 6, 2009, 6:00 pm at the Lake Washington School District Resource Center, Redmond Town Center, 16250 NE 74th Street, Redmond

Regular Board Meeting – October 27, 2009, 7:00 pm at Association Business office.

13.) Meeting Adjourned – 9:47 pm.

Minutes taken by Sharon Bakke



Approved, Mark Freeman, Board Secretary

27 Oct 2009
Date