

High Knob Utilities, Inc.

Meeting Minutes for January 10th, 2005

Call to Order: Keith Arnett called the monthly meeting of the High Knob Utilities, Inc (HKUI) Board to order at 7:05 p.m. HKUI Board members in attendance were Keith Arnett, Bob Brown, Jem Anderson, and Josh Douglas.

Previous Minutes: The Board reviewed and approved minutes for the December Meeting, as presented. Josh Douglas also recommended that draft minutes be provided about one week prior to the following meeting, to allow time for Board members to review them thoroughly.

Treasurer's Report: Bob Brown reported total revenue of \$232,527 as of December 31st, with the addition of two tap fees and approximately \$600 in customer billings and interest income. Operating expenses increased \$83,661 due mostly to contractor service payments. Completion and acceptance of water project elements added nearly \$56,900 to the Capital Projects account (note that final accounting for 2004 is not yet complete—the Board anticipates additional transfer of about \$125,000 in operating expenses to capital projects). Deposits into the Greater Atlantic Bank account since the last report totaled \$11,111.88 and expenditures totaled \$27,675.23, leaving a balance of \$7,511.75 as of December 31st. HKUI owes \$845,268 on the Virginia state loan, and has an accounts receivable balance of \$4,484. Bob also reported that the property tax relief issue (which could result in a refund of taxes paid recently by HKUI) is on the agenda for the February 8, 2005 meeting of the Warren County Board of Supervisors. He had not yet posted a “clean” copy of the HKUI annual budget.

Operations Committee Report: The Joint Operations Committee did not meet since the last HKUI Board meeting.

Staff Reports: The SCADA project was reported to be nearly complete (a few parts had not yet arrived). Work also continued on the reservoirs, with Butler still needing a chlorinator. The crew had yet to complete five water taps, and a large leak was detected but not yet repaired on Lazy Livin'. The crew was, however, able to address a low-pressure complaint on Shenandoah Valley View by replacing a valve. Further, the new bucket was installed on the High Knob backhoe.

In other administrative matters, the meters were read and quarterly bills sent since the last Board meeting, and the end-of-year documentation for the state loan was completed. The staff encountered a number of vehicles parked along the roads, blocking meters. In response, they left notices on the windshields of the offending vehicles and followed up with calls to the homeowners. Keith Arnett suggested adding a contact phone number to the notice, and Wes Gillespie recommended posting a general warning on the High Knob web site.

In answer to a query at a previous Board meeting, Kim Renz reported that HKUI directors are covered under HKOAI's director insurance policy.

Finally, HKUI received a letter from Mountain Empire Community College, offering an on-line program in water management. Dan Althouse completed the coursework for his license through classroom work via a program hosted by our local water association, and recommended that option for training Jerry Pomeroy.

Water Manager's Report: The leak on Lazy Livin' turned out to be a problem with a private home. There also is a continuing leak on the Salt Lick Springs pump line (this is budgeted for replacement in 2005). Further, thirteen meters need to be replaced, and five others are leaking. Also, the annual water samples were collected and delivered, and the results are ready for review.

The SCADA project had only four items remaining on its "punch list". The cables Synchrony provided were not long enough; an attempt to order coaxial cable and produce our own cables was unsuccessful, and Synchrony had to produce new cables. It is also necessary to move the lightning arrestors inside the buildings (the schematic drawing depicted them outside), and Dan Althouse ordered parts to complete work on the displacement meters. When Synchrony has the new cables ready, they will send a technician to install them and install the antennas. We anticipate turning on the system on or about February 1st and conducting a walk-through during the second week of February.

Dan Althouse plans to draw from the remaining \$50,000 of funds available in the state loan:

- In January, he proposes \$25,183.50 for "non-reservoir" work (\$19,338.77 for electrical work and \$5,844.73 for valves, transducers, meters, and associated parts), \$2,585 for reservoir work (valve pit/doors and core drilling), \$2,135 for SCADA, and \$495 for engineering services
- In February, he proposes to pay for the remaining SCADA work and any "loose ends".

Bob Brown indicated he was inclined not to make the second draw, and neither Bob nor Dan anticipates a need to draw against the approved "contingency" funds.

Also, there is still cleanup work to be done at water project sites. Boulder, Greenfield, Red Bud, and the area between Butler and Turkey Trot all have exposed debris. Keith Arnett asked that this be prioritized as it provides an unfavorable impression to HKUI customers.

Finally, a preliminary bill from HKOAI for paving costs arrived, totaling \$21,278.70. There will be another bill issued when the paving is complete.

Unfinished Business: Bob Brown reviewed the 2003 audit report and found no discrepancies. At his recommendation, the Board unanimously accepted the report.

New Business: The HKOAI Board included funds in its budget to emplace temperature sensors to facilitate the recent bylaw addition providing for closing High Knob roads to heavy vehicles when there is significant risk for damage. The sensors will need to be connected to the SCADA system, and Synchrony will bill HKUI (which will, in turn, bill HKOAI).

Doug Stanley observed that the Fire Department recommended installation of concrete bollards to protect our water hydrants. Dan Althouse spoke to Mr. Bushman, with special interest in those that are above the level of the road. Due to their design, however, it may be better to accept the risk of damage to the hydrant rather than risk damaging the water main through installation (or collision with) the bollards, which would be set in concrete. Another option might be to install guard rails rather than bollards. Keith Arnett asked that the staff examine costs, risks, and benefits and develop a proposal for the Board to consider and prioritize.

Josh Douglas spoke about developing a policy for how the Board should handle errors by others. Keith Arnett advocated taking a case-by-case approach, to preserve flexibility, and the Board agreed with a case-by-case philosophy.

Warren County has not yet chosen an auditor for the various sanitary districts. Sareen & Associates, Inc., which has been HKUI's auditor, did not bid for the county contract, but has sent an engagement letter proposing to audit our 2004 records. Bob Brown intends to wait for the County's decision before engaging an auditor.

Bob Brown then proposed that the Board apply revenue from the 4th quarter water and water capitalization revenues (the latter, totaling about \$14,000, are held in an escrow account) to cover paving costs. HKUI would float HKOAI an interest-free loan to cover the difference between the escrow funds and the total water capitalization fee they owe. Keith Arnett asked that this proposal be put in writing, especially since Bob and Ken Pino (HKOAI Treasurer) would need to agree on the details. Jem Anderson spoke to agree with Keith's request, arguing that doing so would assure the process was transparent and documented.

Question and Comment Period: There were no additional questions or comments.

Executive Session: The Board met briefly in joint executive session with the HKOAI Board to address personnel matters and management of funds for joint HKUI/HKOAI resources. No votes were taken by the Board.

The January meeting of the HKUI Board adjourned at 8:20 p.m. The next meeting is scheduled for 8:00 a.m. on February 12th, and the Operations Committee meeting is scheduled to meet at 7:30 p.m. on Tuesday, February 1st.

JEM P. ANDERSON
HKUI Board Secretary