

AUBURN WATER SYSTEM, INC.

RESOLUTION NUMBER 121619A

**A RESOLUTION UPDATING THE POLICIES OF AUBURN WATER SYSTEM, INC.
RELATIVE TO BOARD MEMBER TAX CLASSIFICATION AND PER DIEM
REIMBURSEMENT.**

WHEREAS, the Board of Directors of the Auburn Water System, Inc. ("AWS") desires to formally update the policy of AWS as it relates to both the manner and amount of per diem paid to Board Members in service to AWS, and

WHEREAS, Article VII, Section 8 of the By-Laws of AWS, Board members are entitled to reimbursement of expenses incurred in service to the Auburn Water System or in lieu thereof, a reasonable per diem to offset such expenses, and

WHEREAS, the current per diem rate for Board members has not been updated to account for inflation or otherwise since at least 2011 and during the same period of time the customer base of AWS has grown by more than 22%, and

WHEREAS, AWS is a Not For Profit entity registered with the IRS as a 501c(4) and thus compensation paid to Board members as a per diem must be reported to the IRS which reporting is currently done via a 1099 with directors being considered an independent contractor for purposes of IRS regulations, and

WHEREAS, based upon certain relevant IRS opinions has caused the general counsel to the Board to recommend that Board members would most properly be characterized as employees, subjecting them to receiving a W-2 for any income received.

Now Therefore,

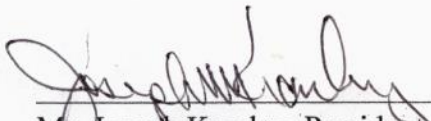
BE IT RESOLVED by the Board of Directors of Auburn Water, System, Inc. as follows:

- 1. Effective January 01, 2020, the monthly per diem for Board members is increased to \$500 per calendar month.***
- 2. Effective January 01, 2020, the monthly per diem for the President of the Board is increased to \$800 per calendar month.***
- 3. Effective January 01, 2021, the per diem amount for Board members shall be increased by a percentage equal to the increase in the Consumer Price Index for All Urban Consumers, South Region as published by the U.S. Federal Government for the same preceding 12 month period.***

4. *Effective January 01, 2020, Board members shall be treated as employees per IRS regulations for purposes of payment of the monthly per diem, said payment to be paid in accordance with IRS regulations to include the annual issuance of a W-2 tax form to each Board member for compensation paid.*

APPROVED AND ACCEPTED this ___ day of December, 2019.

AUBURN WATER SYSTEM, INC.



Mr. Joseph Kearley, President of the Board

ATTEST:

CORPORATE SEAL:



Mr. Timothy Bryant, Corporate Secretary