

GRANITE OAKS WATER USERS ASSOCIATION

Annual Shareholders' Meeting

July 25, 2009

Call to Order: President Jim Peoples called the meeting to order at 9:05 a.m.

Quorum: The members holding 50 percent plus one of the Class B votes of the Association shall constitute a quorum at meetings of the membership of the Association. If a quorum is not present at any meeting of members, those in attendance may conduct an informational meeting, but no business upon which a vote is to be taken, shall be conducted. There was not a quorum present.

There were approximately 20 members present. (see attached list)

Jim Peoples mentioned that he is the newly elected President of the Board and this is his first meeting as president. He thanked members for attending.

Board Members: The President introduced the Board Members:

Officers

Jim Peoples, President
Dirk Stringham, Vice President
Rusty Miner, Secretary
John James, Treasurer

Directors

Ken Mino, Director
Dave Kramer, Director
John Monroe, Director (New)

The President then introduced contract staff:

Bob Busch, Manager
Allen Kaplan, Auditor
Jeff Deming, Fann Environmental

He then introduced and acknowledged previous board members, Duane Gann, Jeff Deming and Bob Busch.

Financial Report *Allen Kaplan, Auditor*

Allan discussed a financial report passed out to members. He mentioned that revenue is down about \$17,000 from budgeted, corresponding to a reduction of about 13% less water use. Net income is about \$3,000 under budget. Comparison to a year ago, net income is down about \$13,000. The company has about \$300,000 in cash. No meter deposits have been received this year from new customers connecting new meters to the system. The number of customers has remained flat from a year ago.

He gave a breakdown of cash, explaining that there are three bank accounts and 6 Certificates of Deposit. The cash balance has increased by about \$21,000 this year to date. He discussed the list of capital purchases (over \$800,000 worth) made by the company since inception.

Manger Report *Bob Busch, Manager*

Company growth has been flat for the past few years. We have around 450 customers and will probably not grow much in the future.

A new fence was installed at Post Oak recently. Thanks to Duane Gann and Ed Tumey, the site at Glenshandra has been landscaped and looks sharp.

We now have over 90 members on Auto Pay. Anyone interested should call the business office.

The water quality report was sent out to all members recently. They are available by calling the office or on the website: gowaterusers.com.

Bob reported that the company has received a notice from ADEQ that GOWUA wells may be under the influence of surface water. Two of our wells are near a wash. The board authorized an engineering study to analyze the wells and report their findings. The findings were that the Glenshandra well should not be under surface water influence. Insufficient well design information is available on the Deerfield well for an engineering determination. The report was submitted to ADEQ and the Company is waiting for a response. If ADEQ still believes the wells are influenced by surface water, the Company will be required to conduct a series of tests. Several questions concerning ADEQ criteria, likelihood of water in the wash and related issues were discussed.

Operator Report:

Jim introduced Jeff Deming who is a Granite Oaks resident and a certified water system operator. Jeff works part-time for Fann Environmental, the system operator.

Jeff spent a few minutes describing the wells and water system. He explained that the water from the wells is chlorinated before it enters the storage tank. Well water has been tested and no coliform bacteria has ever been found in the well water. He described the periodic sampling and testing. Two coliform samples are taken each month. Fann checks frequently for chlorine residual in the system. They use a 12% bleach solution which is diluted to 5% before it is injected into the system. The Company is required to conduct quarterly samples for testing for Trihalomethanes and Haloacetic acids, a new requirement.

A new generator was purchased during the past year for Post Oak and the generator at Post Oak was moved to Glenshandra. All three wells now have backup power.

Fann reads meters and replaces defective ones. They repair any water system leaks. Hydrants are periodically checked and valves exercised. They periodically check the generators for operation.

He reported that well static levels have declined steadily over the past 10 years. He lauded the board for its conservation program efforts. He responded to questions about decline rates, indicating that only the Deerfield well is regularly (annually) measured by ADWR. They are concerned about their device getting stuck in the Glenshandra well and do not check it. In response to a question about correlation between Glenshandra and Deerfield, Jeff indicated that no noticeable decline was noted in Deerfield when Glenshandra came on line. There was a discussion about the need to let wells rest for a period in order to get a true reading of static levels and the aquifer levels in different locations.

Jeff also discussed the meter verifications being performed by Fann Environmental. All meters are verified on about a 10 year cycle. About 50-60 meters are checked each summer. Fann is about $\frac{3}{4}$ completed in the service area. Meters that are not within 3% accuracy are replaced. One or two meters are replaced for accuracy each year. Some meters have malfunctioned after freezing during the winter. No evidence of corrosion has been noticed in the meters. Fann runs 10 gallons through a calibrated meter and checks it against the customer meter.

Jim Peoples commented that GOWUA is very fortunate to have backup power on all its wells and to have low water rates. A medium or high user would pay much more in Prescott for the same water. In responding to questions about raising rates for higher users, Jim mentioned that it is a tough question the board has been grappling with. Members have an option to drill a well, and higher rates could cause high users to drill a well and leave the system.

Jim mentioned that Charlie Hildebrandt of Mountain Landscaping has been conducting water audits for GOWUA the past two years. Charlie was scheduled to attend today, but had to cancel at the last minute. Dirk Stringham reported on the subject in Charlie's absence.

Conservation Report:

Dirk reported that in the Prescott AMA, water is being withdrawn at a rate of 2-3 times the rate of recharge. Cities of Prescott and Prescott Valley have conservation programs. The board had decided to try to do its part with conservation and have established a Conservation Committee. There seem to be different types of high users: One type doesn't care how much they use. As long as they pay for it they believe they can use as much as they want. Another type is one that is not aware. Perhaps they came from another part of the country and are not familiar with our plants or our area. Water may be less expensive here and so they are not as conscious of the usage.

We have assembled some of the material from the City of Prescott. They have offered the use of the information (less the copyrighted name). The audit program offered by the company is being reviewed. Rusty contacted customers who previously conducted the audit and got some feedback. We hope to improve the program and make it more useful in the future.

Charles Hildebrandt wrote a letter to the Board based on last year's audits. His main observation was that native plants are being overwatered, over-pruned and natural cover removed. He also found ineffective or no existing backflow prevention devices. Some irrigation systems were connected to hose bibs, making the anti-siphon device inoperative. Some general discussion followed about native vegetation and checking landscape systems for leaks. It was suggested that customers shut off all water in their home and check to see if the meter dial is stopped. If not, check for a leak. In response to a question, it was noted that there are a couple of checks made by the company when usage is higher than normal. The handheld meter flags usage more than 5% different. The office also attempts to call when usage is much higher than usual. General discussion followed about what to do when you are out of town; have a neighbor check, make sure the office has a contact number; shut off the water- all have shortcomings.

Dirk asked for some ideas from the floor about getting the message across. One member belongs to the Water Advocacy Group and offered to conduct presentations to GOWUA member groups. Another suggested emphasizing the impact and end result. It was also suggested that information be sent to all residents of the community, whether a system customer or not.

Jim asked for additional comments or questions.

Question: Does the board carry liability insurance for directors.

Answer: Yes

Question: Why isn't the water level in the three wells at about the same level. Glenshandra and Deerfield have been declining and Post Oak has not declined significantly.

Answer: We aren't sure.

Question: Are we over pumping the Deerfield and Glenshandra wells and contributing to the decline?

Answer: We don't think so. Water levels in the Prescott area are in general decline.

Comment: The area has been receiving less rain since the early 1900's. There isn't anything to do about that.

Comment: Water recharge systems are being investigated around the county. There are legal **and** technical issues to resolve, but it is being worked on. A property owner could easily collect water on their own property.

Jim Peoples encouraged members to take a look at our facilities and to get involved with the company and volunteer to run for a position on the board. He thanked everyone for attending. Meeting was adjourned at 10:30AM.

List of Member Attendees:

Rusty Miner
Jim Peoples
Carmen Peoples
John James
Lois Stringham
Dirk Stringham
Ken Mino
Dave **Kramer**
John **Monroe**
Duane Gann
John Chaffeur
Jeff Deming

Stan Steiner
Barbara Kyte
Terry Kyte
John Lysak
Ruth Lysak
Bob Stearns
Shelta Stearns
Tom Umprhey
Linda Umphrey
Jamie Fox
Delores Manburg
Gary Phelps
Derry –Lynn Shall
Doug Iverson