

Resolution # _____
XENIA RURAL WATER DISTRICT
January 26, 2012 – 6:00 PM
Revised Board Meeting Minutes

Board Members Present: Tomenga, Bromert, Rinehart, Hayer, Mestad, Lovett, Wilson
Board Members Absent: None
Staff Present: Mason, Iben, Andrews, Shires
Others Present: Stan Thompson, District Member 1, District Member 2, DM Register Reporter

Call to Order

Tomenga called the meeting to order.

Approve Agenda

Motion #011201 made by Wilson, seconded by Rinehart, to introduce and approve the January 26, 201 Regular Board Meeting Agenda. Motion passed. No dissenting.

Approve Minutes

Motion #011202 made by Rinehart, seconded by Lovett to approve December 14, 2011 Regular Board Meeting Minutes. Motion passed. No dissenting.

Approve 2012 Budget

Tomenga asked for motion to bring off the table and open for discussion the 2012 Budget and open discussion. Motion #011203 made by Bromert, seconded by Wilson. Motion passed. No dissenting.

Mason reviewed the highlights of the budget. Line 36, page 1 shows income of \$11,713,400. Budget numbers consider no increase in consumption for rural and wholesale members and 2% decrease for ethanol plants, due to improved processes requiring less water.

Line 50, page 1 shows \$1,124,591 for purchased water. Mason noted that DMWW only increased cost to Xenia by 1%.

USDA Iowa office is working with Washington, D.C. to complete a package that would combine loans and reduce interest rate to 2.25% over 40 years. Also, back date loans to January 1, 2012 and allow for interest only payments for first 13 months.

USDA and Assured Guarantee have approved a 10 year timeline for replenishment of Reserve Funds, which are a requirement of the Bond Issues and the USDA loans.

Hayer expressed concerns about ability to meet budget numbers. Asked if Xenia could not pay into Reserve Funds. Mason responded that replenishing reserve funds is part of the negotiated debt work out plan and a requirement of the bond covenants.

Mason reviewed changes made within organization to stay within budget. Elimination of employees taking trucks home, using flex time for weekend sampling rather than overtime.

Water Technician improved efficiency by being mobilized and electronically updated so they do not have to come to the office before beginning their daily duties.

Tomenga asked if any additional discussion then called for a vote. Motion #011203 to approve 2012 Budget passed. No dissenting.

Financial Reports

Income Statement

Andrews reviewed the income statements for the months ended November 31, 2011 and December 31, 2011 as well as year to date.

Net loss from operations for the month of November was \$245,689 and December was \$6,488,045. Winn/Worth sale delay caused numbers to have such large variance. Andrews reviewed billed water figures.

Statement of Net Assets

Andrews reviewed the statement of Net Assets. The District has realized a loss year to date in net assets of \$306,603 for November and a loss year to date in net assets in December of \$3,466,206. This is due primarily to interest expense on the USDA and 2006 Bonds and sale of Winn/Worth Assets.

2011 Asset Sales print out distributed. Sales were mostly from auctions.

Statement of Cash Flows

Andrews reviewed the statement of cash flows. The District had a net decrease in cash and cash equivalents for the month of November of \$723,502 and December of 719,178. The District had an end of the month cash balance in November of \$6,907,635 and December of 6,907,935.

Operating Checking Transactions

Andrews reviewed the transactions that will take place in January to transfer monies into the Sinking and Operating & Maintenance funds.

Revenue, Operations & Maintenance, Sinking Fund Allocations

Fund Allocation for November and December includes \$844,619 from Revenue Fund to the Operation and Maintenance Fund and \$516,416 from Revenue Fund to the Sinking Fund.

Customer Service & Accounts Receivable

Accounts Receivable Aging/Cut-offs/Reinstatements

Reviewed receivables. Noted nine liens filed in November and eight in December.

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

District had four new members for the month of November and four terminations.

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Hayer asked about Capital Expenses made and adherence to board policy on procurement of such expenses. Hayer noted would like to study, discuss, and then vote on Capital Improvement projects. Tomenga reminded the board that approval of Financial was on the table and questions about other issues will be address at the proper time later in the meeting.

Lovett noted that commercial water sales projections were low. 2011 had projected an increase in revenue. Lovett concerned that estimates may be too high again this year. Tomenga responded that 2009 did not drop, but had a 22% rate increase as part of water sales. 2010 and 2011 both had decrease in sales. Numbers used this year were conservative.

Motion #011204 made by Rinehart and seconded by Bromert, to introduce and approve financial statements and customer service reports. Motion passed. No dissenting vote.

Motion #011205 made by Mestad and seconded by Wilson, to approve the transfer of \$844,619 from the Revenue fund to the Operation and Maintenance Fund and \$516,416 from Revenue Fund to the Sinking Fund. Agreed to combine November and December into one motion. Motion passed. No dissenting vote.

Amend Delinquent Payment Policy

Iben reviewed red-line version with board showing changes since 2003. Current change would allow 21 days from bill date until due date, previously was 15 days.

Wilson asked if would really help. Iben noted that many members have requested more time.

Hayer asked how we would know if was effective. Mason responded that we should see better turnover in AR and disconnects. Iben advised board of customer service change in calling all disconnects to set up payment arrangements and how this change allowed for only two disconnections out of 50+ disconnect notices that had been sent.

Iben noted change would be communicated to members via billing statement and monthly newsletter.

Motion #011206 made by Rinehart and seconded by Wilson, to introduce and approve the Amended Delinquent Payment Policy. Motion passed. No dissenting vote.

Debt Work Out Plan

Mason reviewed the updated Work Out Plan. Parity lenders requested that the plan be condensed to one scenario (it had been three; best, middle, worst). USDA and Assured Guarantee (AG) asked that the board approve first, and then they would approve. Mason spoke with lenders several times a day to fine tune the Plan. Plan includes everything they have asked and remains conservative. Lenders were pleased with improvements in efficiency of operations.

AG offered to consider putting \$1.5 million in repayment of bond payments made by AG into a forbearance budget. AG offered to consider putting \$1.4 million in legal and consulting expenses forbearance status also.

USDA 2.25% interest with repayment of 40 years. Start of refinanced loans would be back dated to 1/1/12 and it would allow payment of interest only the first year.

The District will look into options of finding a new source of water for the Woodward System due to the current issues that are occurring at the Woodward Plant. Xenia will consult with engineering professionals on the options.

Cost of purchasing water was discussed as were plans to sell some of District property that is no longer needed and additional future options for water purchase from large community now considering building a Water Treatment Plant. Lovett noted concerns about larger increases from DMWW in future years and options of pulling water from another source to treat at Woodward Water Treatment Plant.

Mestad noted that Debt Work Out Plan was greatly reduced in narrative and options. Mason responded that USDA has asked for the Plan to be presented in this way as there are new people in D.C. who are not familiar with Xenia's history and it would be confusing to put too much verbiage and could affect the approval of such a plan. The current Debt Work Out Plan uses numbers from the middle column of previous plans. Mestad asked if could table approval until have more information. Mason stated that parity lenders are expecting the approved Plan on the 27th and have firmly stated they need it by that date to get it approved for the first quarter. If it does not get approved in the first quarter, Xenia pays much more in interest and budget numbers do not work out.

Hayer made motion to table discussion on Debt Work Out Plan. Mestad seconded.
Motion did not pass. Aye's Hayer and Mestad. Nay's Lovett, Rinehart, Wilson, Bromert.

Lovett asked why such a tight deadline? Tomenga responded have been working on plan since December of 2009. First plan was turned down by parity lenders. Management and board have been working for over two years to establish relationship and gain trust with lenders. Two years ago AG's answer to Debt Work Out was to raise rates by 68% to all members. Board refused. Have a much better plan in place now that is more favorable to members. Tomenga believes it is in the best interest of Xenia's members to continue to let the board represent them, concerned that if do not approve Debt Work Out Plan parity lenders will call for receivership and raise rates to be made whole. Tomenga asked for a motion to approve Debt Work Out Plan.

Motion 011207 made by Wilson, seconded by Lovett to approve the Debt Work Out Plan
Published January 2012. Motion passed, with Hayer dissenting and Mestad abstaining.

Capital Improvements Budget

Mason described process as listing all the improvement Xenia needs or should do and include general numbers. Then do the engineering and/or RFP's to develop more concrete numbers.

Mason showed board the auto flusher and noted that they save man hours and also allow flushing to be done overnight so as not to negatively impact members during peak use hours. Payback time is four months.

SCADA system receivers not reliable, some need replaced. Also, need programming update on existing system.

Hayer expressed concern regarding adherence to board resolutions and policy and requested cost benefit analysis on all expenditures over \$5,000.

Lovett suggested some expenditures are required by IDNR, so cost/benefit analysis would be unnecessary expense.

Mestad requested closer numbers and information on where Capital Improvement money is generated. Mason explained that water revenues must go toward paying parity lenders, but when we sell an asset the money goes into the Capital Improvement Fund. Tomenga noted that purpose of the Capital Improvement Plan is to determine what needs done. When it comes time to do the work, hard numbers will be reviewed with the board.

Motion #011208 made by Lovett, seconded by Wilson to approve Capital Improvements Budget. Motion passed. No dissenting.

Chairman's Comments

West Des Moines area is no longer subject to 28E parameters that stated they could purchase as much of the two mile area as they wanted. Attorney discovered that due to federal law statute Xenia's territory is protected. The total amount of area they purchased included 17 meters. The area that remains Xenia's has high growth potential.

Tomenga addressed the upcoming annual meeting and the number of candidates to consider. District By-Laws state can have as many as nine. Currently board has seven with one person up for election this year. Board determined, by a show of hands, to fill the seat that will become open with Rinehart's retirement. All board members raised hands.

Bromert updated board on her meeting with Mason regarding time-line for materials and notification to members of annual meeting, recruitment of candidates, and proxy mailing. Candidates will be recruited through the February newsletter and an insert into February bills.

General Manager Comments

Mason announced to the board that Josh Powell, Supply and Treatment Manager, had passed the test and obtained his grade III license. Tomenga noted that the board would like to officially thank Josh for doing the work to obtain the grade III license and for his dedication to the betterment of the District.

Dominic Hayden obtained his operator license and his working on his grade II license now.

Wilson asked if Powell passing of test would end the need for consultation with L.D. McMullen of Snyder Engineering. Mason stated that Snyder contract is for six months and it has been five months. Powell still needs assistance documenting system, instruction on how to run system manually, and other matters. Monday, January 30th will be L.D.'s final Learning Series and will cover Disinfection.

Mason updated board on Coats pump house sale. Attorney's found the title is not clear. There is an outstanding mortgage from 1975 that has not been released. Staff is working with law clerk to find mortgage holder and get mortgage released.

Mason reviewed updates from department managers on their areas.

Board Members' Concern

Tomenga opened discussion on concern that had been relayed by board members.

Lovett shared that he feels there should be more communication to the members regarding board meeting dates and times and they should be kept standard whenever possible. Also those board members with expertise in certain areas are invited to attend meetings that pertain to their knowledge areas.

Tomenga agreed to keep to standard meeting date of last Thursday of the month whenever possible.

Hayer noted that Treasurer should be at meetings with auditors and parity lenders and that the Auditing Committee should meet with Auditors.

Tomenga addressed concerns noting that any meetings of substance were relayed to the board. Most of the exchanges between the parity lenders and Chair have been just conversations.

Hayer expressed concern about following policy on expenditures. Would like to see cost benefit analysis. Tomenga noted that dollar amount determined by policy is too low for existing staff to complete analysis for each item. Low staff levels, limitations on overtime, and operations commitments have not allowed for cost benefit creation.

Bromert noted concern about following board policy.

New Business

Motion #011209 made by Wilson, seconded by Rinehart to approve \$100.00 contribution made to employees in December as a loyalty reward. Motion passed. No dissenting.

Mason reviewed list of documents requested by Mestad and status of each. Mestad acknowledged that Business Plan request has been met by current budget and Debt Work Out Plan and that other requests have come a long way since the request was first made.

Hayer introduced a resolution regarding board member access to information. Resolution will be discussed and voted upon at the next board meeting.

Open Forum

Member one thanked the board for the work and effort on behalf of members

Member two shared that the City of Woodward was building a water treatment plant and that Xenia may wish to look at purchasing water from the City.

Adjournment

Motion #011210 made by Lovett, seconded by Wilson, to approve adjournment of the meeting. Motion passed. No dissenting vote.

Xenia Rural Water District, Secretary
Jean M. Bromert

Date