

King Creek Water Supply Corporation Annual Meeting Minutes

Date: May 7, 2022/**Time:** 10:38am-11:58am/**Location:** 288 CR 1605, Clifton, TX

Audio: <https://fccdl.in/lkam9ywaBH>

Meeting called by Kenneth Eubanks
Type of meeting Annual Meeting
Facilitator Kenneth Eubanks
Note taker Kenneth Eubanks
Timekeeper Kenneth Eubanks

Director Attendees: Kenneth Eubanks, President; Craig Hoffman, VP; Robin Hamilton, Treasurer; Pam Kellan, Shauna Latham, Ron White
Director Not Present: Pam Browning

Member Attendees: 31 (not including board)

Member Votes: 35 with 1 proxy vote

Business:

1. Call to order: Kenneth welcomed the members, introduced the Board of Directors and gave a quick outline of the agenda for the meeting. Called the meeting to order 10:38am.

Agenda Topics:

1. Previous Minutes: Kenneth read the 2021 Membership Meeting Minutes from May 1, 2021. There was no discussion from the Membership. Dee Duval made a motion to accept the minutes as presented. Robin Hamilton 2nd. All approved.

2. Financial Report: Kenneth asked Robin if he could present the financial reports and she agreed. He explained how KCWSC has three bank accounts and that these accounts are governed by written policies for the Board to follow. The checking account is used for normal day-to-day business needs such as paying utility bills, testing fees, chemicals, etc. The Money Market account is for the equipment replacement and capital improvements. The Membership Reserves account contains the Membership and security deposits. He explained that the Membership Reserve and Money Market account had to be managed as separate funds so that when being considered for grants, these funds were not seen as a liquid asset thus used to discount any grant application. He provided the balances for each of these accounts as of 12-31-2021. He then provided the Membership with a summary of the 2021 profit and loss report which resulted in a net profit of \$6,465.85 in 2021. He explained that since KCWSC is a non-profit and the gross income is less than \$50,000, KCWSC only has to file a simple form to the IRS.

3. The Capital Improvement and Replacement: Kenneth explained to the Membership how each of the assets of KCWSC has an expected life that is either determined by the manufacturer or by expert opinion. This lifespan is monitored along with a portion of the income being assigned to that equipment to have in reserve the funds to replace it at its end of life. This amount is adjusted with a 3% inflation rate. He explained that the Membership should not be concerned with an equipment failure as KCWSC is performing routine maintenance and replacing equipment when aged to ensure the system is always operating at a high level of confidence. The yearly allocation for the Capital Improvement & Replacement is \$10,568 which factors to \$880 per month. The current \$5 assessment that is on the monthly bill is directly applied to this allocation but is not sufficient to cover the full need. The Board will be reviewing the necessity to increasing the monthly assessment from \$5 to \$10 or \$11 per month.

4. Water Usage for 2021: Kenneth reviewed with Membership. The water usage, water loss and average use per customer all were down from 2020. He told the Membership that David

Posten, Operator for KCWSC, has stated that KCWSC is one of the top systems that he manages and no need to worry. Kenneth explained the reasoning for implementing the water restrictions in 2021, the significance of each stage and the possibilities of penalties if the restriction are not honored.

5. Alarm for Well House: Kenneth informed Membership of the addition of an alarm on the water system to notify of low water. Requested if heard, to notify David Posten or a Director, ASAP.

6. TCEQ Exception for KCWSC: Kenneth explained to the Membership that KCWSC is operating under a TCEQ Exception for the inability to meet the minimum GPM per connection. This is why the Board is seeking a grant for system improvements. He explained that KCWSC has partnered with Communities Unlimited, LLC a non-profit organization that helps small water systems like KCWSC. They are funded by the State and Federal grants, so they do not cost us anything for their consultation. He explained that USDA had rejected KCWSC's application for a SEARCH grant to pay for the engineering work needed to determine what is needed to improve our system to meet all the TCEQ requirements. As a result, an income survey will be necessary to provide the USDA with information specific to our neighborhood since they use a larger area under the US Census, which lumps us in with Laguna Park. He emphasized the importance of the survey and how it will directly affect how much funding the USDA will provide to us.

7. Director Terms in Office: Kenneth explained the operation of the Board elections and terms. He explained that with Tyler Dunlap selling his property and no longer a member of the community, he became ineligible to serve on the Board.

8. Results of votes for 2022 Directors: Kenneth presented the vote counts: Pam Browning received 11 votes, Bruce Roebuck receives 21 votes and Shauna Latham received 29 votes. The two members that will serve on the Board are Bruce and Shauna. Congratulations were received from the Membership.

9. Options for operating KCWSC: Kenneth discussed the three options: 1). operate the system in current state without any improvements; 2). Operate the system with the pursuit of improvements including incurring new debt, which would require Membership commitment. The support and participation from the Membership and Directors is critical for success; 3). Sell the system. This is a question that will be asked by the USDA, as a part of the grant application process. The Membership was briefed on selling the system would result in the loss of our water right ownership, but the advantage is that the people living in the neighborhood will not have to be concerned with the operation and management of the system. Each of these options will require future rate increases to the water bill. Options 1&2, would give the Membership some say and control over those increases. The advantage of selling the system to a larger company may be with the economy of scale which will allow them to access funding sources more easily than us as a small Corporation.

Kenneth presented a possible scenario as an example of how a grant/loan would impact our water bill. The scenario was based on the current USDA parameters for a loan with up to 45% forgiven. Assuming \$1 million total amount with \$550K loan would result in an increase of \$24 per meter per month.

Kenneth took several questions from the Membership concerning how much control KCWSC would have to get the necessary improvements, if the system was sold. This depends on the condition of the sale and State regulations. He explained that the Membership is not making the decision at this meeting and the Board is only seeking the interest and input from

the Membership at this time. Any Board activity researching the selling of the Corporation, will not include any commitment without a final Membership decision and legal counsel.

10. President recognition: Pam Kellan informed the Membership of how much time and work that Kenneth spends on making sure KCWSC is meeting all State Requirements and planning for the future of KCWSC. Kenneth explained that each of the Board Officers are very important and each contribute significantly to the operation of the Corporation. Kenneth explained that Pam had invested a lot of time to organize all of the documents eliminating the “tote filing system” and that Robin Hamilton has worked very hard to get the financial records into good bookkeeping order.

Meeting Adjourned: Shauna Latham motioned to adjourn the meeting at 11:58am, Dee Duval 2nd. All agreed and motion passed.

Door Prizes: Handmade quilt donated by Cynthia Sevier, homemade lotion donated by Dee Duval, homemade pies donated by Shauna Latham, 60 minute massage donated by Bhavia, Water credits donated by KCWSC.