

Granite Oaks Water Users Association
Board Meeting Minutes
Meeting of September 23, 2015

Approved November 18, 2015

BOARD MEMBERS

THOSE PRESENT

Contract Staff

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| Gerry Garcia, President John James, Treasurer John Monroe, Secretary Matt Bornyasz, Board Member Larry Dorrell, Vice President Gerry Tumey, Board Member Jim Peterson, Member |
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| Bob Busch, MDI Taxes & Acct'g Allan Kaplan – Accountant Jim Muylle - Fann Environmental |
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The meeting was convened at 8:00 am by Gerry Garcia.

1. Minutes of July 22 and July 25, 2015

Motion: John Monroe moved to approve minutes of both meetings, Larry Dorrell seconded. Matt Bornyasz questioned a portion of the Annual Meeting Minutes. Following some discussion, changes were made to the Financial Report section on page one of the Annual Meeting Minutes. The July 22nd minutes were approved and the July 25th minutes were approved as amended.

2a. Operator Report

Jim Muylle distributed the Fann Environmental Report for August. He reported that the new service at 2780 Granite Oaks Drive has been installed. A 1 inch meter was ordered to replace the one installed at the property.

Action Item: Bob will verify that the customer is being charged for a 1 inch service and has paid the meter deposit.

An air relief valve was replaced on the Glenshandra well. Trees were removed from the fence line at the Deerfield well. Sites at both Deerfield and Glenshandra were mowed.

Jim Muylle reported that a customer at 8205 Royal Oak Ct. has complained of high water use. Fann went to check the meter, but found that outside water spigots were leaking and the meter can't be checked until water flow through the meter is stopped. When the customer fixes the spigots, they will test the meter for accuracy.

There was some discussion about seeming high use at some properties. Matt Bornyasz commented that he had a similar experience a year or so ago. After testing the meter, and finally replacing the meter, the problem went away.

John James asked if 6.8 million gallons is average for August. Bob distributed a handout showing water delivery totals and average customer uses from 2001 to present. August usage varies between 4.6 and 8.9 million gallons (except for August 2001 which was 11.3 million gallons).

Jim Muylle reported that there are some areas on the Post Oak building and chlorine shed that a deteriorated and should be repaired.

2b. Financial Report

Allen Kaplan reported this is an in-between quarter report. The financials that the board received for August don't reflect the interest received on the CD that matured in August. The interest was \$757.00, so there was a slight positive net income for August. Revenue is down about \$10,000 from last year, expenses are up about \$4,000, and net income is down about \$15,000 from last year. About \$3,500 was paid to Fann for control work. About \$800 was paid to Allegra. About \$600 was paid to Quality Home Property Maintenance for tree trimming and Glenshandra.

Allen explained that the Balance Sheet doesn't reflect a change made to CD's during the month. The item# 10530 (a CD the matured during the month along with the interest) was combined with the \$20,000 under item#10600 to form a new 27 month CD for \$48,627.

John James reported that the Operating Account currently has approximately \$15,800 and the Corporate Account balance is \$39,500.

2c. Manager's Report

Bob Busch reported that all backflow prevention device test results have finally been received. GOWUA has 16 customers with wells (and backflow prevention devices). There are also four or five properties in the service area with wells who are not connected to the system.

Bob reported that there are 57 customers signed up for email bills. Hopefully all problems have been resolved. Some problems resulted from incorrect email addresses.

Larry Dorrell asked about information on the bill. There is an area on the bill where information could be provided. He suggested conservation messages be inserted on the bills. It was the consensus of the Board to insert varying messages on the bill. It was also suggested the the Customer Report be enlarged and messages included with that data.

Larry suggested that the Company consider approaching nurseries to offer discounts to GOWUA customers who plant low water use plants. There followed a discussion about various ways to give customers an incentive to install low water use plants.

Larry Dorrell volunteered to contact nurseries to determine their willingness to participate in a discount program.

Action Item: Larry Dorrell will contact nurseries to determine their willingness to participate in a discount program.

Bob noted that he included a study of water use over the past couple of years. He included the results in the August Managers Report.

John Monroe suggested that the Board establish a reasonable maximum per month, then go to those users and ask for their cooperation in lowering consumption. Jim Peterson volunteered to be part of a group to talk to the highest users and find out if we can help them to lower water use. A general discussion ensued about high users and ways to get their cooperation.

Action Item: John Monroe and Jim Peterson will prepare information to contact the ten high users to enlist their cooperation in lowering water use.

Action Item: Bob will provide John and Jim with data on the highest users for the past year.

The discussion continued, including a question about the income impact of reduced consumption. Larry asked Allen about how many gallons we needed to break even. Allen commented that the Company billed Fulton \$6,700 last year. He indicated the profit this year will be \$10,000 to \$12,000. Bob reported that IF the highest user were to reduce consumption to the average amount, the financial impact would be about \$3,300. He stated that 1/2 of GOWUA revenue comes from the monthly minimum. The other half comes from usage. IF the Company could effect a reduction of 2,000,000 per year, the financial impact would be \$4,000 in less revenue -- a number that would still leave the Company profitable.

Bob reported that he received a call from a customer who had a \$700 water bill in July. He is on auto pay, so the bill was paid automatically. The customer pleaded financial hardship and asked that the Board be approached for possible consideration. It was the Board's consensus that no relief be granted.

Bob reminded the Board about a webinar to be conducted on Sept 24th. concerning water rates and financials. He circulated a handout with the information.

Bob distributed a handout showing the Asset Replacement Fund status. He summarized data on the report, indicating the replacement fund is underfunded. Bob suggested that an named account be established and dedicated for asset replacement fund. The money could be in CD's or other funds. It would be on the company books as a replacement fund, documented and defended.

Motion: Jim Peterson moved to designate \$100,000 as a Asset Replacement Account (the \$100,000 CD), and to change the Balance Sheet to reflect the change. John Monroe seconded. Motion carried.

3. Old Business

3a. Review of Action Items:

All action items have been completed.

3b. Sounding Tube

Bob reported that the vendor will be contacted in a week or two, and the sounding tube replacement at Glenshandra will be scheduled for the end of October or early November.

4. New Business

4a. Possible Meeting with Consultant

Bob summarized his contact with a Phoenix attorney who has offered to meet with the Board to discuss rate case implications. The Board discussed the possibility of inviting the consultant to talk to the Board.

Pros: Information from qualified outsider
documented effort to be informed
possible information about Water District

Cons: No current plans or need for rate case

- no financial purpose for rate case
- conservation might be accomplished by other means
- high cost of rate case

Main purpose is to accomplish some conservation
attracting adverse or negative attention

Motion: Jim Peterson moved to invited the consultant to meet with the Board. Larry Dorrell seconded. Motion failed to pass by vote of 3 to 4.

John Monroe expressed interest in determining whether the Company can put a cap on individual customer use. Bob indicated that possibly a tariff could be filed to put a cap or penalty rate for customers using more than a specific amount. There was discussion about CC&R's, whether there was restrictions that are relevant or enforceable.

Action Item: Bob will investigate the possibility of a special tariff filing.

Jim Peterson suggested forming a committee to contact new customers and inform them about the Company.

Action Item: Jim Peterson will bring information to the next meeting describing how new customers will be contacted and discussion topics.

4b. Meeting times

John James asked that the Board consider changing the time of the meeting to 8:30 or 9:00 and changing the frequency from bimonthly.

After some general discussion, no action was taken.

4c. Contract with Empire Cat.

Bob indicated that a new annual contract with Empire Cat has been received. The contract for 2015-16 is for annual inspection and servicing of all three backup generators plus a 2 hour load test on each generator. The total contract is for \$2,787 (vs \$2,733 for 2014-15).

Motion: Gerry Garcia moved to approve the contract and authorize Bob to sign the contract. John Monroe seconded. Motion carried.

4d. Building Repairs

John Monroe commented about the building repairs that Jim Muylle mentioned. Following a brief discussion:

Motion: Gerry Garcia moved to request Bob to obtain estimates to repair the building and add rain gutters. John James seconded. Motion carried.

There being no further business--

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

The meeting was adjourned at approximately 9:55 a.m.

Next meeting: Wednesday, November 18, 2015, 8:00am – Post Oak Site.

Minutes transcribed by Bob Busch

Submitted By:

Secretary