

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
January 05, 2010 Meeting Minutes

Approved

Those Present:

Board Members

Bill Meyer, President
 Jimmy Stoner, Vice-President/Secretary
 Tom Sullivan, Treasurer
 Curt Anderson, Director
 John Payne, Director

Contract Staff

Chris Williamson – Water System Operator

Member Guests

Russ Hubbard	Dayne Taylor	Leo Sullivan	Harvey Roberts
Chris Stoner	Shirley Leasure	Eileen McGowan	Skip Reid
Clint Poteet			

1. Call to Order – This a special Board meeting set some months ago to install the new Directors and elect the Board Officers for the year. The meeting of the ICRWUA was called to order at 9:02 A.M. by Bill Meyer.

2. Election of Officers.

Motion: Jimmy moved to nominate Bill as President, seconded by Tom with 3 ayes cast.

Motion: Tom moved to nominate Jimmy as Vice President, seconded by John.

Discussion: Jimmy indicated he preferred to remain as Secretary. There was a discussion about holding two positions on an interim basis while the new Board members became familiar with the operation of the company. Jimmy agreed to the nomination of VP. Vote was called for with 3 ayes cast.

Motion: John moved to nominate Jimmy as Secretary, seconded by Tom, with 3 ayes cast.

Motion: Jimmy moved to nominate Curt Anderson for Treasurer. Curt indicated he did not have related business experience.

Discussion: Under current conditions with the Treasurer approving all invoices, Bill recommended he provide backup to the Treasurer during a transition period. Tom agreed to give it a try.

Motion: Jimmy moved to nominate Tom Sullivan as Treasurer, seconded by Bill and approved by all.

3. 2010 Budget

Bill prefaced this discussion and commented that this meeting was called as a working session for the Board. As such, the Board will entertain on-point comments from the membership regarding the topic at hand. Raise your hand, get recognized, give your name and pertinent question or comment.

Bill received no written comments to the Budget which had been prepared by Bob Busch, discussed initially on 12/12/09 and distributed to the new Board members. Bill had offered a revision to the budget. Jimmy commented the Lake fill \$’s appear low. Bill agreed the number should be \$35,000. Jimmy also wanted to point out that the Cash Flow analysis does not consider any depreciation or accumulation of any reserve. This is a rosy cash picture but we’re sitting here hoping nothing breaks. Any unplanned infrastructure or capital expenditure comes directly out of cash.

Tom asked if we had a line of credit. Bill advised we did not, expensive to obtain and not being considered.

Bob's budget did present depreciation but didn't have pond filling. Bill's cash flow analysis was to show we would not be losing money. We do have an opportunity to go for an emergency rate increase this year but we need to show "red ink", which we don't appear to be able to justify. Filling the new TRGC Storage Lake will give us an influx of cash early this year but then normal golf course water use during the year. Bill recommended prior to the 1/26 meeting Bob's 2010 Budget spreadsheet be updated with Bill's adjustments. There was a general discussion of monthly TRGC ground water use which is approximated in Bill's #'s. Dayne Taylor commented that the golf course is receiving about 1.2 million gallons of effluent per month, about 14 million gallons per year. Bill added that TRGC ground water useage has been reduced to about 92 million gallons per year through conservation measures which have been implemented by TRGC.

Action Item: Treasurer will update the 2010 Budget Spreadsheet with adjustments discussed and any comments received from the Board members. Discuss on 1/26/2010.

Question/Clarification from Tom: ACC will not allow us to retain money for emergencies? Bill advised the ACC allows us an operating budget with up to 15% margin. However, our rate request in 2007 was based on 2006 financial data, containing minimal plant infrastructure, which was then used as the basis for determining our "new" rates starting in the middle of 2009. We have added over \$5 Million in infrastructure on the TRR side and the rates do not allow any accumulation of funds to account for this. The company has never collected enough money to build up a reserve and we're in a worse situation now. The ACC does not allow us to have a reserve account. If we had it, where would we hold it on the books? Not clear.

General discussion of the rate case and associated costs ensued. Bottom line was it cost the company about \$300,000 right out of our cash flow.

Dayne Taylor asked if the Magner water tank repairs were in the 2010 budget? We'll look into it.

4. MDI's Audit Response

We had a Financial procedural audit conducted for the 2007 and again for the 2008 year. MDI is our accounting firm in Chino Valley. Some procedural issues were identified in the 2008 audit. MDI was provided a copy of the audit. We wrote and delivered a letter to MDI discussing the issues. MDI had 14 days to respond. They responded with a letter and we need to discuss some clarifications with respect to their response. They were specific on one procedural issue. However, the remaining responses were not direct and conclusive. They didn't state clearly how they would operate in the future, minimize corrective actions and be clear on any action they take. They need to have an easily understood paper trail for actions they have taken. Jimmy stated MDI should not have gotten defensive, discussing tax period workload demands, or trying to blame others, or other circumstances, as they've done in the past.

Harvey Roberts, as a member of the Finance Committee, joined the Board in this discussion. He asked about the resolutions of issues which had surfaced earlier regarding errors in many of the previous monthly financial reports. Bill explained that we had met and discussed these issues at length with MDI. Mistakes had been made, they errors have been corrected and it was agreed they would create "journal entries" for each month where corrections were made so it was clear to anyone who examined the 2009 financial data. i.e. a procedural audit of the 2009 year. We were provided "all" journal entries for the year but need to revisit the specifics with MDI.

Harvey asked what oversight the Board has over MDI. Bill explained Bob's role in the past was reviewing and approving all invoices. Currently, all invoice are reviewed by aQuality (consumables, etc.) or the Treasurer. All routine monthly invoices (rent, phone, APS. etc.) are just paid. Non-routine invoices and MDI invoices (these are broken into routine tasks per the contract and non-routine expenses beyond these tasks. Routine are to be billed within the current month and non-routine the following month.) are circulated for review/approval. Bill feels the new Treasurer should continue these reviews and approval process.

Bill stated he felt the new Board needs to evaluate MDI performance for the past year, their proposed remedial actions and discuss whether we feel it prudent to investigate a different financial firm in the future. In the discussions with MDI, comments regarding the Audit and exchange of letters, we feel their responses remain deficient and they are not as forthcoming as we feel they should be.

Jimmy suggested the Finance Committee focus on the MDI issues, consider alternatives and make a recommendation to the Board on a plan to evaluate other financial firms to potential replace MDI for financial services. The Board was in agreement to develop a plan to evaluate other firms.

Dayne Taylor suggested we contact Constance Penny for a recommended list of things we should consider when evaluating other firms. Bill asked Dayne what they did to find a new financial firm which Dayne briefly explained. They concluded, based on their search, there was a limited number of financial firms in this area which had expertise with small utility needs.

Tom asked about software supporting billing/accounting need and Dayne confirmed the proper software, adequately configured, is a key element.

Bill requested each member of the Finance Committee (the Board and Harvey Roberts) send potential dates for holding a meeting to discuss this and a couple other Board pressing issues. All agreed to send potential dates.

5. New Water Company Manager

In early November, a few days after Bill became president, Bob Busch gave Bill essentially a month's notice regarding his retirement effective 11/27/09. Bill has Bob prepare a list of his duties which Bill distributed to all of the Board. We need to discuss/decide where we want to go about a new manager. Many of these tasks have been picked up effectively at incremental additional cost by MDI and aQuality. Many small water companies have the system operator company typically run the water company.

Curt asked what a manager would cost us. Bill advised it cost us roughly \$20,000/year, which is what is in our budget. Curt observed we are stuck with muddling along with the Board picking up some of the administrative tasks. We're doing our best in try and make sure things don't fall through the cracks. Jimmy observed he felt there are clerical tasks which need to be attended to on a regular basis. But both Jimmy and Bill said they didn't have a handle on the tasks which we would need to identify and quantify over the next couple of months before we could attempt to hire someone to attend to. At this point, it appears to be mostly clerical in nature. The Treasurer has also picked up the task of approving invoices not reviewed by the Operator. This is not a significant task.

Action Item: Bill send directors the old manger's contract to review and comment.

The other task we need to stay on top of is following through with the ACC on the 10 Best Management Practices (BMP's) we've submitted to the ACC. We think a Committee needs to be established to take on this task and report to the Board on a regular basis. Bill recommends we create such a committee.

Motion: Jimmy moved to form an ACC Compliance Committee. John seconded.

Discussion: General agreement the committee is needed. Bill has discussed this with Larry Bligh and he is interested. We should get his opinion on what he would like to see for the committee. Bill to contact Larry. Vote called, unanimous approval

**Action Item: Jimmy will get the BMP package and will contact Larry.
Bill will followup with the POC at the ACC.**

6. Board Sub-Committees

Architectural Review Committee (ARC) – The previous Board submitted a draft By-laws amendment #6 to be reviewed by the attorney's. It establishes ground rules, consistency with their established guidelines following the CC&R's and establish a more formal relationship between the ARC (ICR Lots 1 through 180) and the ICRWUA Board. The Amendment requires the ARC to routinely report to the Board. Eileen McGowan has volunteered to represent the ARC to the Board. The CC&R's, which essentially cannot be changed for 25 years, tie the ARC to the ICRWUA.

Dayne Taylor – Are you planning on picking up with the Committees which were established in 2009? Bill advised that some committees concluded their work. Jimmy stated he felt the Policy, Finance, Operations and Asset Committee should be retained and continue to address on-going activities. Bill agreed. Jimmy also suggested establishing a Committee to retrofit the old pump house for ICRWUA multi-purpose use.

ICR Pump House Retrofit discussion – a tour was conducted last month. Prior to addition of the WC pump station and storage tank on the hill, the ICR pump station distributed the water to ICR development residential users. It contains a couple 5000 gallon tanks and 5 - 8 pumps for water distribution. The building is estimated to be about 500 square feet. Clint Poteet suggested Brown Tanks in Phoenix may purchase and remove the tanks. We could perhaps salvage the pumps, or retain for a backup capability, and cleanup and skin the interior walls. The building could then be used for storage and perhaps used for a meeting location. We should a group investigate alternatives and have the committee propose alternatives to the Board. Right now, the building is sitting there as an unused capital resource.

Motion: Jimmy moved to form a Committee to investigate retrofitting the Grey Bear Boost Station. Tom Seconded

Discussion: Bill suggested the committee looking at the fence for the Whispering Canyon boost station may take on this task. Jimmy favored a standalone activity to address pumps, tanks, cleanup, water line to Magner tank and even the power line to Magner tank. Bill agreed this made sense.

Vote called and motion passed unanimously. Tom and Curt will form the committee and advise the Board of scope and committee member makeup.

Chris Stoner asked what about Bob Busch filing annual reports with the ACC. Bill advised annual reports will be addressed along with the other reports/tasks which needed to be filed. aQuality will be filing reports with ADEQ.

Dayne advised that past ICR annual reports can be found on the ACC Website.

7. Billing Cycle?

Since we now have "Tiered water rates", Jimmy recommended we investigate establishing a meter reading schedule for the year which we can distribute to the members. A schedule close the every 30 days is desirable. Bill pointed out that the ACC does not require 30 days; they have a window of something like 28 to 34 days. There was agreement, due to the tiered rates, we should do our best to schedule readings to avoid people getting bumped to a new rate, if possible. We need to check on meter reading days. Can the meters be read on 6 days during the week or are weekends and holidays not available to read the meters. aQuality reads the meters and we should discuss a potential schedule with them and MDI deadlines for preparing and sending the monthly bills to the customers.

Action: Jimmy discuss meter reading with Chris Williamson

8. Lake Completion Date?

Status not known due to weather related delays. Bill will check with Clint for the estimated completion date. It was the general understanding in the meeting that TRGC needed to advise the ACC when they have

completed the storage lake. They sought no relief on the 12/31/09 completion date so we need to be prepared in the event the ACC contacts ICRWUA regarding the status.

Closing Comments from Bill:

New directors encouraged to print out the Amended and Restated Water Service Agreement, dated 12/03/2008, which is the agreement with Harvard governing the water company relationship with them. Our Bylaws are vague in certain areas but we should establish our policy be that every decision required by the Board needs to be voted on by the entire Board at regularly scheduled Board Meetings. No Committee can make a decision otherwise. Bill's belief is the President should not have the latitude of acting as a CEO, but should be exercising the authority given by the decision of the Board. Likewise, the expenditure of funds should be as directed by the Board with the sole exception of emergencies which within existing Board guidelines.

Also, the new Directors should read the most recent ACC Decision 70977 and discuss any items needing clarification. This is the decision we must meet in running the company. (It would also be useful to read the previous Decision 64360).

Finally, we should schedule an Infrastructure trip to visit both water systems. Please provide dates where you would be available to tour the facilities with the system operator. Jimmy commented how beneficial it was to him when he came on the Board this past year. Curt asked if there was a schematic diagram available. Jimmy stated no. Jimmy said he ran across a couple drawings in the files which may be helpful to get a feeling for the scope of the territory. Dayne offered to show people the Sanitary District master map.

Procedural Comment. Last Board held firm to adjourning the Board Meeting before entertaining any Public Comment. Bill feels for our small, neighborhood water company participation from the members when they are pertinent to the discussion at hand should be allowed. Also, what goes into the record should be everything from the entire meeting. Jimmy stated he felt the Public Comment session should be conducted prior to adjournment of the Meeting. Bill commented that we conduct the meetings following Roberts Rules of Order. One person is recognized to have the floor, provide their comments and relinquish the floor to continue the discussion. We should recognize persons from the audience and include their contribution in the discussion.

Public Comments:

Dayne Taylor – Establish a requirement for a new Accounting service to have a dedicated phone line so calls are recorded during off hours.

Dayne Taylor – Would it be appropriate for an Engineering firm to review and provide recommendation regarding de-activating Gray Bears Boost Station vs retaining it as a backup capability.

Harvey Roberts – Minutes are not consistently being posted on the Website. We will attempt to make a better effort to get these posted in a timely fashion. Jimmy will provide draft minutes to the directors, within a reasonable period any comments are incorporated and we get the draft posted on the Website.

Shirley Leasure – File, etc. located at the Gray Bears facility consist of what? Jimmy/Bill commented the documents range all over the park. Bill of Sales, Invoices, etc., etc.. Jimmy recommended a group get together and systematically organize and categorize the documents when there is space to do the effort and the weather cooperates.

Jimmy Moved to adjourn at 11:30 a.m.