

Granite Oaks Water Users Association
Board Meeting Minutes
November 17, 2010

Approved 1/26/2011

THOSE PRESENT

Board Members

Jim Peoples, President
Rusty Miner, Secretary
John James, Treasurer
John Monroe, Director
Gerry Tumey, Director
Dave Kramer, Director
Ken Mino, Director

Contract Staff

Jim Muylle, Fann Environmental
Allan Kaplan

Guests

(none)

The meeting was convened at 8:00am by President, Jim Peoples. Manager, Bob Busch was absent, but provided a recorder and transcribed the minutes.

1. Minutes of the Previous Meeting

Motion: John Monroe moved to approve the minutes of the Meeting of September 22nd John James seconded. Motion carried.

2. Financial Report

Allan Kaplan reported that through September, operating revenue is right on budget for the year and expenses are under budget by about \$13,000. Net income is above projections at about \$43,000. Since the 4th quarter is usually a no-profit quarter, the company should remain at about \$43,000 for the year.

As compared to last year, we have the same number of customers and revenues were down about \$4,000 from a year ago. Expenses are up about \$3,000 from a year ago, due mainly to the expense for repairing the generator (\$6,300). MDI expense is up a couple thousand dollars from a year ago, due to their underbilling for a number of months last year. Allan has reviewed their billing for the past year, and the total billing is on schedule with the contract amounts. Other items of note are Repairs and Maintenance for the 1st quarter is \$6,300 to GenTech for generator repair and in the 3rd quarter, Account 635-Water Testing at \$1,850.

On the Balance sheet, cash is up about \$42,000 for the year. We also received one additional deposit of \$250 for new service. This is the first new meter installation in awhile.

Two CD's matured this month.

Allan noted that October financials have been received. He had one question about an item on the Fann Invoice for Western Environmental in the amount of \$632.50. (**Note:** The billing from Western Environmental was for installation of the Mission Communications monitoring equipment that was installed several months ago and billed in October.)

October financials shows a loss for the month- about \$1,500, due primarily to property taxes of \$3,900 paid during the month. Taxes were down about \$80 from a year ago. Five hundred dollars was paid to CORE (the software company) for annual service. An additional \$4,600 was added to cash flow.

Allan noted that water pumped was down along with revenue for October. Water loss appeared to be higher than normal at around 7%. Jim Muylle stated that four hydrants were flushed during the month. Rusty asked if the higher loss might be due estimating as a result of the meter problem at Glenshandra. Jim Muylle did not think that was the cause. The meter is tracking normally, but rolled over prematurely from 183,000 to 0. He thinks they were able to estimate pretty closely.

John James reported that as of yesterday, after moving \$15,000 to the Operating Account, the Corporate Account balance was \$70,157, the balance in the Operating Account was \$31,547. Also, yesterday, he opened a new 4-yr CD with Edward Jones at 1.75% interest. He stated that by tomorrow, he needs to open a new CD to replace a matured CD. He reviewed a number of options, including a 24 month CD for 1.5% and a 5 yr CD for 2.0%. He is trying to set up the CD's so that they all mature in different years. The board discussed the various options and there was general agreement that 5 years was too long and a 24 month CD would be the best option. Summit Bank offers a 24 month CD at 1.5%. The board also discussed whether to invest additional funds from the Corporate Account in additional CD's. Allan recommended putting additional funds in the Money Market account which is earning around 1%. It is nearly as good as the CD rates now. The funds could be withdrawn at any time and put into CD's. There was a general agreement by the board to transfer \$25,000 from the Corporate Account to the Money Market Account.

Action Item: John will open a new \$50,000, 24 month CD with Summit Bank at 1.5% and transfer \$25,000 from the Corporate Account to the Money Market Account.

3. Managers Report

Since Bob was not present, Jim Peoples reviewed the Managers Report in the monthly report package. The Delinquency Report and High User Report were included with the packet.

Kim Eldredge has made the changes required in order to mail bills to Auto Pay customers without a return envelope. At the end of October, bills to those customers were sent out with an insert explaining that a change was made to billing and no return envelope is included with their bill.

Contract - The new MDI Financial Services contract as approved by the Board in the September 22nd meeting was signed by MDI on October 26th and by Jim Peoples on November 3rd.

Customer Complaint – Jim Muylle has met with the customer on Glenshandra. The customer does not have a pressure regulator on his piping, which Jim recommended. The customer wants GOWUA to pay to have the regulator installed. Gerry indicated that since a pressure regulator is attached on the customer's side of the meter, it should be his problem. Jim Muylle indicated that the customer is doing some work and that he has either removed his regulator or never had one installed. Rusty commented that a high user for the month lives right across the street.

Motion: John James moved that the customer be contacted and informed that it is his responsibility to install and pay for a pressure regulator, Gerry seconded. Motion carried.

[Later in the meeting, Ken Mino asked if the customer complaint was a due to something caused by the customer across the street. Jim Muylle explained that he is complaining about the neighbor on the property next to his. The customer is complaining that when his neighbor's irrigation valves close, his water pipes vibrate or hammer. Dave asked if the neighbor has a pressure regulator. Jim Muylle stated that the neighbor does have a regulator. Dave indicated that the neighbor's irrigation system may be ahead of the regulator. Ken said he was concerned that the company did not have an issue in this situation. Jim

Peoples indicated that one of the customer's complaints was low pressure. Jim Muylle stated that water pressure is well within requirements and that he receives consistent pressure from the company. Rusty stated that he thought the customer's line pressure must change if he is getting water hammer. Jim Muylle stated that the customer's pipe hangers may exacerbate the problem if they are not installed properly.

John Monroe asked if the customer has taken any action to resolve the problem, other than contacting an attorney. Jim Muylle indicated that the customer is threatening that if anything does happen, he wants the Company to be responsible. Ken Mino indicated that he was asking the question to try to make sure we have considered everything. He asked if we were serving this customer differently from any other customer and was assured that is not the case. Allan asked what the cost would be to install a regulator. Someone indicated that the cost would be about \$250. The cost of an attorney is more than that.

Rusty stated that perhaps the company should give the customer an official response with some reasoning and explanation rather than a phone call. Jim Peoples agreed and suggested discussing the issue with Bob when he returns.

John Monroe indicated that the customer is trying to get the company to solve his problem and has gone to an attorney rather than spending money to solve the problem. He apparently made no effort to take care of the problem.

Dave said that the neighbor may have his irrigation system ahead of his pressure regulator, a common situation.

Several solutions were discussed, including better anchoring of pipes, expansion tank on his water heater, a water hammer suppression device. If the customer has an expansion tank, it might be water logged and he might need to drain the system.]

Action Item: Bob will call Jim Peoples to come up with justification of GOWUA position (not responsible for water system on residence side of the meter) and send customer brief letter.

Budget- Bob prepared a draft budget for 2011 and forwarded it to the board for comments. There was some discussion about the repair line item in the draft budget for painting the tanks. There was a question as to whether the tanks would be sand blasted to prepare for painting. If they are galvanized, sandblasting would remove some of the galvanized. Allan questioned the water treatment amount in the 3rd quarter- \$3,300, which is up substantially from this year. He also suggested that interest income be increased to \$5,000 for the year: 1st qtr- \$300; 2nd qtr- \$2,250; 3rd qtr- \$500, 4th qtr-\$1,950.

Nothing was included in the draft budget for capital expenditures. It was discussed whether to include fencing at Glenshandra (\$4,260) and a 4th pump at Post Oak (\$5,000).

Action Item: Bob will explain the 3rd quarter water treatment amount.

Motion: John Monroe moved to adopt the 2011 budget with the changes made during the meeting (include capital items of \$4,260 to fence Glenshandra, \$5,000 for an additional booster pump for \$5,000 and increase interest income to \$5,000). Dave seconded. Motion carried.

Backflow Prevention –Bob followed up regarding the installation of backflow prevention device at Gary Bunn’s property. The installer indicated that it would be installed within the next couple of weeks. He will continue to follow-up.

Glenshandra Well Meter – The well meter at Glenshandra failed sometime in October. A new meter is on order from Dana Kepner Co. The new meter will cost \$1,900.

4. Operator Report

Jim Muylle reported that the surplus equipment was removed from Post Oak. Rusty asked if there was any revenue received from the scrap. Jim Muylle stated that there was no cost to remove the scrap, and no payment to GOWUA.

Glenshandra well meter has malfunctioned and a replacement has been ordered. It will be installed next month.

Fifteen meter verifications were completed during the month. Since 2004, the entire system has been checked. Fann will begin testing again in the spring.

Jim asked if anyone knew where the key is for the port-a-john company (Buckaroo) that has been kept in a special place for their use. No one knows what became of the key.

Action Item: Jim will arrange for a new key for Buckaroo

5. Old Business

5a. Action Items

Rusty reviewed action items. All action items have been completed:

5b. Other Old Business

John James reported that he has contacted M&I Bank about reporting CD interest to Allan. Interest should now appear on the monthly statements.

He also reported that Bob sent out the latest Policy Manual which includes a section about investing funds. It states that invested funds should be in government insured accounts. He stated that he did investigate other possible investments but they are not insured.

6. New Business

6a. Bill Collection – Bob sent an email to the Board recommending engaging a bill collection service to help collecting unpaid accounts after the customer leaves. John James noted that the charge is 30% of the collected amount. There are no other charges. The firm would act on any account over \$25 due. The only cost might be for MDI charges for handling the Off and Billed Account Balances.

Rusty noted that there is a delinquency notice sent out on late accounts, causing an “extras” handling charge to GOWUA. He questioned how this could be recovered, and Allan pointed out that late charges are assessed customers—showing up as other water revenue. (NOTE: Delinquency notices are sent only on active accounts. Once the customer disconnects, no notices are sent, only final bills with balances due are sent). New occupants can not be billed for non-paid balances.

Jim Peoples read Bob’s recommendation to the board to:

“authorize establishing a collection account with National Bureau Collection Corporation for servicing unpaid bills, and that the board approve a Policy Book revision to Section H, adding the following paragraph 13:

13.Collection of Unpaid Accounts

Customer accounts that have remaining balances in excess of \$5.00 after having been classified as "off and billed" for 60 days or more shall be turned over to the appropriate collection agency for service and collection.”

The board discussed whether or not \$5.00 was an appropriate amount to forward for collection. It may not be worth the company's time to handle an account for less than \$10. Basically, Board opinion was that GOWUA wants to recover unpaid bills, but also wants to avoid incurring an even greater loss on any given account if potential MDI handling charges exceed any potential recovery.

Motion: John James moved and Ken Mino seconded a motion to authorize establishing a collection account with National Bureau Collection Corporation for servicing unpaid bills, and that the board approve a Policy Book revision to Section H, adding the following paragraph 14:

14.Collection of Unpaid Accounts

Customer accounts that have remaining balances after having been classified as "off and billed" for 60 days or more shall be turned over to the appropriate collection agency for service and collection.” Motion was passed.

6b. Website- Rusty reported that a shareholder had mentioned that the website is not up to date. The latest minutes on the website are May 19th. The website needs to be up to date.

Action Item: Bob will be asked to report on the process of updating and keeping the website up to date.

There being no further business to discuss, Jim Peoples called for a motion to adjourn.

Motion: John James moved to adjourn the meeting. John Monroe seconded. Motion carried.

The meeting was adjourned at 9:10a.m.

Next meeting: January 26, 2011, 8:00am – Post Oak Site

Minutes transcribed by Bob Busch

Submitted By:

Secretary