

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

Approved

Those Present:

Board Members

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

Contract Staff

Bob Busch - Manager
Chris Williamson, Water System Operator
Pat Carpenter, aQuality

Member Guests

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

Public Comment Session

The following are questions/comments from the members, and responses by the Board:

Bob Steffensen: Bill, I know you said earlier that you were working with the Architectural Review Committee on this By-law revisions. My question is, are those changes going to include language that will limit the enforcement capabilities of the ARC?

Bill: The approach we're using is that the Architectural Review Committee is restricted to enforcing the CC&R's. So whatever is in the CC&R's is the authority that the Architectural Review Committee would have as we are currently writing them. Now, that's not a done deal until this Board approves it.

Bob Steffensen: You know, I think we do need an Architectural Review Committee to review plans and things. My basic question is whether we're going to limit them to not policing the neighborhood, so to speak.

Bill: If you look at the CC&R's, their scope of work is not limited to just reviewing plans. It goes beyond that. And they will be enforcing the CC&R's as they exist.

Hal: The line of liability, the Board has to go by the By-laws and the Architectural Committee has to go by the By-laws, and the By-laws mention the CC&R's. If there's proper coverage, the Architectural Committee and the Board have to go by the CC&R's and the By-laws to have liability coverage.

Bob: I fully understand that, but what is hard to understand is why a sworn police officer in the state of Arizona can enforce the intent of a law, but the Architectural Review Committee has to enforce the letter of the law. That's all we're talking about, is common sense applications of the CC&R's.

Bill: The CC&R's are the guiding document that we have to go by. And we are only empowering, as is currently envisioned, only empowering them to enforce the CC&R's.

Hal: That's a little ambiguous.

Bill: Actually, the CC&R's are very clear in what they're supposed to do.

Dayne Taylor: Very explicit.

Gene Leasure: I've got a couple of items. The first item is a request that the Sanitation Board be given a copy to read of the WAPA letter for easement access.

Hugh: We ought to put it on the website too, Bob.

Bob: Do you want the easement license agreement and the assignment?

Hugh: Yeah, put them together and stick them up on the website so everybody can see them.

Gene: The District needs to see how it reads because some of the pipes are in the same ditch. Just as kind of a word of advice, I've heard conversation back and forth that the Water Co. is planning to deal with AGM. The District has had experiences with AGM on their billing, which were very bad experiences. We've had them overcharge us. So, the District doesn't do business with AGM anymore for that reason. Just a word of caution to the Water Co.

The other issue on the MDI accounting issues. You're three to four months behind in dealing with MDI and getting their accounting straightened away. As a customer of the Water Co., I think it's time to look for another accounting firm. That's the extent of my comments.

Jimmy Stoner: Are you saying you've been there, done that?

Gene Leasure: I can say that.

Dayne Taylor: Yes.

Peggy Stair: I've only come to a couple of meetings. I can't believe the amount of work that all of you have put in to keep this Water Board and get it organized. I really appreciate it, and I thought somebody should say that, especially since people are turning over at the end of the year. I just have one question. I'm not clear on reclaimed water. I thought maybe the lakes were going to be reclaimed water, but I guess I'm mistaken. And how much is in use for watering the golf course and things like that.

Hugh: Let me try to answer that, and Gene, feel free to jump in, or Dayne. We get our reclaimed water from the ICR Sanitary District. We take everything that they produce and it goes into the little lake. The only issue with that is that during the months where we don't water the golf course, we get more effluent than we can actually use and so, rather than run over the lake that we have, we pump it on the driving range or off into the boondocks to get rid of it. So, having the retention pond will allow us to save everything that the Sanitary District produces in that lake. And we have enough capacity to take whatever is produced over the wintertime when we don't actually pump water on the golf course.

Peggy: So the lakes are reclaimed.?

Dayne: Partially.

Hugh: They have all the effluent that is produced and it will be in both lakes. It will go first to the new lake and then be transferred to the small lake. Ultimately, of course, at build out, if that ever happens, and at the rate the golf course is reducing the need for water, I believe it will someday get to the point where we don't use any fresh water in the lake. It will be all effluent in both those lakes.

Dayne: The new lake with the evaporation rate will evaporate about 1/3 of what effluent is produced by the District, just for talking purposes. So, we produce about 30,000 gallons a day, so it's not very much.

Hugh: Isn't it reasonable to an extent?

Dayne: It's pretty flatline. It is seasonal within 1 or 2%. With the new lake being large surface area, greater evaporation, less efficiency, so I just share with you that it's a plus if they're going to be able to store the effluent during the winter. They made snow because they needed to disburse the effluent that they were getting to maintain here in the small lake. It is a plus that they are going to be able to store the winter production, and, of course, the evaporation is less in the winter than in the summertime.

Bill: To give you some idea as to whether the lake is effluent or whether it's fresh water, on a monthly basis, at 30,000 gallons a day coming from the Sanitary Plant, that would put just under 1,000,000 gallons into the pond. That pond holds 25,000,000 gallons, so of the 25,000,000, 1,000,000 for the month would be effluent. So, it's still a freshwater pond by anybody's standard.

Hugh: As I said during the meeting, the real benefit is that we quit pumping the bejabbers out of our well field during the summertime. Because we will have pumped at some low rate and filled the pond and then used that as the source for the pre-monsoon period, so we don't have to pump the well field so hard.

Russ Hubbard: One more question along the same line of thought. What are the various regulatory agencies' opinions on putting fresh water into an ornamental lake?

Hugh: Well, the one we're building is not ornamental. It's not going to be visible, pretty much. It's purely to store, ultimately to store effluent.

Bill: The state's opinion is that you can pump ---do you know what a groundwater management area is? Prescott gets its water from a groundwater management, which is essentially Chino Valley. We're not in a groundwater management area. The state law simply says that if you're not in a groundwater management area, you can pump all the water you want for any beneficial use. As long as the water that's being put into the pond is for a beneficial use, and the state sees golf courses as a beneficial use.

Russ: That clarifies some misunderstandings that some members may have about that.

Bill: That's the only requirement of the state. If you are going to pump groundwater, you have to put it to a beneficial use. If you're outside a management area.

Leo Sullivan: Do you lose any water for seepage?

Hugh: No, it's a lined lake. It's a non-penetrable material. So we don't lose it back to the ground. In fact, it's a requirement when you have a lake that contains effluent that you line it.

Tom Sullivan: What percentage of that lake would come from effluent?

Chris: Right now, about 4%.

Tom: So it's 96% groundwater?

Hugh: If it's filled. It's not totally obvious to me that it will have to be filled completely. I mean, there has to be some management. Bill can talk about that better than I can, but there has to be some management about how much water you pump in there during the wintertime because all you're really

trying to do is avoid the peak pumping time during the pre-monsoon season, and whether that's 25,000,000 gallons or 10,000,000 gallons, or 15,000,000 gallons, I don't know, but we certainly have to look at that.

Bill: Actually, I visualize that the intent will be to use, because they're not going to finish until the end of December, roughly, now, we'll probably --- and this is Harvard's call more than the Board's, but what brief conversation I've had suggests that we will probably begin filling the pond from the well field in January and we'll probably take up to three months to fill that because we don't want to pump the well fields all the time. So, we'll slowly fill the ponds so that by the time we reach April, we'll be close to full or full, and at it's peak, the golf course, right now, is using $\frac{3}{4}$ million a day --- that's during June and July--- and they can take most of that, if not all, out of the golf course while we pump low and slow to fill it back up again. That's the way I visualize it.

Tom: So, the 4% is an average?

Bill: For the year. And it's also average for a given month.

Dayne: I've got a question for Chris Williamson. Regarding Molly Way, did you run the generator under your load test?

Chris: We didn't run the whole system on the generator. That's one reason I'm going to load test it. But we didn't try running the whole system. The test we were running is basically flowing a couple of fire hydrants at full blast and we were trying to contain, limit the time we had to do that. So, at 3,000 gallons a minute, I didn't want to be starting and stopping.

Dayne: What role did AQuality play in accepting Molly Way?

Chris: I got a lot of questions from Board members, asking if things ran. Instead of running a formal test that we had planned, it worked out neatly that every time we found a problem, we would fix the problem. Then, we would run up the system to see how it performed. Then we'd find another problem and fix that. And so, we actually ran a succession of tests to see to it that it operated properly. We initially got almost 3,600 gallons a minute through that one pump skid that was in question. Being the suspicious type, I went out and checked the flow meter and it was running about a third fast, so what we actually got was the advertised flow at the advertised pressure toward the end of our testing period.

Dayne: Has any engineering firm reviewed the statistics for that pump station as its contribution to the water system for Talking Rock?

Chris: I don't know. Shephard-Wesnitzer is the only engineering firm that I know of. There was Herb Edwards. I don't think he did anything in that regard. And David Benner, ex Shephard-Wesnitzer was involved. I don't know if any of those entities did any review at all.

Dayne: Then what I think I hear you saying is there has been various engineering firms who modified the existing basic design of that boost station?

Chris: The original design was by Shephard-Wesnitzer, and that was drawn up mostly by a fellow named Greg Barry. After he left Shephard, David Benner finished the design. It should have been reviewed by Richard Aldredge at that time. Herb Edwards was in on the assembly and commissioning. He left a fairly large notebook of his endeavors, and he is currently in Washington. I don't have any knowledge of any planning, anything beyond Phase 10, whether or not that's considered as part of the grander plan.

Dayne: So is it reasonable to say that the Water Co. has accepted a facility with unknown parameters?

Chris: It works as advertised in that it can back feed the whole system, valve, and things like that. I don't know if--I think what you're asking is if that pump station adequate for some theoretical future build out. I can't speak for that.

Dayne: So that's an unknown. You don't know what it will do as far as serving the community.

Chris: I don't know how far it will go.

Hugh: We know what it does with respect to its design parameters.

Chris: That's right.

Hugh: It doesn't validate the design, I suppose, but it does do what it was advertised to do.

Chris: The equipment performs according to its stickers. How it will do under 1,000 houses demand, I don't know. I don't know what the demand is to be. I mean, there's a pump system, there's a Phase 10 out there. I don't know what the pump system's designed to feed, only Phase 10? Is there a Phase 35 someplace on the other side of the road? I have no idea.

Dayne: So, there's no documentation that says . . .

Chris: I don't know. You'd have to ask Richard Aldredge how far he took his design on this.

Bob: I know there was a design report for Phases 10, 12, 13, that describes, I believe, what the pump station is supposed to, what the design of Phase 10, 12, 13 is supposed to do. We do have that. I can't tell you what it all says, but I know it's in the files.

Jimmy: Bob, you have that?

Bob: Yes.

Jimmy: So, it's available for someone to review?

Bob: Certainly.

Gene: I've heard talk that you're thinking about going in and doing a plan for the whole water system. Would that include an analysis of the performance of the system?

Hugh: Not what we've asked to be bid. What we've asked to be bid was, we have 7 or 8 or 10 or 12, whatever it is, sections, piecewise. There is not one single piece of paper or document that shows you the whole thing at once. What we asked Shephard to bid is making that composite piece of paper. We didn't ask him to do any analysis with respect to the project at ultimate build out.

Bill: On the other hand, Gene, I think the Board has pretty much decided that we will be notifying Talking Rock that any future acceptance of infrastructure will require a system-wide plan that shows how the system will work pressure-wise and otherwise.

Gene: That will include the analysis of the system.

Bill: Yes. At build-out. So, the Board has discussed not accepting any additional infrastructure without that.

Hugh: Or approving any further phases.

Gene: The District, on their own, paid for --- we didn't do our whole system -- we just did the Talking Rock side of the road system --- and we paid for the plan drawings and the analysis.

Hugh: What did it cost?

Gene: We've been through part of this already.

Hugh: Do you know what that cost?

Dayne: Our drawings were between \$1,500 and \$1,800, but that's for our total system. Both sides of the road.

Jimmy: You said, the drawing?

Dayne: To assemble the composite of the sanitary system.

Jimmy: That didn't include the analysis?

Dayne: No, the analysis --- that's a separate subject.

Gene: I don't have a number in my head for the analysis. I've looked at all the bills, but I didn't add them up.

Hugh: I think, potentially, the benefit of the Water Co. having the authority to approve or disprove future developments gives us a little bit of a lever to get the developer to provide a complete system drawing and plan and spec, and hopefully, we'll get that. We've already agreed as a Board to do that.

Dayne: Has a letter been filed with the developers?

Hugh: I don't think so.

Bill: Not yet, no.

Dayne: Is it intended to?

Bill: It certainly should be, yes. We haven't really gone beyond deciding that that's what we're going to do.

Hugh: It's not in a letter, but they've been told. Both Clint and Craig know that we're not going to be in the business of accepting future developments or future infrastructures without . . .

Dayne: I just looked at a letter for continuity between Boards . . .

Hugh: That's a good point, Dayne, and I think we should do that.

Harvey Roberts: You're new finance committee. What're the responsibilities?

Bill: Right now, it was formed with the sole purpose of getting together with MDI and resolving outstanding financial issues with MDI. We created it October 12, when the Board had a special meeting to discuss not only that subject, but other subjects as well that Hugh reported on. So, that's the purpose of that financial committee at this point.

Harvey: Previously, there was talk that Hal mentioned having community voting, or community assigned directors. Is that at all being considered

Hugh: That was the subject that we thought we would address when we revised the By-laws to have representation by community. That has not been pursued because we've been obviously busy with other things. So, there is no requirement, but ultimately, that needs to be thought about. Whether it needs to be implemented or not remains to be seen. The difficulty with doing that is, and there's been a lot of concern on the part of ICR and Whispering Canyon and the Preserve, that the Board composition is overbalanced in the favor of TRR. Well, of course, it is, but in previous years, it was almost entirely Whispering Canyon and ICR. The ultimate outcome at build-out, if you put something in your By-laws that requires proportional membership, Talking Rock will end up being a lot bigger than ICR and WC and so I don't think it's a good idea because, ultimately, you'll end up with what we have now. But you could do it in steps. I mean, there are a lot of things you could do to kind of assure representation.

Jimmy: I'd like to add to that in that it's unlikely we would do anything with representation on the Board based upon ultimate build-out. It makes no sense. Based on build-out at the point in time that you make the change may be appropriate. And it's something we need to look at next year if we have the time and if we have the money to work on the By-laws. One of the big reasons we didn't work on the By-laws this year was, two primary reasons: time and money.

Hugh: Those are good reasons.

Dayne: I have one more question. I'm perplexed at the urgency of the acceptance of Molly Way was pushed through, when it was before the Commission, with a two, two and one-half month extension. It's very disappointing to me, disgusting to me, that this action was taken and what I hear Chris saying, there are things in Molly Way that are not resolved to this day.

Hugh: My impression, and Chris, you can correct me if I'm wrong, is that as time passes, there will always be issues with the infrastructure that we have.

Dayne: Who's going to fix these deficiencies or inefficiencies that are there?

Hugh: I assume that's the Water Co.'s issue.

Dayne: Because your being so dead set in getting that piece of paper to the Commission when you still had until the end of December to do it. And Chris sits there and tells me there are things that need to be done. You signed the paper, correct?

Hugh: Yes, I did. The piece of the equation that you haven't talked about at all, is that we made a commitment, you and I, in the room, an agreement in the Water Services Agreement, and in that Agreement, the Water Co. agreed to accept that infrastructure on August 1.

Dayne: And I have the letter here from the Commission saying they approved that extension. It went to the Commission this past Tuesday, Monday and Tuesday, for approval.

Hugh: They don't have any control over the WSA.

Dayne: Wait a minute, WSA is not the issue.

Jimmy: The WSA was entered upon, I believe, I had nothing to do with it, in good faith, and at the time, everyone believed that Molly way was, in fact, performing as advertised. Subsequent to the execution of that WSA, things were discovered relative to Molly Way that had to be attended to, and it was in no position to be accepted with the deficiencies that were known. Hence, the Board agreed to write a letter to the ACC and request an extension. Now, to bring up the first of August as a date to accept it, that was the plan in good faith. To bring that date up knowing what happened along the way is inappropriate.

Hugh: Well, a lot of this discussion is sort of inappropriate.

Jimmy: You can't make excuses for a system that did not perform. And we couldn't, in good faith, accept the equipment with the deficiencies.

Marless: And you had it approved behind the scenes in a sneaky way.

Jimmy: The extension was granted to help us get past and accept a known quantity. So, I don't think, I'm just saying 1 August, 8 August, whatever, is not appropriate.

Hugh: The other thing that I said, Jimmy, and the people present, other than the Board, as far as I know, are not privy to the documentation that I provided to the Board when I asked for permission to accept. Part of that package was Chris' comment that the system was functioning as advertised. If it's important, if you think it's important, I don't have any problem with putting all our documentation up on the website so people can read it for themselves. I'm not sure it will do any good, but . . .

Marless: Why did you have to do it separate from this meeting?

Hugh: That was my call.

Marless: Yes.

Dayne: Again.

Hugh: You don't have to like it.

Marless: It would be nice to.

Hugh: A lot of things would be nice, Marless.

Marless: It would be nice if you did it right, rather than Hugh's way.

Dayne: Now, you resigned as President of the Board, but you can say, "well, I accepted all of this stuff," you know, "I got, gee, look at all my accomplishments." You know, Hugh this is, it just looks ugly any way you turn it. And I really think that you have done an end run on the taxpayers, the people, the shareholders, of this community by what you have done.

Hugh: I personally don't agree with that, but that's your call. I mean, you can think whatever you like.

Marless: You just keep proving it.

Hugh: Well, you'll have a new guy to criticize next year.

Marless: Well, I hope he'll be more up-front. Not sneaky.

Jimmy: I think the information that went around, the communication with the Board with respect to status of Molly Way, should be posted, but I think more, I mean, we should create a little package that's Molly Way, and have some of the test data in there and make it a complete package and post it on the website.

Hugh: But you know, as to your point about the data package, I don't disagree with that, Jimmy. I think we ought to sit down with Chris and Shephard and Flotronics, whoever else was involved, if we can, without spending a fortune, and put together that trail that you talked about. The one that you and I talked about. That seems like a perfect and reasonable . . .

Marless: Now that it's after the fact.

Hugh: Is that important?

Marless: Very.

Hugh: Really? Maybe future Boards would like to know what happened.

Marless: Well, it would be nice to know ahead of time, too, that this is what's gonna be done.

Hugh: I'm out of comments on this subject.

Marlsss: I can understand why. When you're dead wrong.

Hugh: Anybody else?

Adjourned 11:55 a.m.