

**ICR WATER USERS ASSOCIATION**  
**Board of Directors Meeting, Talking Rock Ranch House**  
October 27, 2009 Meeting Minutes

Approved

**Those Present:**

**Board Members**

Hugh Pryor, President  
 Hal Lobaugh, Vice-President  
 Bill Meyer, Treasurer  
 Jimmy Stoner, Secretary

**Contract Staff**

Chris Williamson – Water System Operator  
 Bob Busch - Manager  
 Bruce Eldredge - MDIFS

**Member Guests**

Dayne Taylor	Chris Stoner	Gene Leasure	Shirley Leasure
Jeri Fite	Tom Sullivan	Virginia Hilkemeier	Marless Taylor
Jim Fite	Russ Hubbard	Pat Carpenter	Eileen McGowan
Harvey Roberts	Chuck O'Brien	Bob Steffensen	Peggy Stair
Leo Sullivan			

1. **Call to Order** - The meeting of the ICRWUA was called to order at 9:00 A.M. by Hugh Pryor.
2. **Review Minutes of the September 22, 2009 Board Meeting.**

**Motion:** Jimmy moved to waive reading of the September 22, 2009 minutes, Bill seconded; motion carried.  
**Motion:** Jimmy moved to accept the 9/22/09 Minutes as corrected; Bill seconded; motion carried.

**Motion:** Jimmy moved to waive reading of the public comments of the meeting of September 22, 2009; Bill seconded; motion carried.  
**Motion:** Jimmy moved to accept the public comments of the meeting of September 22, 2009; Bill seconded; motion carried.

**3. Reports**

- a. **MDIFS Report** - As Dee was not present, Bob Busch reported on the following items:
  - **Delinquency & Shut Off Notices** – All September Notices have been paid current. 17 Notices of Delinquency were sent out last month. Seven were paid in full; seven remain unpaid. There were 3 partial payments made.
  - **Member List** – Dee reported that she should have the parcel numbers completed by the end of the month.

Bruce Eldredge handed out a memo to the Board, and discussed the following concerns of Bill Meyer:

(a) Bruce discussed cash vs. accrual method of reporting. MDI uses the cash method for the IRS and the ACC. They understand that the Board wishes to use the accrual method. If accrual method is used for the Board, there will be extra work involved for MDI, which would significantly increase their monthly fee.

Jimmy asked Bruce if he intended to go through his entire memo during this meeting. Bruce answered that he did. Both Jimmy and Bill felt that a separate meeting should be held with the Board and MDI, and then

report back to the community in a future Board meeting. Bill asked Bruce if he was charging the Board for his appearance at this meeting, at which Bruce said yes. Bruce's concern over delaying this issue to a future meeting is that MDI's billing has not been approved, and he wants to get paid. Bruce then agreed not to bill for this meeting. The Board will call Bruce to schedule the meeting.

**Motion:** Jimmy moved that this topic be delayed and given to the Finance Committee to address this issue; Bill seconded, and added that MDI should not be paid for Bruce's attendance at this meeting; motion carried.

**Action Item: The Board will call Bruce to schedule a meeting.**

### **b. Operator's Report**

Chris reported that Molly Way has been run at its designed rate, and now back to serving as back up for back up, and that 50 gallons a day is running through that entire plant. He advised that they will be coming up with some sort of exercise program to keep things healthy. He said they can run the high pressure side backwards into the system simply by shutting off the boost station at the front gate. The larger skid becomes a problem in that the only way to get enough flow to run fire pumps and such is to actually just throw the water up in the air and lose it. A 10 minute exercise cycle once a month would be minimal. Chris thinks that the tank stirring idea modified the original return line to the tank from that skid such that we can't use it to exercise the skid. Chris will see if he can come up with the original plans for the return line.

The ultrasonic flow meter in the main boost station is up and running.

Chris is still collecting prices to wire in generator plugs at Talking Rock. He believes he'll wind up with four. One company in Cottonwood claims to keep that size and shape generator in their parking lot for emergencies, so the Water Co. may want to contract with them.

Chris advised that we now hold about 150,000 gallons in the Molly Way tank, and that it is about half full. Hugh asked if we should re-think about how much water we put in that tank because that tank has emergency power on it. Chris advised that that would mean that the water would sit in the tank for quite a long time unless an exercise program could be used to circulate the water. Chris thinks that a good solution the recirculation problem is to take water from the boost station itself to the fire plug, 50 feet away, and then back to the tank, either by use of a hose or installing 20' to 30' of 6" line.

Chris is redoing today one lead and copper home sample from the last batch. He believes it was taken improperly and the result was high enough to cause ADEQ to call him. Hal advised that he took the sample, and he advised that he ran the water for awhile, but since the homeowners are part time residents and only drink bottled water, so it probably wasn't a good sample. Chris is retaking the one sample as it was written on the sheet. Jimmy asked if this sample has to be taken at the same house. Chris advised that he believes it should be the same house, and that he will run the water for several hours before he takes the sample. We would expect an answer from ADEQ in a couple of weeks.

Jimmy stated that the above two items should be addressed by the Operations Committee. Hugh agreed with this. Hugh asked Chris to work with the Operations Committee to put together a plan for water storage and how to re-circulate the water.

Hal discussed permits, and that a lot of the systems are included in the Talking Rock development phases when they clear them for permitting, and wanted to know if this was true. Chris wasn't sure about this. Hal then discussed the Shepard-Wesnitzer proposal, and asked Chris his opinion on it. Jimmy advised that at the last special meeting, it was suggested that the Water Co. approach them to see

what it would cost to do an entire Talking Rock water system map. Jimmy agreed that it would be good for Chris to review this and give feedback. Chris responded that he thought it was a good idea. Chris stated that it would be excellent if it were in the same shape and format as the CivilTec wastewater master plan.

With regard to the valve exercise program, 50 or 80 valves at a time are being done. Bob stated that all the testing be documented as to date, place, etc., so that the Water Co. can provide this information to ACC. Bill stated that it would be good if this information could go into the Board Minutes.

Chris advised that three hydrants in TRR were out of service, and Clint Poteet is having them repaired this week. The gasket was put in incorrectly on one, a riser was put in incorrectly on another, and the brass valve is being replaced on the third.

Hugh asked Chris if he had done any checking on the new meter at the booster station. Chris advised that it's only been functional for about two weeks, so it will be recorded as part of the meter read this time.

**Action Item: Chris to see if he can come up with the original plans for the return line.**

**Action Item: Chris to work with Operations Committee to work on the generator and Molly Way water storage and re-circulation issues.**

#### **c. Financial Reports (September)**

Bill asked that the financial reports be tabled until issues are resolved in the meeting with MDI.

**Motion:** Bill moved that the Board defer the consideration of the financial statements of July, August, and September to the next meeting; Jimmy seconded; motion carried.

Bob discussed the cash flow for the month of September: Our checking account balance as of August 31 was \$81,880.84. Our checking account balance for September 30 was \$108,294.87. We received \$67,940 in bank receipts, of which included the \$5,000 close-out of the CD from National Bank. There were no capital purchases during the month. There were \$30,064.08 in expenses, \$3,227.85 in sales tax, and \$3,692.62 in repayments to developers, plus the \$4,491.79 to Snell & Wilmer. Our net increase in cash from last month was \$26,414.03.

#### **d. Manager's Report**

Bob reviewed the following items:

**System Operations: Water Audit** – The September report shows the TRR system with slightly more water sold than pumped. The difference is less than .4%. On the ICR system, there was 219,000 gal. unaccounted, and that the boost station meter shows 100,000 difference from the wells and about 100,000 from what was delivered.

#### **Bills of Sale:**

**Talking Rock:** The Bill of Sale for the Molly Way pump station was executed on October 21. A compliance filing was sent to the ACC on October 22 or 23.

**Whispering Canyon:** Bills of Sale for Phases 1-4 were executed on October 19 and recorded with the Yavapai County Recorder on October 21.

**ICR Power Line Utility Easement** – The Consent to Assignment of the License Agreements for both the Whispering Canyon section and the ICR section of the power line have been granted by the Western Area Power Administration. ICRWUA now has the legal right to maintain all its water lines located anywhere within the power line easement. Bob advised that he needs to get signatures from both developers in order to record the easement.

**Action Item: Bob will get signatures from both developers and then record the easement.**

**TRR Building Insulation** – The low bidder was contracted to complete insulation of the 5 buildings. Work was completed on October 17, at a cost of \$4,782.68.

**ACC Compliance** - The ACC will consider ICRWUA’s request to extend the deadline for completing transfer of all Talking Rock infrastructure at an open meeting on October 20. The Commission is expected to approve the Staff recommendation to grant an extension to December 31, 2009.

**2010 Budget** – A draft operating budget for 2010 was forwarded to the Board for review.

**Generator Maintenance** – Bob contacted AGM and Gen-Tech for proposals to perform annual maintenance on the two diesel generators. The AGM proposal is for \$2,500 and the Gen-Tech proposal is for \$3,942.25. Bob and Chris suggest that the Water Co. not do an annual contract, but contract with Gen-Tech to do a one-time test on the two generators, which will cost approximately \$2,000, and then consider later on to have AGM do the maintenance.

**Motion:** Jimmy moved that we authorize Chris and Bob to get Gen-Tech to baseline the two emergency generators up to \$2,000 and test them; Bill seconded; motion carried.

**ICRWUA Sign** – A sign for use at the next Talking Rock “Green Fair” has been made up for a cost of approximately \$50.

**TRR Well Field** – The well field property was transferred to ICRWUA in the summer of 2009. Harvard will prorate the 2009 taxes and forward a statement to ICRWUA for reimbursement of its share, which ICRWUA should receive in the next few weeks. The Water Co.’s portion will be about \$25.00. Bob advised that TRR is working on the Bill of Sale.

**2010 Budget:** Hugh discussed the proposed 2010 budget. Hugh asked the Board to review Bob’s preliminary 2010 budget and offer comments. Bill will set up a meeting with Bob and the members of the Board to review the proposed budget. Hugh commented that in 2011, the Water Co. will have completed paying Snell & Wilmer, and completed repayment of past due amounts to developers. There was discussion of our low cash flow margin and our ability to go to the ACC for emergency rate increase in the event we project going into the red.

**Action Item: Bill will set up a meeting with Bob and the Board members to review the proposed budget.**

e. **10/12/09 BOD Special Meeting** – The following issues were discussed at the 10/12/09 BOD special meeting:

- Hugh advised that at the special meeting, the Board resolved the asset issues. Jimmy discussed the permit issue regarding the upgrades to the building, as well as whether we have permits on record for the buildings themselves when they were originally constructed. Bob advised that he went to the County, and found out that the Molly Way boost station had a permit, but it was almost impossible to determine whether the other buildings had permits. Kathy of the County

attempted to track down someone at the County that was around at the time of issuing the original permits, and when this person was conferred with, he indicated that his impression was that Harvard was told that permits were not required. Jimmy is concerned that the County may come back at some point in the future and require an inspection of the buildings. Bob also advised that he called the County regarding the work of insulating and sheeting the buildings. He was told by the County that a permit was not required for this work (They conferred at the county with Jack Judd). Jimmy suggested that the Asset Committee have a meeting to discuss getting a paper from the County that states that no permits were required for the modifications to the buildings.

Jimmy suggested that we have Asset Committee schedule a meeting to discuss their options for getting the County to issue paperwork stating that the Water Co. does not need permits to do the modifications to the buildings.

**Action Item: Asset Committee to schedule a meeting to discuss their options for getting the County to issue paperwork stating that the Water Co. does not need permits to do the modifications to the buildings.**

- Improvement values recorded with the well field land, and Bob reported that the value for TRR was \$30,000.
- Boost stations located on plot maps in our possession. The buildings are located on an easement in the subdivision. None of these are done very well.
- Insurance coverage: The Company has 2.9 million in property coverage, 3 million in liability, and 7 million in excess liability.
- WCC pump station fence – Bill and Jimmy to meet with ICRSD to discuss plan to correct this. This still needs to be scheduled with ICRSD.
- File cabinets which contain Company records – It was discussed that the current location where the records are kept at the old ICR pump station is not ideal and that another location needs to be found.
- Molly Way pump station acceptance. Repairs were in process at the time of this meeting
- Whispering Canyon asset status and acceptance
- License Agreement – We have received the license agreement.
- Composition of installed costs, which is an action item that Jimmy took with the ICRSD. It has been concluded that the Company will never know, due to the following: Part of the time, the developer puts in his request for bid and specifies what goes in there, and in some cases, the contractor himself identifies what goes in there. In the case of Whispering Canyon, the contractor that did the work is out of business. Jimmy advised that it's clear that all costs were paid, but the details are not clear.
- MDI contract and billing – Hugh deferred to next month after the Board's meeting with MDI.
- ARC/ICRWUA Committee – They are working toward a solution to the status with the Architectural Review Committee.

- Policy book status – There is a draft out for comment, and Jimmy is going to follow up.
- 2009 Board Election – Nomination forms will be delivered this week.

#### **f. Committee Reports**

- Asset Transfers - Hugh advised that both the WCC and TRR assets have been transferred. The water company now owns all of the infrastructure. There are no other assets to be transferred to the Water Co..

Jimmy discussed the Molly Way pump station transfer. He stated that Hugh sent an e-mail to provide status to Molly Way, and asked people to respond whether it was acceptable to accept it and sign off the Bill of Sale. He saw an e-mail from Hal and Jimmy sent an e-mail back, saying that he felt the Company needed more detailed documentation on what had transpired over the last year relative to getting Molly Way in a condition so that we could accept it, and that we needed documentation to support everything that had been done. We needed to address extended warranty on items that had been repaired or replaced.

Essentially, that e-mail was ignored. The three TRR directors voted to accept the infrastructure. The Bill of Sale was signed, they were filed, and a compliance memo was sent to the ACC. This Board had an agreement that for these matters, we would bring them before the Board, we would discuss them in the Board meeting, and make a vote to do it. This action was done in deference to our policy and in deference to Jimmy's recommendation to provide additional detail on everything that had been done on Molly Way prior to acceptance.

Jimmy stated that he felt it was unconscionable and wrong. I think the Directors who voted to do that ignored their fiduciary responsibilities, and I think we, as ICRWUA members, need an explanation. It needs to be documented. Right now we have a system that took nearly a year to get operating. He also stated that in spite of the fact of what the WSA said and in spite of the fact that the Company applied for an extension, this was done and signed within a three week period. This is wrong. I believe the members are due an explanation why this was done. Are we going to get the documentation package that we need.

Hugh replied that he agreed with Jimmy relative to the documentation. Hugh also stated that we need to sit down with Chris W. and other parties to recreate the documents. Jimmy suggested we take an action for the Asset Committee to do that. Hugh also stated the Board was provided a pretty thorough explanation of what transpired which could be put in the record. Jimmy stated that he has a problem with taking a vote, not in this Board meeting, for 1.3 million dollars worth of infrastructure. Female unsolicited remark from the audience: "Amen"

Hugh stated Jimmy's comments would be in the record.

Female unsolicited remark from the audience: "Isn't that generous."

Hugh confirmed with Chris W. that the system is underutilized and operating satisfactorily. Jimmy asked for confirmation that there were two (2) unoccupied residences being serviced by the system. It was further clarified there were two hook ups with the same developer for different parties but that both houses had been re-possessed by lenders.

**Action Item: The Asset Committee to get together with Chris to get documentation on all repairs, replacements and testing that have been done at Molly Way.**

- Operations Committee – Bill advised they will be conducting an air test of the TR well fields again per the Water Agreement with TR. The test is scheduled for Friday, November 13, 2009, at

10:00 a.m. Talking Rock parties are welcome to attend. We have to the end of September, 2010, to complete our air testing within the terms of the WSA. Now is a good time to sample the well field.

- ARC Resolution – Bill advised that ARC and the sub-committee has been meeting to create new By-laws that make sure that the ARC is working within the constraints of the Lots 1 through 180 CCR's. The sub-committee has produced a new set of By-laws and is meeting tomorrow for a final meeting to review and revise the By-laws. Within one week, the By-laws should be sent to the Board for their review.
- Finance Committee – We will meet in the near future.
- Board Policies - Jimmy sent out the latest version of cleaned-up sections of the Policy Book. No comments have been received by the TRR members of the Committee. Hugh asked about contacting the TRR members?  
Dayne Taylor spoke from the audience: “Yes”  
Hugh will contact the TRR members of the Committee to ask for comments.

**Action Item: Hugh will contact the TRR members of the Committee to ask for comments.**

- WSA Implementation, ACC Order 70977 Compliance – Hugh discussed the changes in the Implementation, ACC Order:
  - There is a change on the transfer of the well field – the sketch that is attached to that deed and/or Bill of Sale needs to be revised, which is in process with Kim and Bob.
  - Transfer of infrastructure - Compliance filing was sent on 10/22.
  - Recorded deed restrictions on remaining four acre parcel where the well field is located
  - Easement was recorded which allows TR Land access across the well field
  - Storage pond – The storage pond is getting close to completion, expanded surface area but not as deep as planned, which should be done in mid-December. Bill stated that since the lake was 5 acres of surface area, the maximum evaporation loss would be 5 foot per year, per acre. Hugh advised that there are several benefits to having the retention: It will level out the Company's cash flow because pumping will occur year round at a more level rate

#### 4. Old Business

a. Review Action Items – Bob reviewed the action items. All action items are complete, except the following:

1. Chris to have Fire Dept. check fire hydrants – Chris advised that this is an “ongoing” process.
2. ICRWUA to contact Cole Johnson to obtain or assure ownership traceability for ICR parcels on the power lines deeded to Yavapai County to verify appropriate access easements.
3. Contact Cole Johnson to obtain ownership traceability to ensure proper access easements for ICR.
4. Bob to work on getting well registration at Long Meadow Ranch straightened out.
5. Chris to obtain more bids and install an emergency power switch at the TR well site.
6. Bob to call Empire regarding estimates regarding open purchase order.
7. Chris to get estimates for the cooler at front gate.
8. Bob arrange to have Harvard re-record the Bill of Sale with an updated sketch, including all five buildings, and a reference to the access road easement. Once a new Bill of Sale is obtained, it will be docketed with the ACC to update the earlier filing.
9. Bill and Jimmy will meet with ICRSD regarding encroachments of fence.
10. Bill to meet with Operations Committee and include EOP's within its scope.

11. Bob to coordinate election process with Jimmy and Hal.

b. 2009 Election of Board Members – Bob has prepared a Notice to go out with this week’s billing. The deadline for nominations is November 18, 2009. The nominees are required to send a short bio with their nomination. The votes are to be in by December 21, 2009, at 9:00 a.m. The Board discussed having people from each neighborhood, independent of the Board, count the votes. Hal and Jimmy will oversee the counting of the votes.

c. Independent Audit – Bob advised that Constance Penny is asking for the letter the Water Co. has from IRS regarding non-profit status, and may need copies of the contractor bills. There is no date for completion of the audit. The Board discussed giving the auditor a deadline of before the next Board meeting.

**Action Item: Bob will draft a letter for Bill’s or Hugh’s signature to Constance Penny, giving her a deadline to finish the audit by the next Board meeting.**

## 5. New Business

a. 2010 Task List - Hugh put together a list of items not completed in 2009, for the new Board. He has invited the Board to make comments on the list.

b. ICRSD Boundary Fence – See above.

c. Board Alignment – It is Hugh’s feeling that the Board should be realigned, and that Hugh should step aside and that Bill be appointed as President for the balance of this year, in order to provide continuity into 2010.

Marless Taylor’s unsolicited question from the audience: What do you mean, “step aside”? Are you resigning totally?

Hugh responded that he is resigning as President. He stated: I will remain on the Board and finish out my term. Hugh stated he resigned effective tomorrow.

Marless remark from the audience: Why don’t you just resign?

(undecipherable background comments by ---? Hal?)

Board discussion about motion to accept Hugh’s resignation and hold an election for electing Bill as President.

A short election was conducted at today’s meeting.

**Motion: Jimmy moved to accept Hugh’s resignation as President; Hal seconded; motion carried.**

**Motion: Hal moved to make Bill President until the 2010 elections; Jimmy seconded; motion carried.**

**Motion: Hal moved to adjourn; Bill seconded; motion carried.**

Adjourn at 11:10 a.m.