

The meeting was called to order at 6:00 PM at the offices of the Canterwood Community HOA.

Attendees: Steve Muretta, Doug Allen, Mike Williams, Ed Caudill and Mike Hondorp (Directors); Russell Tanner (Board advisor and member); STEP members: Mr. & Mrs. John Tyler and Mr. Eric Rubel

President Muretta chaired the meeting. He welcomed all members in attendance and introduced the members of the STEP Board. He used a formal slide presentation to augment the official agenda of the meeting and provided copies as handouts to attendees (copies are available to members upon request).

It was moved and seconded to approve the minutes of the June 15, 2011 annual membership meeting minutes and the motion was unanimously approved.

The next matter of business was the election of three new directors to the Board. All three nominee directors (Allen, Williams and Caudill) were in attendance. Hondorp reported that 54 ballots had been received (out of 261 mailed to all members in good standing); that no new nominee names were submitted for consideration; and that each of the three incumbent directors received 54 votes. It was moved and seconded to ratify the election results and the motion was unanimously approved.

Following the outline of his presentation, Muretta highlighted the Board's activities and accomplishments in 2012. Topics covered included: Document management (including the web site and Kalles services agreement); Public utility (excise) tax appeal, refund and reduction in future obligations; Financial documents development (including footnotes, financial policies and procedures, STEP system fees and procedures, and connection fees); main system effluent meter (Magmeter) replacement; Large On-Site System feasibility project; and recent meeting with City of Gig Harbor officials about rates, readings and increasing treatment bills. Co-Treasurer Hondorp circulated copies of some financial documents for members to review.

Muretta next provided details on Operational matters such as the new Magmeter and the LOSS feasibility study. He and other directors responded to member questions.

Vice President Allen discussed the Board's efforts in 2012 to collect delinquent receivables from members, including the use a collection attorney. He reported that, currently, large-dollar receivables from 5 members total over \$13,000. He and Hondorp responded to questions from members about delinquencies and the STEP's legal rights and Board actions to collect from members in arrears.

Financial related issues were addressed. Hondorp reported that the STEP financials reflected a net loss as of the end of October of about \$7,500 even though the STEP had budgeted to break even in 2012. He indicated that the loss was primarily due to 2012 City treatment costs that will exceed budget projections by about \$30,000. He stated that the Board has done whatever possible to control STEP costs and that it is trying to reduce costs over time through discussions with City officials, a better system effluent meter, and the LOSS feasibility project, among other actions.

The next matter of business was a discussion of the proposed 2013 operating and capital budgets, as well as the resultant impact on member assessments for 2013. Hondorp explained the basis for the 2012 cost projections and the estimates used for the 2013 budgets. The expected 2013 costs would require a minimum bi-monthly assessment of \$220, a ten percent increase over the \$200 now being assessed. After discussion, it was moved and seconded to approve the 2013 operating and capital budgets and the motion was approved unanimously.

The meeting concluded with a member's forum. Muretta, Tanner, and Allen addressed member questions about future City treatment rates, water/sewage reading practices and their effect on member billings, the status of system infrastructure assets such as pipelines and other items.

The meeting was adjourned at 7:05 PM.