

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
December 8, 2009 Meeting Minutes

Approved

Those Present:

Board Members

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

Contract Staff

Chris Williamson – Water System Operator

Member Guests

Gene Leasure	Dayne Taylor	Curt Anderson	John Payne
Marless Taylor	Chris Stoner	Harvey Roberts	Leo Sullivan
Clint Poteet			

1. **Call to Order** - The meeting of the ICRWUA was called to order at 9:08 A.M. by Bill Meyer.
2. **Review Minutes of the October 27, 2009 Board Meeting.**

Motion: Hugh moved to waive reading of the October 27, 2009 minutes, Hal seconded, motion passed;
Discussion: Jimmy stated there were two versions of the minutes. The normal version and a 2nd version where Hugh Pryor insisted several extemporaneous comments from the audience be included.

The comments were:

“Amen”, “Isn’t that generous”, “Yes”, “What do you mean by step aside? Are you resigning totally?” and finally, “Why don’t you just resign?”

Motion: Jimmy moved that the version of the Minutes which do not contain audience comments be approved, no second was given.

Motion: Hugh Pryor moved that the Minutes containing the audience comments be approved with the comments; Hal seconded.

Discussion: Jimmy stated he didn’t believe this version of the Minutes should be published because the comments did not pertain to the business matters.

(Secretary Note: The audience speakers were not recognized by the Chair Person; the remarks were just made.)

Hugh and Hal voted yes, Jimmy opposed; motion passed with a vote of 2 to 1. .

Jimmy made the following remarks that in the May 5, 2009 meeting and the normal May meeting at the end of the month, Hugh, Hal and Shirley went to great length to excise “director comments” from those minutes that pertained to the ACC open hearing. Bill and Jimmy gave “reports” of what happened in the open hearing on April 28, 2009. They (Note: Hugh, Hal and Shirley L.) excised the director’s reports from the minutes, saying they didn’t think they belonged in the minutes. Jimmy stated that he finds it rather ironic that Hugh and Hal would now take extraneous comments made from the floor and force them to be incorporated into the minutes. The logic of this escapes Jimmy. Legitimate director comments are taken out, and now, extraneous comments from the floor are forced into the minutes.

He asked Hugh and Hal how that benefits the Membership.

Neither Hugh nor Hal had any comment.

Motion: Jimmy moved to waive reading of the public comments in the October 27, 2009 meeting; and approve the Public Comments, Hugh seconded; motion carried.

3. Reports

a. **MDIFS Report** - Dee was not in attendance, so Jimmy reported on the following items:

- **Delinquency & Shut Off Notices** – Dee notified Jimmy that 12 Notices of Delinquency were sent out last month, but Dee actually reported on 13. Nine were paid in full; 2 remain unpaid. There were 2 partial payments made. Two notices of termination were sent out. One was paid in full, and the other remains unpaid. Dee has contacted the unpaid customer by leaving a message on their phone. Jimmy will get an update from Dee this week on the unpaid Notice of Termination.

Action Item: Jimmy will get an update from Dee this week oif the unpaid Notice of Termination was actually delivered to the customer.

- **Member List** – The “type of customer” field will show the number of votes each member has, and the lot parcel number will be entered in another field that is longer. Dee has completed the number of votes field, and she has completed inputting the parcel numbers. Jimmy will get a copy from Dee of the member list. (Hugh commented that sending the Member List via e-mail was probably not a good idea because of the sensitive nature of the information.)

Action Item: Jimmy to get a copy from Dee of the updated member list.

- **Call Log** – Dee received 20 calls for the month. Seven were turn off/turn on meter requests. Six were for change of billing address or telephone number. Two calls were to initiate auto pay. The remaining calls were for miscellaneous information.

b. Operator’s Report

Chris advised that the TRR lead and copper sample has been retested. The results were well within the normal limit. He also advised that the water use spreadsheet that he got from MDI has a lot of information on it. He inquired of the Board what they would like to see extracted from the data. Chris indicated there are many ways to sort and categorize the data. Bill advised since Bob’s retirement that Chris will be doing the Water Use Report. Bill also advised that in the past to the report was broken down into residential and commercial use, and for the golf course on the TRR side. Hugh felt that the more information on the report the better. Bill recommended that Chris think about how he might isolate loss better. Hugh will send Chris the spreadsheet from Bob.

Action Item: Hugh to send Chris a copy of the water use spreadsheet from MDI.

Chris advised that the WCC leak (a tap on an 8” line to a lot was apparently loose and had been leaking for quite some time steadily getting worse) is fixed. Chris believes that the problem was probably leaking several thousand gallons of water each month. No way to tell how long it had been leaking. It will be interesting to see the effect of fixing this leak will have on the unaccounted loss reported in the past in the ICR System.

The valve exercise program in TRR is almost finished. AQuality will begin in ICR in January. Water meter testing is continuing, and the meters are coming in about a 1% error. We found a couple meters which had the wrong multiplier in it. (liters vs gallons). Customers will see an increase in water used.

Chris discussed the time spent in going to meters to lock and unlock them, and that each trip out to lock and unlock a meter for reasons such as non-payment of water bills takes at least one hour plus expense of the truck. He would like to be paid for this service. The Board stated that Chris should be charging for this service, but wanted to check into whether this can be billed to the homeowner. Jimmy indicated that he thought the ICR ACC tariff schedule allowed us to charge for connect/disconnect. We need to

investigate what our schedule allows and bill the customer. AQuality will track and submit billing accordingly. It was agreed that in cases where a house is vacant and for sale, the homeowners, not the realtor, must request the water be turned on, and that the homeowner is responsible for the service charge.

Action Item: Contact MDI regarding advising customers of turn on/off charges and only the property owner is authorized to request this action.

Chris also discussed that it would be a good idea to install solar panels for the Magner tank's radios. They need to "pot hole" to find the old water line and electrical conduit from the old ICR Boost station which goes to the Magner tank and decide whether to abandon the line in preparation for the Sanitary District construction phase.

Jimmy asked about any updates for emergency power in TRR. Chris advised that of the estimates he has, the least expensive is \$4,500. AGM has generators in their parking lot that can be delivered when needed.

Action Item: Chris to check with Bob Busch about his research of an Emergency Generator standby contract with Empire.

Action Item: Chris to e-mail the updated emergency power connector bids he has to the Board and make a recommendation.

Question from Curt Anderson: Did you say that the bulk of those meter turn on and turn off were for non-payment?

Chris answered that about half were for non-payments and about half for homes that are for sale.

c. Financial Reports (July, August, September, October)

Bill discussed a meeting that the Finance Committee had with MDI on November 9. As a result of the meeting, MDI was to forward journal entries to the Board for their review. As of the December 8, 2009 meeting, the Board had not received the journal entries. In addition, a procedural Audit was completed and there are some internal control problems regarding MDI's accounting that need to be resolved. Therefore, he cannot recommend that the Board approve the financials.

Bill discussed the cash flow for the month of October, but did not recommend approving them: Cash Flow: Our checking account balance as of October 31 was \$111,107.91. Our checking account balance for September 30 was \$108,294.87. For the month of October, total revenues were \$45,878.60; total expenses were \$52,991.92, for a net income loss of \$7,113.32.

For the ten months ending October 31, 2009, revenues were \$366,341.90; expenses were \$483,143.76; for a net income loss of \$116,801.86.

For the **ICR** division, for the month of October 2009, total revenues were \$17,870.32; expenses were \$15,944.54; for a net income of \$1,925.78. Year to date for the system as a whole: Total revenues were \$141,030.38; total expenses were \$124,302.34; for a net income of \$16,728.04.

For the **TRR** division, for the month of October 2009, total revenues were \$27,959.30; total expenses were \$37,101.94; for a net loss of \$9,142.64. For the ten months ending October 31, 2009, for TRR, total revenues were \$225,027.09; total expenses were \$358,841.42; for a net income loss of \$133,814.33. Hugh commented that these numbers include depreciation and Bill confirmed they did.

d. Manager's Report

Jimmy reported on the following:

System Operations: Water Audit – The October report shows the TRR System with unaccounted for water at 0.6% (83,463 gallons). The difference between water pumped and sold on the ICR system was 14.8% (515,014 gallons). This is an even larger amount of unaccounted for water than last month. It is likely due to the line leak in Whispering Canyon that ruptured in early November. Due to the wear around the failed connection, it had been leaking for some time before it finally surfaced and became evident.

Bills of Sale:

Talking Rock: The Bill of Sale for Well #1 was re-recorded to include a corrected plot plan.

ACC Compliance - The ACC granted the extension to December 31st for transfer of the TRR infrastructure. ICRWUA filed the Notice of Compliance in regard to the infrastructure transfer on October 22nd.

Best Management Practices- The ACC Staff has contacted ICRWUA stating that the Compliance Filing in connection with BMP's need to be resubmitted as ten separate tariff-type filings. Jimmy is going to set up an appointment with ACC in Phoenix to discuss the tariff type format. Bob has made contact on two occasions with Veronica Gonzales at the ACC.

Action Item: Jimmy to contact the ACC in Phoenix to explain our difficulty in putting some of these practices into this tariff-type format.

2010 Budget – A draft operating budget for 2010 was forwarded to the board for review in October. This item is pending.

Generator Maintenance – The executed annual agreement with Gen Tech was forwarded to Gen Tech along with their credit application.

Action Item: Jimmy to contact MDI about Gen Tech emergency generator maintenance agreement.

Chlorination Facility Easement - The easement needs to be re-recorded, as a portion of the legal description on one of the exhibits is incomplete. Harvard is preparing the necessary exhibit. I believe this has been received by MDI awaiting me to pick up.

f. 11/7/09 BOD re Manager Resign

Bill advised that Bob Busch resigned as Manager on 11/7/09. Bob's contract called for a 60 day notice, and he provided less than 30 days notice. The Board met with MDI and agreed to forego the 60 day requirement, but the Board is required to document this formally. A letter has been drafted and executed by Bruce Eldridge. Jimmy recommended that the topic of hiring a new manager be addressed in the next meeting.

Motion: Jimmy moved to execute the agreement to forego Bob Busch's 60 day notice requirement; Hugh seconded; motion passed. Bill and Jimmy will execute the letter.

g. Committee Reports

- Asset Transfers - Jimmy discussed his comments in the October Board meeting about the way Hugh accepted and transferred the Molly Way pump station and that he felt Hugh owed the

membership an explanation about why he handled the matter the way he did. He asked Hugh if he had any comments about the method he used in accepting Molly Way and transferring that infrastructure to ICRWUA, but Hugh replied with “No Comment”.

- **Outstanding Bills of Sale** – There are three items that Jimmy didn’t pick up from Dee since they were closed on Fridays: Two of them pertain to the assignment of the easement for access by the Water Co. in the power line areas of ICR and WC. New originals have been executed and are available to be picked up and recorded; the third one is the Bill of Sale for Well No.1, which has the description of the easements for access to the property. Jimmy will pick those up today or tomorrow.
- **Operations Committee** – Bill discussed the air production test at the TRR well field. This test was done on 11/13/09. He discussed the agreement with Harvard that if the air content exceeds 3.5% of the water produced, corrective action had to be taken at Harvard’s expense. Well No. 2 needed prior corrections, which were completed. All three wells produced acceptable results on 11/13/09. Periodic Air testing will continue through September 2010. Our next testing will probably occur once they start filling the new storage pond. We will be discussing this with Harvard.
- **ARC Resolution** – Bill advised that he sent a draft of the Sixth Amendment to the By-Laws to the Board. He only received comments from Hugh, and corrections were made. The correction states that the ARC will report to the Board of Directors of ICRWUA at the Board’s regularly scheduled meetings, and any other Board meetings when asked. The Board members discussed that the ARC must comply with the CC&R’s. Bill’s recommendation to the Board was that the draft be forwarded to Bill Whittington for his comments. He also advised that the Board needs to make sure that all book numbers and page numbers (County records) are correct. Hugh asked for clarification regarding ARC notice to the Board. Bill responded that the ARC reporting requirements to the Board are spelled out and in their procedures. Hal felt what is proposed are consistent with the bylaws and CC&R’s.

Motion: Hugh moved to forward the draft to Bill Whittington for review, and verify the book and page numbers in Paragraph 2; Hal seconded; motion passed.

- **Finance Committee 7/09/09 Meeting with MDI** – See above discussion in “Financial Reports.” Bill advised that they also met with Constance Pinney regarding the audit. There were internal control deficiencies that were being used by MDI, showing a misstatement of cash flow. The Board has written a letter to MDI requesting that the inconsistencies be corrected. The letter was hand-delivered to MDI on 11/30, and gives MDI until 12/13 to reply.
- **WSA Implementation, ACC Order Compliance** – Jimmy discussed the matrix updated by Hugh. Hugh stated that the only thing not already covered was to reformat the BMP’s.

4. Old Business

a. Review Action Items – Jimmy reviewed and revised the action items. (See Action Item List)

b. ICRSD/WC Pump Building Boundary Fence – Bill advised that he and Jimmy met with ICRSD. Bill provided the Board a summary document of that meeting to the Board. Bill and Jimmy will continue to work with ICRSD on these items. Jimmy discussed the old boost station for ICR. He believes the two pressure tanks should be removed, and then the building could be available for storage space. He recommends getting an estimate to remove the old pressure tanks. (Clint Poteet recommended we should contact “Brown Tanks” in Phoenix. He believed they would pay us salvage price for the tanks, including

removing them at no cost to ICRWUA. They would recondition the tanks and sell them at nearly new cost, probably get around \$20,000 for each.) This task will be given to the Operations Committee for tracking.

Motion: Jimmy moved to authorize Chris Williamson to investigate getting the tanks removed from the old pump station at minimal cost to ICR; Bill seconded; motion passed.

5. New Business

a. Manager's Resignation – As discussed above, Bob Busch turned in his retirement notice, effective November 27, 2009. It was agreed we would discuss manager replacement in the meeting on 12/15/09.

b. 2009 Election of Board Members – Jimmy advised that the request for nominations went out with the October billing. At close of business on November 18, there were three nominations for the three open positions – John Payne, Curt Anderson, and Tom Sullivan. According to the By-Laws, these three individuals will be installed as the new directors on January 5, 2010 and elect officers.

c. Revise MDI and aQuality contracts – Bill advised that MDI and aQuality will assume some of Bob Busch's duties. MDI agreed, at a \$40 per month charge, to pick up paying Aqua Meadows for the water produced out of the ICR well field on a monthly basis. MDI will also issue the repayment statements to developers for 15% of the revenues received for the WC and TRR groundwater subdivision. MDI will charge \$25 per month for this service. MDI will forward the financial statements to the Board at a cost of zero for e-mails and \$5.00 per envelope. AQuality has not yet confirmed what extra duties they will assume as a result of Mr. Busch's resignation. Bill will follow up with aQuality about getting some costs to the Board by the 12/15/09 meeting, if possible.

Motion: Jimmy moved to approve MDI's proposal for an additional \$65 per month; Hugh seconded motion passed.

Action Item: Bill will follow up with aQuality about getting some costs to the Board by the next meeting.

d. Old ICR Pump Facility – see above.

e. Records Archive Storage – Jimmy discussed that the archive of records is contained in the old ICR pump house. Bob Busch has moved his paper records to the old ICR pump house in boxes, which need to be filed. He believes that would be a safe place for record storage in file cabinets. We also have the on-going issue of current records being available for members to review at the ICRWUA Business Office. He also discussed his concern about backup data, particularly finance data. All current data is in possession of MDI, and he is unaware of their backup system. He would like to discuss this further at the 12/15/09 meeting.

Motion: Jimmy moved to have the treasurer contact MDI about their backup procedure; Hal seconded; motion passed.

Motion: Hal moved to adjourn; Hugh seconded; motion passed.

(At Hal's request, Executive session to follow Public Comment session)

Meeting adjourned at 10:55 a.m.