

Granite Oaks Water Users Association
Board Meeting Minutes
Meeting of July 24, 2019

Approved September 25, 2019

THOSE PRESENT

BOARD MEMBERS

Contract Staff

Jim Bricker, President Claire Hutt, Vice President John James, Treasurer Bonnie Pearson, Secretary Ken Nelson, Board Member Daryl Mathern, Board Member Gerry Garcia, Board Member– Absent
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Bob Busch, Manager, GOWUA Allen Kaplan – Accountant Bruce Eldredge – MDI Taxes & Accounting

Guests: Matt Bornyasz, Granite Oaks Estates.
Hans Kohls, Granite Oaks

1. The meeting was convened at 9:00 am by President Jim Bricker. .

2. MINUTES BOARD MEETING OF JUNE 26, 2019.

There was one typographical correction noted by Ken Nelson.

Motion: John James moved to approve the minutes of June 26th as corrected. Ken Nelson seconded. Motion passed unanimously.

President Jim Bricker then asked those present to introduce themselves.

3. REPORTS:

3a. Financial Report

Allen Kaplan handed out a packet of financial reports covering the first six month of 2019. He reported that the number of customers for June was 461. Revenue is under about \$5,000 from the budget forecast for year to date. Operating Expenses are under budget by about \$25,000, mostly as a result of the Glenshandra Well Rehab project not occurring in the first part of the year as forecast. For the first six month of the year, the Company shows a loss of \$4,633.

Revenue is down about \$13,000 from last year. Expenses are up about \$6,000 compared to last year, due mostly to Fortiline training. Net income last year was \$13,600 vs a loss this year of \$4,600. The Balance Sheet shows about \$196,000 in cash now, down about \$57,000 from last year. Allen reported that there were no new meter deposits this year. Bob Busch commented that there should have been one new deposit from the customer with the well on Fair Oaks who had a meter installed.

Action Item: Bruce will investigate the possible meter deposit for the Customer (Hollander) on Fair Oaks.

Allen discussed the details of the cash accounts, noting that a CD matured on July 15th and another matures in August of this year. He reported that \$177,820 in assets were capitalized in the first half of 2019. The new meters cost approximately \$150,000. Cash on hand is down \$56,800 from January, 2019. Allen reviewed the list of asset purchases since the inception of the Company.

There was a brief discussion about the number of customers and the number of vacant lots in the service area. Bruce Eldredge commented that the records indicate that there are 33 vacant lots in

the area. All lots have a meter box installed. If there has never been service, there is no meter in the box.

John James reported that the Operating Account balance is \$18,995 and the Corporate Account balance is \$39,152. A \$100,000 CD matured in July and he asked what should be done with the balance. There was a discussion about putting that balance and the balance of the \$50,000 CD maturing next month into the Edward Jones Money Market account. The Money Market account is offering 2.3%. It was the consensus of the Board to transfer the balance in both CD's to the Money Market account. John commented that the new Edward Jones account will require both Jim Bricker's and Bonnie Pearson's signature.

Note: It was subsequently determined that the Board Policy is that bank accounts must be FDIC insured, and the Edward Jones account would not be insured. It was decided to open separate accounts for the two funds.

John James reported the Operations Account has a balance of \$18,619 and the Corporate Account balance is \$25,129.

3b. Operator's Report

Derek Scott was absent, but Bob Busch briefly reviewed the Operator Notes for June. Meter reading went well this month. Weed abatement is ongoing. The problem with the transfer switch has been reported.

Ken Nelson commented the landscaping at the Granite Oaks entrance has not been maintained. Bonnie also commented she observed the same thing.

Action Item: Bob will refer the matter of landscape maintenance at the Granite Oaks entrance to A Quality Water for action.

Jim Bricker commented that one of the customers noted on the High Users report is his neighbor. Bruce Eldredge commented that the customer's meter was re-read by Derek. The customer wants someone to talk to him about the matter.

Action Item: Bob Busch will contact the customer and discuss his high use.

3c. Report from MDI

Bruce Eldredge turned over a number of Proxies to Bob Busch. He said he will bring ones that arrive between now and Saturday to the meeting.

Bruce explained that the unreliability of the US mail caused some problems with late fees on customer bills. Because of that some customers are charged a late fee on their bill. The payment must be in the MDI office on or before the 25th. Sometimes the payments are made by banks, and are sent in bulk, relying on the USPS to arrive on time. He has spent an unreasonable amount of time discussing small late fees with customers. He would like to have some discretion in waiving late fees. There was some general discussion on the matter. No motion was made on the subject. Bruce indicated he could provide a report of late charge adjustments to the Board. There was no objection.

Bruce noted that one customer had incurred a \$2,000 bill and asked if the Board made adjustments in the case of one time high uses. Bob Busch commented that the Company has never made adjustment to high water bills in the past. It was the general sentiment of the Board that owner's are responsible for water use, no matter the circumstances.

Bruce stated that he has had discussions with the Arizona Labor Board regarding salaried/hourly employees. He stated that salaried employees should report their time worked. He said that without a time card, the employer automatically loses any dispute. He recommended that Bob Busch report time worked on a bi-monthly basis, 1st to 15 and 16th to end of month. Bob could send it to the Board President for approval, who could send it to MDI. It was the general consensus of the Board to follow his recommendation.

Bruce reported that the Annual Report to the ACC Utility Division has not been completed, but that the report is not considered "late". An extension was filed and he expects he will have the report completed by November.

3d. Managers Report

Bob Busch reported that he has completed the Backflow Prevention testing for the year. There are 18 customers that require annual backflow tests. Results of the tests must be sent to the company each year.

He reported that he has contacted several electricians to get pricing for replacement of the transfer switch at Glenshandra. Two of them have reported that they haven't been able to get pricing for the transfer switch from Generac. A third electrician is due to visit Glenshandra today to provide a quote. He commented that one of the electricians suggested that the contactor portion of the cabinet be replaced rather than the entire cabinet. He said the cost would be less than half the cost of replacing the entire cabinet. There was some discussion about whether the panel could be replaced with a different manufacturer and whether or not only the contactor portion needed to be replaced.

Action Item: Ken Nelson and Daryl Mathern will check the panel and call his electrician contacts and make a recommendation.

Bob reported that he hasn't received the written report or the video of the tank cleaning. Midco diving has said our report is in their cue for completion and we should receive it in a few weeks.

The contract with KP Ventures has been signed by both parties, but no start date is confirmed yet. KP Ventures has asked how long a transducer cable should be provided. Bob forwarded the question to the engineer, who has responded to KP Ventures. Bob commented that Derek told him that both wells have been working very hard the past few days. At one point, the Post Oak pumps were pumping over 600 gpm while the wells were pumping 350 gpm. There was a discussion about shutting one well down during a period of high demand. Someone suggested that a One-Call-Now announcement be sent out to advise people to conserve. Bob commented that GOWUA has a curtailment tariff that provides four stages of restrictions. It was the general sentiment that the restrictions are not enforceable anyway. Ken Nelson suggested that an announcement be made at the Annual Meeting to caution customers. There was a discussion about including information about the upcoming Glenshandra repair in the One-Call-Now announcement for the annual meeting. It was agreed that keeping the announcement to one subject would be more effective.

4. OLD BUSINESS:

4a. Action Items:

- *Action Item: Bruce will check to see if the number of customers can be obtained from the CORE system.*
Completed. MDI can obtain the number from the CORE system.
- *Action Item: Derek will continue attempting to get a response from Grundfos, using Pat Carpenter as necessary.*

Bob Busch reported that John Patton of Envoro Tech Solutions will be at Post Oak today and will be in contact with the Grundfos factory to get resolution to the problem.

- *Action Item. Bob Busch will notify the customer that the \$25.00 fee will be charged upon turning on service in the future.*

Completed.

Bruce Eldredge commented on procedures MDI is implementing to assure that property transfers are captured & recorded and that application/transfer fees are collected.

- *Action Item: Bruce Eldredge will contact Harmony an attempt to get the problems corrected.*

Completed. Problem is corrected.

- *Action Item: Bob Busch will notify the Board of the June unaccounted for water data.*

Completed. Board members were notified via email.

- *Action Item: Bob Busch will contact KP Ventures and get responses to the following questions and inform the Board:*

1. *Is there any impact of tariffs on material costs?*

2. *Are chemicals readily available or on-hand?*

3. *What is the contractor's availability for starting the project.*

Completed. Contract has been executed.

Bob Busch stated that he received an email from KP Ventures asking how long the transducer cable should be. He forwarded to the engineer, who has responded to KP Ventures. Bob said he is expecting a call from the contractor today.

4b. Discussion of refurbishment of Glenshandra Well.

Discussed above. Nothing additional.

4c. Annual Meeting

Jim Bricker stated that the Annual Meeting will be at 9:00 am at the Fire Station on Outer Loop Road. He asked Bob Busch how long the introductions would take. It was generally agreed that 5-10 minutes at most. Allen Kaplan asked how many copies of the financial reports he should bring. It was suggested 35 copies should be plenty.

5. New Business

5a. Number of seats on the Board.

Jim Bricker stated that the Bylaws state that the Board should have at least 3 and no more than 7 members. We have had some trouble filling the seats on the Board. Does the Board want to change the number of seats? After some discussion, it was decided not to change the number of seats at this time.

5b. GOWUA Records

Claire Hutt suggested that the Board consider making a second set of drawings and store them off-site, in case of fire.

5c. Record of vacant properties/possible unused meters.

Claire Hutt suggested that a record be kept of all inactive properties to verify that no meter is in place on those properties.

5d. Records

Bruce Eldredge reported that with new bank processes, he retains checks for 90 days only. Bill stubs without the check don't seem worth keeping after the 90 days. The Board should consider how long these records should be kept.

5d. Possible Rate Case

Bob Busch reported that he received an email from a former Board member who, concerned about some of the high users, contacted the ACC to discuss options for changing rates. He was told that the ACC has an Ombudsman's Office to help small companies with the process, and that the typical operating margin is 8-10%. In GOWUA's case, this would mean a net income of at least \$25,000-\$30,000. Right now, GOWUA is operating at a net loss and is only generating cash after depreciation. The company's cash balance is down considerably, and with future replacements

that may be needed, it may be time to think about a rate change. He stated that he has not contacted the person at the ACC, but wanted to discuss with the Board first. It was the Board consensus that Bob should contact the ACC and bring additional information back to the Board to consider.

Action Item: Bob Busch will contact the ACC and report back to the Board.

Hans Kohls asked why he did not receive an email bill this month. Bruce Eldredge explained the process of emailing bills. The GOWUA sends out 200 email bills. There are some situations where the GOWUA server thinks some of these emails are spam and rejects them.

There being no further business, the meeting was adjourned at 10:30 am.

Next meeting will be Wednesday, August 28, 2019 at Post Oak, 9:00 am.

Minutes transcribed by Bob Busch

Submitted By:

Secretary