

Resolution # _____
XENIA RURAL WATER DISTRICT
March 31, 2011 – 6:00 PM
Regular Board Meeting Minutes

Board Members Present: Tomenga, Pierce, Hayer, Fevold, Rinehart, Larson, Wilson
Board Members Absent: None
Staff Present: DeLong, Clay, Iben,
Others Present: Stan Thompson (Assured Rep), Karla Peiffer (USDA), Michael Maloney (PFM),
Mike Abbott (Belin McCormick), Wade Houser (Ahlens & Cooney)

Call to Order

Tomenga called the meeting to order.

Approve Agenda

Motion #031101 made by Pierce, seconded by Rinehart, to introduce and approve the March 31, 2011 Agenda as amended to move the Executive closed session to the beginning. Motion passed. No dissenting.

Approve Minutes

Motion #031102 made by Fevold, seconded by Pierce to approve February 24, 2011 Board Meeting Minutes. Motion passed. No dissenting.

Tomenga requested the Board enter into Executive Closed Session to discuss Bank of America litigation and the board unanimously consented.

February Financial Reports

Income Statement

Clay reviewed the income statement and explained the new format is still a work in progress. Water revenues for the month were \$823,111, which is a 3% decrease from January. Total operating income for January was \$892,185 with total direct expenses of \$528,099. Clay noted the loss on asset disposals of \$81,836 was posted in error and will be reversed on the March financial reports.

Statement of Net Assets

The District realized a decrease in net assets of \$437,691 during February.

Statement of Cash Flows

Clay reviewed the statement of cash flow and noted cash increased \$413,181 during the month of February giving the District an end of the month cash balance of \$3,500,162.

Operating Checking Transactions

Hayer reviewed these transactions and there were none discussed.

Revenue, Operations & Maintenance, Sinking Fund Allocations

Clay reviewed the transactions that will take place in April to transfer monies into the Sinking and Operating & Maintenance funds. \$453,317 will be moved from the Revenue fund into the Operations and Maintenance Fund and \$664,303 from the Revenue fund into the Sinking fund.

Motion #031103 made by Rinehart, seconded by Larson to introduce and approve financial statements and the funds transfer. Motion passed. No dissenting vote.

Customer Service & Accounts Receivable

Accounts Receivable Aging/Cut-offs/Reinstatements

The District disconnected 60 members service due to delinquent accounts and reinstated 59 accounts after payment was received in the month of February. The total amount due for the accounts disconnected was \$31,997.47.

New Customers/Water User Agreements/Occupant Deposit Listing/Voluntary Terminations

Board reviewed the new occupant listing. One new connection was completed in February while two accounts were terminated. The District has 9,434 active accounts.

Motion #031104 made by Pierce, seconded by Fevold, to approve new customers/water user agreements. Motion passed. No dissenting vote.

Management & Operation Reports

Attorney and Engineering Fees

DeLong reviewed the bills from February for legal services. The District did not receive any engineering bills for the month of February.

2010 Audit Status

Clay informed the board that the audit is on schedule and an opinion is anticipated to be issued prior to the annual meeting. Management is in the process of responding to audit comments.

Surplus Assets Sale Update

The attorney for Worth County is in the process of drafting the final offer to purchase the assets in Worth County. The offer is anticipated to be received in April.

The sale of the Van Meter property is complete and the funds have been received.

Peoples Company is in the process of marketing the Fraser property on behalf of the District. No offers have been made on the property to date.

The District is continuing to sell excess pipe via GovDeals website. Total year to date sales proceeds on pipe sold by the District is \$306,337.75.

Flint Hills Resources (Menlo) Variable Component Rate Increase

DeLong updated the board on conversations between the District and Flint Hills Resources regarding a rate increase proposed by the District. Flint Hills has asked for additional supporting detail to validate the increase, which has been provided by the District. No response has been received from Flint Hills subsequent to the data being provided.

Laboratory Equipment Sale Proposal

The District has received interest from the Iowa Soybean Association to purchase equipment from the District's lab that has been closed since last November. A list of items requested by ISA was given to the board and the dollar figure proposed is \$1250.67.

Motion #031105 made by Pierce, seconded by Wilson, to grant approval to DeLong to negotiate the sale of laboratory equipment to the Iowa Soybean Association. Motion passed. No dissenting vote.

Potential Sale of Excess Stratford WTP Property

The District has received interest from the Iowa Department of Natural Resources to purchase excess property owned by the District at the Stratford Treatment Plant. Any sale of the land will be reviewed by the engineers and staff to ensure there will be no negative impact on the operation and/or expansion of the plant.

CRP Land Lease Agreement Status

The District has had a standing verbal agreement with Leroy Wagner to manage CRP ground owned by the District. Leroy is an employee of the District, which had raised some questions about the validity of the contract. The USDA, who oversees the program, has written a letter stating this is a legitimate arrangement. A new written lease agreement will be negotiated and presented to the board for review and approval going forward.

2011 Business Plan Projects Review and Status

DeLong gave the board an opportunity to review the Business Plan Project worksheet and ask any questions they may have on the progress of any of the projects.

Hayer stated he would like to look at a cost benefit analysis on all expense projects. Tomenga asked the board to set a dollar figure on projects that staff would need to gain board approval before completing.

Motion #031106 made by Hayer, seconded by Fevold, to mandate any projects with an anticipated budget over \$5,000 to have a cost benefit analysis to be reviewed by the finance committee. Motion passed. No dissenting vote.

Debt Work-out Proposal

Tomenga reviewed the Debt Work-out Proposal authored by DeLong. The purpose of the proposal is to ensure the viability of the District and formally respond in writing to the USDA requested debt work-out plan. The proposal is based on concessions being made by Xenia's main creditors as well as rate increases to Xenia's major ethanol plant water purchasers along with a rate increase to the entire membership. Tomenga believes the plan is equitable to all and the current budget is reflects the assumptions provided by the proposal.

Motion #031107 made by Rinehart, seconded by Fevold, to approve the Debt Workout Proposal as written. Motion passed. No dissenting vote.

2011 Operating Budget

Finance Committee will review the budget prior to the April Board Meeting and provide an update at the next meeting.

April 5th Public Meeting

Tomenga updated the board on his intentions for the public meeting to be held on April 5th at the Bouton Community Building. The meeting will be informational and board members are not required to attend.

Board Elections/ Annual Meeting Update

Hayer updated the board on the progress of the board elections. The Annual Meeting Agenda and Proxy have been sent out to the membership. The meeting will be held on April 28th at the Bouton Community Building at 6 pm.

Old Business

Customer Service Policy & Procedure Review/Recommendations

Potential changes to existing board policies will be discussed at the next regularly scheduled meeting.

New Business

None

Open Forum

None

Adjournment

Motion #031108 made by Pierce, seconded by Hayer, to approve adjournment of the meeting. Motion passed. No dissenting vote.

Xenia Rural Water District, Secretary

Date