

QUINCY WATER ASSOCIATION

SPECIAL MEETING MINUTES

August 27, 2010

A special meeting of the shareholders was called to order at 6:30 PM by board president Mike Roberts. Board members Kim Bunnell, Jim Malisch, Mike Seely, and Bernie Reinbold were also present.

Shareholders present at this meeting were: Dennis Stanley, Oleana Martin, Les & Evelyn Pugh, Terry Salo, David Willey, Amanda Garrett, Ron Hermo, Terri Sampson, Mary Reinbold, Susan Healy Charles Leavy, Martin & Debbie Greeley, Leo Nikula, Jim Carver, Carol Brandt, Cheryll Malisch, Gary Leinonen, and Craig Allison Manager Port of St Helens. A total of 21 voting members were present.

Notice of this meeting was sent by mail to all shareholders of record and published in the local newspaper ten days in advance of the meeting. Notice of the meeting was also posted on the Quincy Water Association website. The Secretary of the board called this meeting for the purpose of presenting the financial impact of the new well project on the association. The membership must vote for any increase above the 10% per year that the bylaws allow the board to make.

Mike Roberts introduced Phil Smith of Murray Smith & Associates Engineering (MSA) as the association's new engineering firm for the well project and asked him to speak to the membership about the revised scope and estimate of cost. Phil Smith explained that the revised scope consisted of solutions for two basic problems. The first is a dwindling water supply with the output of present well decreasing. This is to be solved by the drilling of a new well at the Stewart Creek site. The association already obtained the water rights for the new well. The second issue is water quality, because the present water contains iron and manganese at levels that impact the quality. While these metals do not pose any health issue, they do impact the aesthetic value of the water. The new well is expected to contain similar amounts of the same metals. A new treatment system will be designed to remove the iron and manganese components from the water. In addition, the 250,000-gallon reservoir tank needs some reconditioning both inside and outside. There are miscellaneous improvements such as master water meters at the wells and the outlet of the reservoir. Other recommended improvements include repairs to the existing treatment building and upgrades to the site fencing. Finally, the plan calls for refurbishing or replacement of the existing well.

The board explained that some of the differences in the revised scope were that a pilot well was not required and was taken out, the reservoir tank, which is sitting on the ground, does not require a seismic analysis, and some of the lighting and security upgrades have been reduced.

Jim Malisch discussed the financial analysis documents that he prepared for the meeting. The documents showed that the association is expected to bring in approximately

\$80,000 this year using the current water rates. The normal expenses are expected to be about \$55,000. Project costs that were paid this year, will bring total expenses for 2010 to an estimated \$79,000. He further explained that the project expenses were paid from our general account rather than using the saving account as has been done in the past. The new loan contract requires that a significant amount of our savings will be used to fund the construction account.

Jim explained that the second page of the documents showed the estimated costs of the project loan. The maximum loan amount for a \$617,000 project is expected to be \$586,150. The spreadsheet also showed estimated costs for loans of lesser amounts.

Jim felt, as financial officer, that the association must assume the worst-case scenario, which would be a loan in the amount of \$586,150. The loan contract with the state requires that the association collect 120% of the payments required to service the old loan and the new loan together. These calculations show that the association would need to collect an additional \$26,000 each year above the \$80,000 that our present water rates are estimated to bring in.

His recommendation for raising the additional \$26,000 per year would be to add a loan surcharge of \$15.00 per share, per month. This would increase the base rate from \$20.00 to \$35.00 per month for every share.

Considerable discussion took place concerning the 120% collection requirement and the best method to administer the water rate increase. A motion was made by David Willey, and seconded by Terry Salo to split the increase between the monthly base rate and the water use charge. After considerable discussion, the motion was amended to state that the monthly base rate of \$20.00 is to be increased by \$10.00 to \$30.00, and the water use rate of \$0.04 is to be increased by \$0.01 to \$0.05 per cubic foot, and that the increase is to be applied to every share, every month. The motion was passed by a vote of 12 to 6. The increase will be effective as of September 1, 2010, and will show up on the bills received in October.

Prior to adjournment, Cheryll Malisch announced that we shareholders could save money by forming a volunteer work party to clean up the site for the new well. In addition she proposed conducting a facilities tour for those owners that have never seen it. She was asked to put it into a motion. Her motion was seconded and approved by a majority vote. She provided sign-up sheets for both the work party and the tour.

The meeting was adjourned at 7:40 PM.

Respectfully submitted, September 9, 2010

Jim Malisch, Secretary/Treasurer of the board.