

Granite Oaks Water Users Association  
**Board Meeting Minutes**  
Meeting of November 19, 2014

Approved January 28, 2015

BOARD MEMBERS

Gerry Garcia, President Jim Peoples, Vice President John James, Treasurer John Monroe, Secretary Larry Dorrell, Director Jim Peterson, Director Gerry Tumey, Director
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THOSE PRESENT

Contract Staff

Bob Busch, MDI Taxes & Acctg Allen Kaplan – Accountant Jim Muylle - Fann Environmental Gary Regnier- Fann Environmental
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Guest : Bill Weber: Weber's Insurance

The meeting was convened at 8:00 am by President Gerry Garcia. Vice President Jim Peoples was absent.

**1. Minutes of Previous Meetings**

**Meeting of September 24, 2014 (draft3).**

There were no comments or corrections suggested for the minutes.

**Motion: John Monroe moved approve the Minutes of the September 24, 2014 Board Meeting, with the changes included from draft2. John James seconded. Motion carried.**

**2. Reports**

President Gerry Garcia revised the Order of Business to receive the report from Fann Environmental.

**2a. Operator Report**

Jim Muylle reported that 15 meter verifications have been completed, with one meter replacement. He reported that 30 system valves have been exercised and verified to be open, in response to recent pressure variation complaints. He stated that a chip in the Mission Communications module was replaced, and that Empire Cat has been on site to perform annual servicing and load testing of the backup generators. He reported that the block heater on the Glenshandra generator had to be replaced.

Gary Regnier asked the Board whether it had given an OK at the last meeting to proceed with work discussed during the meeting. It was the Board consensus that approval had been given. (NOTE: Motion from previous meeting: **Motion: Jim Peoples moved that the recommendations made by Fann Environmental be approved. Gerry Tumey seconded. Motion passed unanimously.**)

He reported that Claire Hutt has contacted him to get additional information from the equipment at Post Oak. He indicated he would let her know when he is available.

Gary reported that he will be checking each of the generators to verify exercise programs for each and advise the Board. Each generator should automatically exercise weekly.

## **2b. Report from Bill Weber, Weber Insurance**

Bill Weber passed out copies of the insurance package to Board Members for review. He reported that the premium for the year had increased slightly, about \$150. The increase is primarily in the general liability section. He stated that the property schedule was reviewed by the Company Manager, with no change from a year ago. He indicated that the package includes Employee Practices and Benefits although the Company has no employees. This is because it protects the Company from underinsured contractors or subcontractors, especially Worker's Compensation.

Bill stated that the policy deductible is \$1,000. He said the policy is designed especially for water and sewer districts.

Allan Kaplan asked about equipment located at another location, *i.e.* a computer located at MDI. Bill said that it should be included on the property schedule as a listed location. The computer was purchased about 10 years ago.

*Action Item: Bob will check the status of the computer at the MDI office.*

Larry asked about coverage on accounts receivable. Bill explained that it covers the cost of restoring records rather than insuring payment of billing.

Bill stated that the liability coverage is for \$1,000,00 per occurrence with a \$3,000,000 aggregate limit. He explained that the non-owned auto coverage would cover use of personal vehicles on Company business. Individual's insurance is the primary insurer, with the Company's coverage in secondary position.

Bill explained that Board actions are covered under Public Officials & Management Liability. He said a retroactive date is 2003. He noted that the package includes a \$3,000,000 umbrella policy. He said the Board might want to increase that at some point. He said the cost is about \$450-\$500 per 1 million coverage. He said the package includes a Disclosure of Terrorism Coverage. The cost is \$15. The Company needs to sign the notice, either accepting or denying coverage.

The policy includes cyber coverage. He suggested that the Company check the vendors controls and access to data.

*Action Item: Bob will check with MDI regarding data access.*

**MOTION: John Monroe moved to accept the terrorism coverage. Larry Dorrell seconded. Motion carried unanimously.**

## **2c. Financial Report**

Allen Kaplan reported that as of the end of September we are right on target with the budget. Revenue is within \$1,000 and Net Income is within \$700 on net profit. Net profit is almost \$29,000 year to date, with \$500 of last year. Property taxes are down about \$200 from last year. Allan reported that assets are down about \$147,000. Assets of \$244,000 were capitalized. There followed a discussion about what to do with the 3 CD's that mature in the next two months, totaling about \$155,000. It was the consensus of the Board to hold off deciding to proceed with phases 4 & 5 of the Capital Improvement Program next year, and plan the work for 2016. Allan reminded Board members that about \$100,000 is currently in the operating & max saver accounts. It was the consensus to split the \$155,000 into 2 CD's, one \$100,000 for 12 months, one for 18 months for the remaining amount.

Allan reported that October financials look very consistent with last year. YTD profit is within about \$100 of last year.

Allan stated that in the past, he has conducted an audit of the largest few accounts, sending the customer a letter with the Company's balance on their account. He asked if the Board wants to continue with that program. It costs a few hundred dollars to conduct the audit. There was some discussion about the process Allan uses to conduct the audit. Allan checks the amount deposited with the accounts receivable each month.

Allan asked the Board to consider raising his rate to \$85.00 per hour.

**MOTION: Gerry Garcia moved to increase Allan's rate to \$85.00 beginning next year. Gerry Tumey seconded. Motion carried unanimously.**

### **2d. Manager's Report**

Bob Busch mentioned that Steve and Claire Hutt were on the agenda, but she was called to Grand Jury Duty, and they asked to be on the agenda for the next meeting. Jim Peterson suggested that they include something in writing about what they have done and recommend.

*Action Item: Bob will contact the Hutt's and ask they prepare a written report.*

Bob reported that he and Jim Peterson attended one day of a seminar in Flagstaff about Rate Case filings and Ariz. Corp Commission practices. He commented that it appears the ACC expects companies to file rate cases every 5 years or so. He commented that one piece of information the Commission looks to verify is the value of assets added since the last rate case. Since GOWUA has not had a rate case, all assets added since 1995 would be subject to verification. Accordingly, he has been reviewing the files to gather copies of invoices, checks and other information to create a permanent file to support asset additions. He has not been able to find much on assets added before 2002: about 60k in assets. He is continuing to work on that file.

Jim Peterson commented that after the meeting he felt the ACC wants to control the rates and that every 5 years or so they will want to review company finances, and they will strip away extra profit in order to keep rates low. There was a discussion regarding the consequences of initiating a rate case and the impact on the financial health of the Company.

Bob reported that there was a discussion at the seminar regarding the proposed re-classification of utilities. Since the seminar, he has received a Commission Order, implementing the reclassification, which would place GOWUA as a Class D, utility, with annual revenue less than \$250,000.

Larry Dorrell asked if there was any discussion about what to do about high users. Jim commented that rates are considered the best control on usage. Higher rates for high users reduce use; lower use means lower revenue. A discussion followed about the impact of high users on the Company's finances. High users are providing revenue that supports company finances.

Bob reported that there is a statute providing that a property owner whose property is located within 100 feet of a "Municipal Water Provider" is prohibited from drilling a well. The only entity in the Prescott AMA with that designation is the City of Prescott. Bob said he contacted ADWR regarding the statute and the designation, and scheduled a meeting with them to explore the requirements. He met with ADWR on the subject, and was advised that although each of GOWUA's subdivision phases were granted a Certificate of Assured Water Supply, that further research by ADWR would

be needed to determine whether the Company would need to buy water credits. This is because some of the Certificates were granted under earlier Prescott Active Management Area Plans. Since the meeting, ADWR has requested some information about the Company. ADWR is investigating, and will advise of their findings. Bob will keep the Board informed. If the Board wants to proceed, there is a \$2,000 application fee that covers initial work by ADWR, billed at \$115.00 per hour.

Bob then reported that he has been contacted by a real estate agent representing a purchaser of property at 2850 W. Granite Oaks Drive. The buyer wants to connect to the water company. The property is within the service area, but outside the subdivision. About 200 ft of line would be required. According to the Ariz. Corp. Commission, a Main Extension Agreement needs to be submitted and approved by the ACC. The property owner pays all the costs up front, and a portion is refunded each year (10% of the amount paid for water use, for a maximum of 10 years). The Company would own the line. A construction agreement between a contractor and GOWUA would be needed to do the work. Two bids have been submitted, with the low bid being \$4,900.

Board action needed is: 1) approval to proceed with the project and sign a letter to Yavapai County.  
2) approval of the Main Extension Agreement  
3) approval of a contract with the low bidder (Pehl Contracting)

The followed a discussion about the possibility/desirability of extending a line to Williamson Valley Road to serve other properties. Discussion points were: who would pay the cost- Company or property owners? Would the Company be allowed to construct the line? How could the Company be reimbursed for the cost- ACC approval would be needed? If it isn't done, what would the Company do if/when other property owners requested connection?

**Motion: Gerry Garcia moved to approve action on the three items need to connect the property. (No second). Motion approved unanimously.**

Bob asked the Board to consider reimbursement of mileage to the meeting with ADWR.

**Jim Peterson moved to approve the reimbursement request. John James seconded. Motion approved unanimously.**

### 3. Old Business

#### 3a. Review of Action Items:

*Action Item: John Monroe and Jim Peterson and Gerry Tumey will take the lead in investigating ways to resolve the issue.*

Nothing to report.

Jim Peterson commented that at the Williamson Valley Community meeting recently, the Sheriff's Office encouraged calls, and call-ins to their office. It is the best way for them to keep up with happenings. The County is also encouraging calls to report road problems or conditions needing repair.

*Action Item: Fann will check to see if the Mission dial out system is capable of providing additional indicators.*

Nothing to report.

**3b. System Water Pressure**

No reports of water pressure problems have been received in recent weeks. No action was taken.

**4. New Business**

**4a. Water Provider Designation**

No further action taken.

**4b. Line Extension Agreement -2850 W. Granite Oaks Dr.**

No further action taken.

**Motion: Gerry Garcia moved to adjourn. John James seconded. It passed unanimously.**

The meeting was adjourned at approximately 10:05 a.m.

**Next meeting: Wednesday, January 28, 2015, 8:00am – Post Oak Site.**

Minutes transcribed by Bob Busch

**Submitted By:**

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**Secretary**