

**Interlaken Mutual Water Company  
Annual Shareholder Meeting  
August 29, 2015, 10:00 a.m.  
AMBank**

The meeting was called to order at 10:10 a.m. by President Larry Headley. Roll call of Board Members present: Larry Headley, President; Rich Miller, Vice President; Sandra Soper, Treasurer; Sarah Kutschkau; Secretary; Jim Hadden, Board Member.

- A. Determination of a Quorum.** A quorum of IMWC's shareholders comprises a majority, which is 93, either attending in person or by proxy. There were 152 shareholders attending in person or by proxy. A quorum was met.
- B. Opening Remarks.** Larry noted the importance of this Annual Meeting and that the attendance demonstrates the attention that the shareholders have paid to issues and opportunities to be discussed and voted upon. He referenced the well-attended informational meeting for the community held on August 17 that addressed the benefits of dissolving the corporation and transferring the water system to the town. As well, we had a Public Hearing on the proposed and alternative budgets for the Town, depending on whether or not the water system would be transferred to the town. Additionally, several emails and a letter were sent to the community about the Annual Meeting and the issues to be addressed.
- C. Motion to approve minutes.** Minutes of the 2014 Annual Meeting were posted to the website. A motion to approve the minutes was made by Sandra Soper and seconded by Rich Miller. There was no discussion. All in favor; minutes approved.
- D. Propositions A and B.** Two propositions were brought before the Shareholders:
1. **BALLOT PROPOSITION (A):** It is hereby proposed to dissolve Interlaken Mutual Water Company and distribute all its assets, property and liabilities directly to Interlaken Town for the purpose of operating a Municipal Water System in place of the current private water system, on or before December 31, 2015.
  2. **BALLOT ALTERNATE PROPOSITION (B):** In the event that the majority of IMWC owners vote "no / disapprove" to dissolving IMWC and creating a Municipal Water System, all funds held in IMWC's several accounts for road maintenance and administration are to be transferred to Interlaken Town, the Road Authority, so it may maintain the community's roads. Specifically, as agreed by the IMWC Board of Directors and net of all accounts payable for 2015, 44% of the remaining IMWC Reserve Account, 50% of the remaining Contingency Account, and all remaining Operating Account funds specifically designated for road maintenance and repair and supporting administration shall be transferred to the Town.
- E. Background for the proposed dissolution of IMWC**

A few of the shareholders asked that there be some discussion of these measures, their having missed the emails, letter, and information meeting. Larry summarized the history of how we got to where we are as follows:

- Events leading to the dissolution of the water company included a judicial ruling that the County, not IMWC, owned the roads and had sole authority over their maintenance. The County went on record that it would not maintain the roads, would deem us to be a seasonal community with gated road closure during the winter months, and that the shareholders would have to use the roads at their own risk, our lacking the authority to snow plow the roads.
- The County encouraged us to become a municipality, which would be an entity to which the County could transfer ownership of the roads. A measure was therefore put on the 2014 General Election ballot to incorporate as a town. Eighty-six percent of the voters within the municipal boundary voted in favor of this measure.
- A change in State Code altered the timing for the seating of our Town Council, moving that event ahead by seven months. On May 31 the Lieutenant Governor's Office certified our incorporation as a Town. The candidates for the Council ran unopposed and were deemed by the County to have been de facto elected at the end of the period for filing for candidacy and the end of the challenge period. We then had a Town, and the Town had its Council.
- Discussions and advice ensued over the benefits of dissolving the corporation and transferring the water system to the Town as a municipal water system. There are significant costs to retaining IMWC as an entity separate from the Town, totaling over \$300,000 over 10 years. Practical considerations include a doubling of administrative functions and costs in having two governing entities; finding volunteers to populate both a Board of Directors and a Town Council.
- Funding for the town was discussed, particularly that there are no indications that costs would increase upon becoming a single governing entity; that funds to maintain the water system would come from a water user fee, essentially a flat fee for all, just as has been done since the inception of our community. That fee would continue to be a flat fee, but for any overuse of water. We will continue with a single beginning-of-the-year assessment, as has been the custom, and about two-thirds of the 2015-2016 fiscal year budget is for the water system.
- The Board of Directors and the Town Council both concluded it was in the interest of the community to have the Town be the single governing entity for efficiency and cost reduction. Our legal counsel, Eric Johnson, has agreed, saying he could find no reason in favor of retaining IMWC. To date, no downside to the proposal has been

**F. Questions and Comments from the Community regarding the dissolution of IMWC:**

- What becomes of the CCRs if the corporation is dissolved? Answer: They will continue to be in effect until they sunset in a 2022, regardless of the form of our governance.
- What are the funding advantages of the Town's owning the water system? Answer: one benefit is that the Town would qualify for State grants for improvement projects. We are not funded for improvements, just for maintenance

and repair. If we want guard rails, for instance, we might qualify for a grant for this purpose. A not-for-profit water company cannot qualify for such grants.

- What about the Bylaws that were updated a few years ago? Answer: with the incorporation of the Town and the dissolution of the water company, they are null and void. We will still have guidance through the Town's codes and ordinance.

Of specific interest are controls over parking within the right-of-way. This will be looked at later when we formulate our codes and ordinances.

- How many voters do we have? Answer: about 110. The query was about the fact that second-home owners will not have a vote on any matter if the water company is dissolved. Rich Miller offered that such owners can volunteer to participate in a body having oversight over the municipal water system.
- If the corporation is dissolved, will the water system become a mutual water company? Answer: no, it will become a municipal water system. Insurance for the system will cost considerably less than that for IMWC. This is because of levels of municipal immunities not available to a corporation.
- Will we have insurance on the wells? Answer: yes.
- What happens to the Board of Directors for IMWC if the community does not vote to dissolve IMWC? Answer: Because there were no candidates for the Board, the current directors would continue to serve until replaced by appointment (upon resignation) or by election next year.
- Can a decision to retain the water company be revisited in the future? Answer: yes.

#### **G. Shareholder Vote on Propositions A and B.**

Of the 184 potential IMWC shareholder votes, 152 votes were cast as ballots, electronic proxies and paper proxies. Of these, 144 voted in favor of Proposition A, and 8 voted against it. The measure passed. Proposition B also passed but has been preempted by the passage of Proposition A.

#### **H. Committee Reports:**

- Treasurer's Report: Compared to the IMWC budget, cash balances and expenditures were about where we expected them to be. By the end of 2014 our cash balance (all accounts) was \$288,017; cash balances for previous years were \$201,828 (2013), \$240,335 (2012), \$316,559 (2011), and \$292,516 (2010). The accountant's report: was distributed and this will be posted to the web site.
- Fire Committee Report: none. A comment was made that fire district code does not allow for fireworks, the discharge of fire arms, or an open fire anywhere any time on the bench. A question was raised as to whether a natural gas fire pit is allowed. The answer was that we don't know.

- Water Report: Our Water Master (Mac) issued the water report. He noted that our fire hydrant pressures have been flushed and checked for pressure. They are all in excellent shape. Water pressure varies from 150 lbs to 50 lbs. The fire department requires just 20 lbs.

The consumer confidence report was completed in May. We always get great compliments—one of the best water companies in the state. The recharge last year was 30 ft—our water level has actually come up some. We are watching our water levels closely to make sure we have water in future years.

We test the water every month and send the sample to the Health Department. It is very pure. We don't add anything to the water. There have been no coliform counts. There have been no lead and copper in the water. Nitrates were measured and came back clean. Everything is right where it should be. But be aware you need a backflow preventer on your hose bib. This is cheap and easy to install.

#### **I. Adjourn Meeting.**

A motion was made and seconded to adjourn the meeting. All in favor. Meeting adjourned at 11:37 a.m.