

# High Knob Utilities, Inc.

## Meeting Minutes for

August 26<sup>th</sup> 2006

**Call to Order:** Keith Arnett called the monthly meeting of the High Knob Utilities, Inc (HKUI) Board to order at approximately 9:50 a.m. HKUI Board members in attendance were Keith Arnett, Bob Brown, Jem Anderson, Vince Bonzagni, and Josh Douglas.

**Previous Minutes:** The Board reviewed minutes for the July 15<sup>th</sup> HKUI Board meeting and approved them as submitted. Jem Anderson, who was not present, and Vince Bonzagni, who had not yet had the opportunity to review the minutes, abstained.

**Treasurer's Report:** Through July 31<sup>st</sup>, total revenues were \$192,901 resulting from customer billings, a small amount of interest income, and six tap fees. Expenditures increased to \$107,738 for the year – including \$2,970 for Lab Testing (an amount Dan Althouse believes is too high, probably due to a check for approximately \$1,100 that belongs in Taxes Other than Income), \$5,524 for Purchased Power and \$16,218 for Materials & Supplies. In response to a question from last month, the Board was told the base cost for cell phones is \$180 per month and that usage for Jerry Pomeroy (occasionally) and Dan Althouse (frequently) is above the “standard” level, resulting in additional expense (through July, cell phone costs were \$1,888—approximately \$270 per month). As of the end of July, HKUI had \$24,041.38 in its bank account and \$15,000 in a separate investment account (see Unfinished Business), with Accounts Receivable of \$51,614 and \$851,267.51 due on the Virginia State Loan. There is a \$3,000 outstanding bill from HKOAI to repair road cross-cuts for water taps (Jerry Pomeroy and Don Day agreed on that price).

The Board approved the report as submitted, with Vince Bonzagni abstaining.

**Operations Committee:** There was no Operations Committee meeting held in July.

**Staff Reports:** Marcy McCann reported that the quarterly billing was mailed July 19<sup>th</sup>, and about \$26,000 has been collected since August 1<sup>st</sup>. She had received few complaints thus far. She also reported that she will be working with Dave Henderson to integrate Microsoft Excel and Quickbooks entries, and that the “check-free” payment option is not yet widely used.

Jerry Pomeroy did not attend the meeting. However, Dan Althouse had spoken with him and found there was little to report. Lee has been checking the reservoirs weekly, reading gauges, filling chlorinators, and performing other “housekeeping” tasks. Dan makes separate visits to examine the electronics.

**Water Operator's Report:** Dan Althouse reported that average water consumption was about 55,000 gallons per day during the past month, probably due to warm, dry weather and homeowners watering lawns. Water use at the bottom of the mountain tends to be very

consistent, and there is no evidence of large leaks or mechanical issues with the water system (though there appears to be a small leak on the Clubhouse grounds). He noted that while Front Royal is currently asking for voluntary conservation, High Knob has plenty of water—in fact, drawing on the wells is beneficial.

Synchrony came to the office and fixed the remaining SCADA issues: the chlorine report, meter calibration, and inputs for new chlorine sensors and Playground road probes. There is about \$4,000 plus labor remaining to finish the probe work. Dan also needed to reset the PLC at Paved Road Well.

Looking forward, there are a few, small maintenance matters to be addressed. Dan will also keep an eye on the Ph of Salt Lick Springs (it usually varies seasonally, and the pressure isn't very high yet).

When the Ph analyzers arrived, the shipment included a chlorine analyzer (about \$320 in value). Dan would like to pay for it and keep it (see Unfinished Business).

**Unfinished Business:** Josh Douglas told the Board that the committee formed earlier in the year to consider short-term investments had discovered BB&T was offering 4.5% interest on its Investor Deposit Accounts (IDA) for the next six months. The committee, which was authorized to invest up to \$25,000, placed \$15,000 in the account. The Board can write up to three checks per month from this account. Mr. Douglas moved to grant Bob Brown authority to move funds in and out of the IDA at his discretion, and the Board agreed (Vince Bonzagni abstained).

Dan Althouse provided the Board his 10-year cash flow projection, taking what he believed to be a conservative position on revenue and expenses. He anticipates one more tap this year, then four per year through 2016, and modest increases in customer billings consistent with the additional taps. He projects expenses will increase 3% per year, and anticipates HKUI will accumulate about \$540,000 above its expenses through 2016. He recommends \$174,100 in capital improvements (not including in-house labor) through 2014, and that the Board create a reserve fund for the eventual replacement of the most recent water system improvements. Josh Douglas proposed using “excess” revenue to pay down the state loan early and create a reserve fund; Don Day suggested prioritizing the reserve fund (for example, \$25,000 per year until the total reached \$200,000) and paying down the loan with remaining funds. Bob Brown noted the State Corporation Commission limits the amount that can be placed in reserve, but needed to do some research to determine how much the Board could place in reserve.

In response to Dan Althouse's query about keeping the chlorine analyzer (see Water Operator's Report), Keith Arnett relayed that he was inclined to make the purchase. The Board agreed unanimously.

**New Business:**

Bob Brown reported that he and Chase had found minor discrepancies (regarding depreciation and the report being based on accrual while the accounting was done on a cash basis) in the 2004 Audit report but recommended its acceptance. The Board agreed, with Vince Bonzagni abstaining.

Keith Arnett then spoke briefly about the upcoming annual meeting and noted there were at least two (Mr. Ricks and Mr. Henderson), and perhaps as many as five, candidates for the Board.

Keith Arnett also noted that the Tariff gives the HKUI Board the authority to impose water use restrictions. Past practice has been to follow the town of Front Royal, and Keith recommends that if Front Royal imposes mandatory conservation, High Knob should do so as well. Power washing has been an issue in the past (homeowners who contracted for such services before restrictions were imposed would be at risk for deposits they'd made, and sought reimbursement from HKUI), and the Board agreed that it would not interfere in existing contracts if restrictions were imposed later. The Front Gate Committee has scheduled a car wash, which might also be affected by any water use restriction.

Marcy McCann reported that the Board has been receiving little interest on the balance in its checking account. She was told we should be getting a better rate, and that we'll now receive 1.4% (vice 0.7%). Bob Brown said Wachovia allegedly sent him some information that would pertain to this issue, but that he hasn't seen the information as yet.

**Question and Comment Period:** Don Day asked whether the state loan balance on the Treasurer's Report reflects a \$20,000 payment made by HKOAI. It does not.

**Executive Session:** The HKUI and HKOAI Boards met jointly in executive session to discuss personnel matters.

**Adjournment:** The meeting adjourned at 11:00 a.m. The next meeting is scheduled for 8:00 a.m. on Monday, September 11<sup>th</sup>. Jem Anderson noted that he would be unavailable for that meeting.

Jem Anderson  
Secretary, HKUI Board