

ERDA ACRES WATER COMPANY, INC.

A Non-profit Company

P.O. Box 11

Tooele, Utah 84074-0011

Annual Shareholders' Meeting Minutes (Draft) 7:00 p.m. November 11, 2014 Erda Fire Station
Present: Gerald Brockbank, Kati Bromley, Elly Chaplin (via Proxy), Alan Clark, Scott Cluff, Jackie Cole, Teresa Cruzan, Allan Deware, Tom Isom, Ronald Mangelson, Jim Schmitt, Taylor and Celeste Skelley, Blanche Smith, Brian Townley, Aceneth Warner and Carl Wayland

- I. Call to Order: Alan Clark at 7:02 pm
- II. Ascertain Presence of a Quorum: Quorum present.
- III. Proof of Notice of Meeting: Mailed to shareholders on 10/28/2014 by Kati Bromley.
- IV. Approve Minutes from 2013 Annual Shareholders' Meeting: Minutes mailed to shareholders 1/10/2014 and 10/28/2014. Ron Mangelson made motion to accept minutes. Jim Schmitt seconded the motion. Vote unanimous.
- V. President's Report: Alan Clark

As a private/nonprofit company we meet all state and federal requirements. Alan Clark is our lead operator and we have four other operators: Kati Bromley, Tom Isom, Allen Deware and Gerald Brockbank. If any shareholders are interested in becoming an operator, the Company will pay for training. The next training is in February in St. George.

We are in good financial standing. We are growing with 187 current connections, most of which are occupied with a few homes under construction. There are only eight vacant lots in the current developments. There are two new developments approved by the board, one on Church road and one on Cochrane that will add a total of 36 additional homes. The developers cover all costs associated with hooking into our system for construction, water lines and passing state requirements. Our Company is reimbursed for time and costs for inspecting construction. With these new developments we will have about 230 reserved connections and our hydraulic model shows we can support over 450 homes with our current infrastructure.

Our Board has been very involved with excellent attendance to our Board meetings. We meet monthly except for July and schedule special meetings as needed. Kati failed to add Scott Cluff to the list of Board members. He has volunteered to fill a vacant position on the Board and has been working to get a Company webpage up and running.

Scott- The website is ErdaWater.com and it is currently under construction. One of our shareholders, Ryan Foster, is volunteering to design the webpage to allow for a calendar of events, updates and other Company communication.

There was a positive Coliform test at the school. Coliform is not harmful but used as an indicator of potential problems with the system. We test monthly for both Coliform and E. coli. If we get a positive test, there are steps outlined by the state that we must follow which includes five repeat samples: one at the previously positive site, samples upstream and downstream and at both of the wells. Upon re-testing there was another positive test downstream on Liddell Lane. Alan flushed the line heavily. All repeat testing was negative. The shareholders on this arm of the system (the school, Judy Minor subdivision and Autumn Cove subdivision) were notified of the positive tests. We do not currently need to regularly chlorinate our water but we have a system in place if we need to in the future.

Question- Ron Mangelson asked why the water is now so heavily chlorinated.

Alan- We had the tank cleaned by divers that entered the tank. The hatch to the tank had to remain open for a good part of the day while this was done. It has been 5 or 6 years since it was built and had not had a cleaned since. The chlorination was added a .8 ppm as a precaution.

- VI. Treasurer's Report and Presentation of 2014-15 Budget: Blanche Smith

The Profit/Loss summary compares our budget from last year to our actual income/expenses. We took in many more connection fees than budgeted, however, as part of the loan by the state we have to pay \$3000 of each fee to the back of our loan. This fiscal year we made two of these payments, one last November for the previous year and one in October for fee collected this past fiscal year in order to make budgeting for this

easier. We have also kept this money owed to the state separate in our reports so it is not viewed as operating funds. We fell short \$7,604.86 on collecting the water service base from our budget. With the additional contract fees we had more hook-up fees than expected.

We had budgeted for a part time operator and had not used all the funds allocated. We spent additional project funds to upgrade the SCADA system that allows for remote operation of the wells and monitoring of the system. We ended the year with a net loss of \$6,879.21.

Proposed Budget: Projected income adjusted to accommodate growth from last year. We are planning for twelve connection fees/hook-up fees. The hook-up fee has been changed to \$1000 dollars from \$500 because in the past the developer has been supplying the meter. Going forward, we will be stocking a few meters and as part of the new fee providing them to the builders to make sure that the correct meters are used.

The loan payment increases each year. The Board voted to increase the pay to our Operator and the Bookkeeper. We have added another Company phone that Blanche will carry as the Treasure/Bookkeeper.

Gerald Brockbank made motion to accept budget. Scott Cluff seconded his motion.

Discussion-

Taylor Skelley expressed concern about raising the projected base income where we fell so short last year. We used 180 connections to calculate the base. We currently have 187 connections but not all paying base because they are not yet using water. For last year, some of those that have paid connection fees have not yet built on the properties; also some of the homes were under construction for part of the year and had not been paying monthly fees. This discrepancy could also be from outstanding accounts receivable for this past month.

Teresa Cruzan asked with Lake Point and Stansbury becoming their own cities, how will it affect us? This will not affect us. We are a private company. We only service those who we choose to take on. The only way this would change is if we sell the company. We have good water rights and the state would like to see us become a hub of sorts to bring on more homeowner in order to reduce the amount of homeowners with wells and septic on the same lot but we do not have to.

Jackie Cole expressed some concern about bringing on additional homes because she has experienced a decrease in water pressure over the past year. Alan will look at the meter at her house to see if something is restricting the flow. We should not be experiencing reduced water pressure. Occasionally we have seen plastic debris from construction get stuck in the meter or a pressure regulator not function correctly leading to reduced flow. According to the hydraulic model, we can support more than 450 homes and that includes the additional fire requirements that are already accounted for the school because it is a commercial type building.

How do our rates compare? When we first established our rate plan we looked at other companies like our own but there are few. We also looked at company expenses. We have not had an increase since we put the tiered fee schedule in place which is unusual. The growth that we are experiencing is helping with that for now.

Does it need to be tiered? Yes. That was part of the state's loan requirements to encourage water conservation.

Vote on budget: unanimous.

VII. Late Payment Policy: The Board has adopted a new late payment policy that will give homeowners a two day notice of shut off who are 90 days past due. If water is shut off to the property, the homeowner will be required to pay what is due as well as a \$150 reconnection fee. The county will be notified of the shut off and may require the home to be vacated.

VIII. Election of Directors:

- a. Position held by Kati Bromley
- b. Position held by Scott Cluff
- c. Position held by Brian Townley
- d. Position held by Blanche Smith

Scott Cluff nominated Kati Bromley and Blanche Smith. Blanche Smith nominated Scott Cluff and Brian Townley. Kati Bromley nominated Celeste Skelley. Scott Cluff has withdrawn. Gerald made motion to cease nominations. Tom seconded. No vote needed. Position to be filled by Kati Bromley, Blanche Smith, Brian Townley and Celeste Skelley.

IX. Adjourn: Scott made motion to adjourn at 8:25 pm. Blanche seconded. Vote unanimous.