

# GRANITE OAKS WATER USERS ASSOCIATION

Annual Shareholders' Meeting

July 25, 2015

2025 Seven Oaks Ct

Approved Sept 23, 2015

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**Call to Order:** President Gerry Garcia called the meeting to order at 8:35 a.m.

*Note: .From GOWUA Bylaws:*

*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 were approximately forty five shareholders in attendance. Approximately 55 proxy statements had been returned. There was not a quorum present.

Gerry Garcia announced that since a quorum was not present and an official meeting couldn't be conducted, but the Board would proceed with an informational meeting and try to answer any questions. She then introduced members of the board in attendance, herself and contract staff and asked for a brief background from each.:

Officers

John Monroe, Secretary

John James, Treasurer

Larry Dorrell, Vice President

Directors

Matt Bornyas, Director

Jim Peterson, Director

Contract staff:

Allen Kaplan, Auditor

Bob Busch, MDI Financial (Manager)

Jim Muylle, Fann Environmental

Gary Regnier, Fann Environmental

The President then asked Allen Kaplan to give a financial report.

**Financial Report** *Allen Kaplan, Auditor*

Allan Kaplan asked for a show of hands of those who were attending the annual meeting for the first time (approximately a dozen responded). He reported that the Company had a very solid year, financially in 2014. Revenues have been over \$220,000 for a number of years. He noted that net income has generally exceeded \$20,000. He reviewed the financial statement as of June, 2015.

He referred to the budget for 2015 and the year to date actuals. Revenues are below budget by about \$6,000 and expenses are \$about \$9,000 under budget, so Net Income is about \$6,000 about \$3,000 above budget for year to date.

He then referred to the second page of his report that showed year to date 2014 vs year to date 2015 and noted differences. He reviewed the Balance Sheet, noting that the cash balance is about \$308,000. He reported that the company has \$1,773,000 in fixed assets before depreciation. He reported that the only capital addition this year is \$454 for a new meter.

He discussed the details of cash assets, noting the amounts in various bank and CDs. Finally, he reviewed all the purchases of assets by the company since its beginning in 1994. Over \$1,047,000 in assets have been added over the years.

He reported that revenue, expenses and net income have been relatively stable over the last few years.  
Allen then responded to questions.

**QUESTION:** Were the expenditures for transmission lines a one-time expenditure?

**RESPONSE:** Transmission lines in some cul de sacs were enlarged to provide improved flow to fire hydrants. There are a couple of additional project phases that may be considered in the future.

**QUESTION:** Meter water sales are lower than last year. Is there any indication that this is due to conservation or weather?

**RESPONSE:** The Board has attempted to educate people and encourage conservation. Comparing 2007 with last year, there were 449 accounts then, with revenue of \$248,000 vs last year with over 450 customers and \$226,000 revenue, so over time it appears there is increased awareness..

**QUESTION:** Has the Company estimated or determined how much reserve needs to be on hand for improvements or contingencies?

**RESPONSE:** The Company budgets capital improvements and replacements each year. Having 25% of the value of our assets as a reserve seems like a good idea.

President Garcia then asked Bob Busch to give a manager's report.

**Manager's Report** *Bob Busch, Manager*

Bob Busch asked how many people have lived in their home form less that two years. Approximated 10 people responded. He explained that the water system is very sound, with relatively new, well maintained equipment. He indicated that we have had higher turnover this year, with 41 customer transfers. The total number of customers has remained about the same, 465. There are about 500 lots within the subdivisions, so most have homes on them.

He reported that last year there were concerns about unaccounted for water. There were spikes showing on the daily recorder at the pump station and reports of unidentified tank truck in the area at odd times. The Board initiated an "adopt a hydrant" effort to indentify possible theft. Hydrants were tagged and monitored by volunteers to determine if they were being tampered with. No tampering was discovered. A bad component was found in the chart recorder that caused periodic spikes to appear on the recorder. All three well meters were replaced or recalibrated to insure accuracy. In the past 8-10 months, unaccounted for water has been in an acceptable range of 6-7%.

**QUESTION:** How healthy is the water table?

**RESPONSE:** The Operator's Repor showing the static level (distance to water) in two of the three wells was distributed. The levels have been dropping each year for the Glenshandra well. The Post Oak well has not dropped significantly.

**QUESTION:** Does the Deerfield accommodate only Royal Oaks?

**RESPONSE:** No. Each of the three wells are pumped to the storage tanks and water for all the subdivisions are drawn from the same tank.

Bob reported that the Company will begin emailing bills to customers this month. He encouraged attendees to consider signing up- on the website [www.gowaterusers.com](http://www.gowaterusers.com).

He said that the Company had experienced a close call with disaster in early June. A resident reported that the backup generator at Glenshandra has been running for several hours although there was no power outage. Upon arrival at the site, the Fann Environmental tech found that the building was literally full of water- about three feet of it. He called on Jim Muylle of Fann Environmental to elaborate.

**Operator's Report** *Jim Muylle, Fann Environmental*

Jim Muylle reported that Gary Regnier responded to the call, as he lives on Deerfield. He commented that a plastic fitting inside the building had failed allowing well water to fill the building. Gary had to pry open the door to evacuate the water. The only significant damage was a motor saver had to be replaced.

Jim also reminded attendees of an outage that occurred a few months earlier. A storm knocked the distribution wells off line and the communication system that should have reported the problem, allowing the tanks to drain and a loss of water in the system. The system was put back on line in a couple of hours.

President Garcia then reported on some Board activities. She reported that water loss issues seem to have been resolved. A fire hydrant on the corner of Live Oak Dr. and Granite Oaks Dr. that had been out of service for some time was repaired.

She reported that Bob Busch and Jim Peterson attended a seminar sponsored by Arizonans for Responsible Water in Flagstaff last fall, learning about the process and requirements of filing a rate case.

Valves in the system are being checked periodically to make sure they work. Residential meters are checked periodically for accuracy. All must be checked at least once every 10 years.

Insurance coverage has been upgraded to include acts of terrorism and cyber attacks.

She acknowledged the work done by Steve and Claire Hutt, engineers who live in the community, who reviewed the system made suggestions and prepared schematics and drawings documenting the controls.

The Board extended service to a customer outside the subdivisions, within the GOWUA service area. The customer paid the cost of extending the line to their property. The customer had been on their own well.

There were several questions concerning the Companies obligation to serve properties beyond our existing services. It was explained that the GOWUA service territory includes some properties along Granite Oaks Drive and beyond Williamson Valley Road. GOWUA is obligated to serve those properties (a dozen or so), if they request service and are willing to pay the cost of extending service lines to their properties. GOWUA is not obligated, (and may not be allowed by regulation) to serve properties outside the service area.

Gerry commented that paperless (email) billing is to start this month. If you've signed up and don't receive your bill, give MDI a call.. She mentioned that Auto Payment is also available for customers to have the bill paid automatically.

She reported that the Board has implemented change on the application for service for rental properties. Property owners will be required to co-sign for the account and be responsible for unpaid bills. The property owner will receive a copy of the monthly bill.

The Board has approved the repair/replacement of the sounding tube at Glenshandra.

**QUESTION:** Is the property owner responsible for the water bill?

**RESPONSE:** In Arizona, the property owner is not liable for the water bill. The customer (person on the account) is responsible.

Nextdoor.com: Two hundred people in the community have signed up. It is a useful resource for community residents. Gerry encouraged attendees to consider signing up.

### **Summary of Flagstaff Water Seminar.- *Jim Peterson***

Jim noted that the issue is very complicated and he would attempt to summarize. He indicated that the Board has been concerning about water conservation and the GOWUA flat rate for water use. The seminar was attended by many water companies around the area. We found that if we want to change rates, that must be approved by the state (Arizona Corporation Commission). Once the state gets involved, we have to justify everything, revenue & expenses & change in rates. We then lose control of what we do, and the state controls how much we make.

There followed a general discussion about the wisdom of having the state get involved in the companies operations. Comments were made about what might happen to the cash reserve account, and the likely burden the increased state oversight cause.

**QUESTION:** Is it a bad idea to charge low users a lower rate and high users a higher rate?

**RESPONSE:** No. The challenge is to avoid financial problems. The ACC attempts to make a change in rates revenue neutral. The purpose of the tiered rates is to reduce consumption. The challenge is to guess correctly the amount consumption will be reduced. If you overestimate the expected reduction, total revenue will go down.

**QUESTION:** What do you do if a well goes dry?

**RESPONSE:** A new well cost about \$450,000 a few years ago. A new site would have to be purchased and if a new well is located a mile or two from our pump site, a costly transmission line would be needed from the well to the pump station.

**QUESTION:** Is it possible to change from a non-profit to a for profit company and would the rules and regulations be different?

**RESPONSE:** It is possible to change from a non-profit to a for profit company. Either way, the company would be regulated by the Arizona Corporation Commission with the same set of regulations.

### **Presentation: Conservation Discussion - *Larry Dorrell***

Larry presented information about water use in GOWUA. He said he authored the letter that was recently sent to all customers. He said we provide water to 465 homes. He reported on usage for April, May and June 2015. He stated that in April, 41 customers (8.8% of customers) used 2.1 million gallons and averaged 51,800 gallons. One hundred sixty eight customers (36.5% of customers) each used less that 6,000 in April. The total use for those customers was 560,445 gallons. He reported similar numbers for May and June. He reported that for the months of April through June the highest user used 609,400 gallons.

He stated that we should be concerned about high use because of the drought conditions in our area and throughout the Southwest. Our Deerfield well has dropped 106 feet since 2000. He stated that we must do something about high use in order to avoid problems with our water supply in the future.

He said the Board should keep members better informed. Although each bill contains a slip summarizing water use, he said the Board should be providing members more information about what is happening with conservation, and should consider providing members with a list of the high users. (There followed some comments about whether the Company could legally provide that information.) Larry suggested that those who make effort in conserving be recognized for their achievement.

He also suggested that the Board seek outside counsel to inform the Board about what we can & can't do and what other companies and water districts are doing.

He asked for member input to the Board Members and that each member and their email address is on the handout.

**QUESTION:** Is there any reason that we couldn't put a cap on individual account use?

**RESPONSE:** If we put a cap on usage, everyone would have the same cap. Water restrictions would negatively impact public perception of the area and make it less desirable for people looking to move in the area.

There was a general discussion about the desirability of restricting use, capping consumption and imposing penalties for high use, with a number of attendees expressing support for the idea..

Gerry Garcia stated that the Board has been concerned with the issue of water use for some time. GOWUA is not alone with this problem. It is a statewide problem and some solutions will need to be implemented at that level.

*The was a discussion in response to questions about the Board's plan of action and about the attendees ability to vote on matters of concern. It was explained that the Board is elected by the membership to make decisions to operate the company. In order for business to be undertaken and decided at a general meeting of shareholders, a quorum must be present. A quorum is not present at this meeting, so it is an information meeting only. Suggestions and input may be given to the Board at this time. The Board might decide to place a given issue on a ballot for a decision by the membership.*

**Presentation: Water Issues: *Ken Janczyk- Citizens Water Advocacy Group***

Ken congratulated the attendees for expressing concern about all the issues he was going to cover. He stated that in order to get people to conserve, they have to believe it is necessary. He said it seems like some people don't feel it is necessary.

He gave some background and statistics about water levels and use in Williamson Valley, the Area and the Southwest. He reported that the average gallons per day per capita for Williamson Valley is almost twice the per capita amount for other communities in the Prescott AMA. He spoke about "what can be done" and "how can we do it?" in a 25 minute presentation. He stated that much information is available on the CWAG web site: [www.cwagaz.org](http://www.cwagaz.org).

There followed a discussion about the possibility of circulating a petition to provide input to the Board and about various consultants or legal counsel that might be available to assist the Board.

It was suggested that the membership be kept informed of actions taken regarding conservation.

The attendees thanked and applauded the Board for their work in managing the Company.

Gerry Garcia thanked everyone for attending and adjourned the meeting at about 10:55 am.