

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
May 5, 2009 Meeting Minutes

Approved 6/23/09

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
Dee Crooker-MDIFS
Bruce Eldridge-MDIFS

Member Guests

Eileen McGowan
Chris Stoner

Shirley Leasure
John Payne

Gene Leasure
Russ Hubbard

1. **Call to Order** - The meeting of the ICRWUA was called to order at 8:35 A.M. by Hugh Pryor.
2. **Review Minutes of the March 24, 2009 Board Meeting.**

Bill suggested that that for financial reports, the Treasurer should make the motion for the Board to accept the financial report for the month, and that the Secretary has the responsibility for making the motion that the Board set the Minutes on the previous meeting. The Board agreed to adopt that procedure in all future meetings.

Motion: Hal moved to waive reading of the minutes, Jimmy seconded; motion carried.

Motion: Hal moved to accept the minutes as written; Jimmy seconded; motion carried.

3. Reports

a. MDIFS Report

- Dee Crooker advised that of the 14 delinquent accounts, eight have paid, totaling \$799.95, and six remain unpaid totaling \$362.72. There were no termination notices sent out last month. The delinquent accounts will get a termination notice on May 10, 2009, with shut off ten days after the termination notice.
- Regarding the handhelds, Dee advised that a representative from National Meter and Automation of Arizona came out and brought 2 handhelds. Those handhelds are able to handle 8,000 addresses. They can be converted to the radio receiver-type of meters. To convert the handheld to a radio receiver costs an additional \$3,000. The cost of the Badger unit is \$7,295 and the Iron cost is \$10,795, with the annual support being approximately \$500. She advised that there is a leasing company that will finance for 36 months. Bruce advised that the representative put them in touch with an alternative to repair the unit that keeps failing, with a better warranty on the repair work.

The Board discussed the purchase of a handheld. They discussed how the current handheld has failed three times in the last 3 years. Bruce advised that it's not a problem getting a unit timely. The problem will be in getting it to Core to get them to program it, so it will work with the Core software. RVS has a line on some handhelds that are out of the country, but none are available

in the U.S. at this time. Dee recommended that the Water Co. hold off and continue to pursue less expensive units. Dee will continue checking with RVS and other reps to see if there are other units available. Jimmy asked Dee to e-mail him the model, brand, etc. of the handheld so that he can do some research on locating and pricing a unit. Bruce's concern was that since the model that the Water Co. has is no longer being manufactured, there may come a time when repairs cannot be done on the unit. Dee will check with the repair company to see if they have any used units. Dee to have this information for the next Board meeting.

Action Item: Dee will continue checking with RVS and other reps to see if there are other handheld units available.

Action Item: Dee to e-mail Jimmy the model, brand, etc. of the handheld so that he can do some research on locating and pricing a unit.

Action Item: Dee will check with the repair company to see if they have any used handhelds.

- Dee spoke with Core and they have a copy of the Water Co.'s data, and they are working with the information they have from the Corporation Commission. Core is doing the testing to make sure that it is functional, and then they will give the instructions to Dee on how to do that. This cannot be accomplished until Dee completes the non-tiered billing at the end of May.
- Dee suggested postponing the May 20 reading until June 1 and 2, 2009. Bill suggested that the golf course meter be read first on June 1. The bills would then be sent out on approximately June 5. Hal discussed the fact that the Water Co. has been instructed by ACC to notify homeowners with their May billing of the new pricing, and that since the billing won't be sent out until June, the Water Company should do a separate mailing around May 20, 2009, notifying homeowners of the new pricing. This mailing should be in a form acceptable to the Commission's Utilities Division staff.

Action Item: Dee to have the meters not read in May, and read on June 1 and 2, with TRR golf course being read first on June 1.

Action Item: Dee to mail out a notice to all homeowners on approximately May 20, 2009, notifying them of the new pricing. She is to use colored paper and put notation on the envelope regarding the rate change. This rate change is also to be put on the website. The notice is to be in the form acceptable to the Commission's Utilities Division staff. Dee to also include MDI's hours in the notice.

- Dee advised that they received word that their phone system wasn't working over the weekend. Bruce advised that they will attempt to fix the problem ASAP or will buy a new phone system. They also advised that their office will temporarily be open only Monday – Thursday, 8:00 to 5:00. Hugh advised MDI that the mailing they are sending out in May regarding the new pricing should also include their new hours.
- Bob talked about complying with depreciation rates that ACC dictates. He believed that it would be good have documentation that we are using those rates. Bruce advised that we are using them, and that everything is aligned now between IRS requirements and ACC. Bruce talked about filing an Affidavit stating that it is current on their payment of property taxes. He believes he just needs to go to the County and get an official County document showing the taxes are paid.

b. Operator's Report

- Chris shut down the system for 2.5 days last week and fixed the leak at Cooper Morgan Pump Station (the consumers were supplied water from the Phase 9/10 storage tank during the shut down.). Everything is back on line and working correctly. The Consumer Confidence Report for 2008 is due out on July 1. Chris advised that he would handle the biology and chemistry parts of the report. Chris invited the Board to make comments outlining what the Water Co. has done, how it's working, the rate case, etc.
- Phase 10 –getting fewer surprises, stability has increased. Everything will be lined up by October.
- Water meters and repaired parts – Everything is taking longer than expected. Chris is having trouble getting responses from manufacturers.
- Chris advised that this month, they tried to read everything at the same time.
- He had one service call yesterday. Chris advised the leak was on the residence side of the meter and advised the homeowner to call his own plumber.
- Chris advised that he got a Notice of Violation for both systems last month. aQuality was delinquent on submitting their report. (Apparently, ADEQ has change the reporting date from the 25th to the 10th of the month.) Chris will in the future submit all reports on the 8th of each month. The violations have been cancelled since ADEQ has received the report.

c. Financial Reports (Jan., Feb. & Mar.)

- Bill advised that the financial statements for January, February & March 2008 have been corrected. Total revenues for 2008 were \$367,343, total expenses of \$661,415, for net income of -\$294,071.
- For March 2009, revenues were \$20,907; expenses were \$ 51,520, for a net income of -\$30,613.
- Year to date (ending 3/31/09) – revenues were \$65,059; expenses were \$160,050; for a net income -\$94,992.

Depreciation in the amount of approximately \$94,000 significantly influenced the net loss.

Bob gave the Board the Budget vs. Actual, Jan. – March 2009. The Board reviewed the Budget with Bob. In summary the Water Co.'s loss is \$801 more than what it was projected to be.

Motion: Bill moved that the Board accept the Financial Income Statement ending December 31, 2008 and the Financial Income Statements ending January 31, 2009, February 28, 2009, and March 31, 2009; Hal seconded; motion carried.

Bill discussed the 15% that the Water Co. owes the developers for 2008 and ongoing payments to them for 2009. Bob advised that the Water Co. is current at this time. \$22,700 is the outstanding bill, which is the accrued amount owed up to Feb. 2009. \$5000 has been paid toward the \$22,700, and March 2009 has been paid. \$17,700 is still owing.

Motion: Jimmy moved that the Board continue to pay the outstanding balance at \$5,000 per quarter, and also continue to pay the monthly repayment amount for the advance; Bill seconded; motion carried.

d. Manager's Report

- Bob reviewed the March Usage Report. The usage for March was up a little and there are currently 444 customers on the system. He advised that unaccounted-for water in March was 10.2% (137,000 gal.) for ICR and 2.9% (121,000 gal.) for TRR. The Board discussed reading the well meters at the same time each day they are read to control the variability. Hugh asked Bob to look at his report for the last 12 months and report back to the Board at the next meeting.

Action Item: Bob to look at his reports for the last 12 months and advise the Board of the numbers at the next Board meeting.

- Bills of Sale – Bob advised that we finally got all the detailed back up information for Phase 10 Pump station.
- WCC – Bob had nothing new to report. The Board has all the information on Phases 3 & 4. According to developer, the Water Co. is still missing the well information for Phases 1 & 2.
- Jimmy discussed his meeting with sanitary district. He confirmed that the Water Co. is not “double counting” with regard to assets.
- Jimmy discussed his meeting with the sanitary district regarding easements and to ensure that both utility areas had access to the sewer and water lines within the area of the power lines. He advised that Bob received a copy of a license that the Dept. of Energy had given WC to construct and install utilities in the power line easement. He advised that the sanitary district does not have a letter from the developer from either WC or ICR that grants them access to the utilities within the power line easement. The following lists the areas of discussion between Jimmy and the sanitary district, along with action items relating thereto:

However, we did identify that we need clarification on the apparent "installed unit cost" of the various items.

i.e. 8" PVC water pipe shows an installed cost of \$20.00/lineal foot.

(What is included in this installed cost? Cost of the pipe & the labor to connect and installing in the trench?

Is the cost of filling the trench also included?)

Action Item:

ICRWUA contact Cole Johnson to obtain a breakout of the costs included in the "installed unit cost"

Regarding Access Easements:

The Sanitary District received advise from council that it needed to have "ownership traceability" to ensure access easement has been properly conveyed to the Sanitary District to access and service the sewer infrastructure. The Sanitary District (ICRSD) has requested Whispering Canyon provide the Sanitary District the appropriate easements before they will consider acceptance of the sewer infrastructure.

The District has a similar issue regarding the ICR sanitary infrastructure within the WPA easement.. They have discovered that the parcels under the power line within ICR have been deeded to Yavapai County. They have not investigated the ownership traceability of these parcels to the County to verify a Sanitary District access easements exist.

It appears ICRWUA may have similar issues with regard to WC and ICR access easements.

Action Item:

ICRWUA to contact Cole Johnson to obtain "ownership traceability" to ensure proper access easements for ICRWUA purposes.

Action Item:

ICRWUA investigate ownership traceability for the ICR parcels under the power lines deeded to Yavapai County to verify appropriate access easements exist.

- Bob made some adjustments to the Budget, including the meeting room rent and the monthly fixed fee from TRR.

Motion: Bill moved that the Board adopt the May 2, 2009 version of the 2009 Operating Budget; Jimmy seconded; motion carried. Bob to put version number on the new version, e-mail it to the Board, and post it on the website.

Action Item: *Bob to put version number on the new version, e-mail it to the Board, and put it on the website.*

- Newsletters went out the end of March.
- Bob advised that the annual report was sent to the ACC. He also advised that he discovered that the ACC requires them to report by system, which has not been done to date. Bob has advised MDI to revise that report and forward it to the Commission, which has been done. The report includes financial information for the previous year, water usage, number of customers, assets, etc. All future reports will be done by system. Bob to e-mail the report to the Board and post it on the website.

Action Item: *Bob to e-mail the annual ACC report to the Board and post it on the website.*

- Backflow prevention – Bob advised that he’s gotten the test results back on all but two devices. He will follow up when he gets all of them and he will submit a report to the Board.
- Best Management Practices – Bob has sent to the Board recommended practices that the Water Co. could easily implement. Bob questioned that since the Water Co. is required to implement 10 of the recommended practices, does that mean that we are then required to comply with ADWR’s reporting process? The Board discussed asking the ACC, Kevin Torrey or Brian Boswell in Compliance, and that we also need to see the final order, due to modifications made during the meeting. Bill suggested that the Board have a committee to implement these procedures. It was suggested that another meeting be held prior to the next Board meeting to sort out that committee. Jimmy suggested that the WSA committee name be changed to “Compliance Implementation Committee.” It was agreed that the entire Board will be on this newly revised committee.
- Jimmy agreed to validate everything that Bob’s done. Hugh suggested that everyone on the Board review the documents and provide comments as appropriate.

e. Committee Reports

- Asset Transfers

Bob previously discussed most of the issues pertaining to WC and TRR. The Board discussed their agreement that a letter be sent to TRR accepting that and also to sign the transfer.

Motion: Bill moved to accept the recommendation from the committee; Hal seconded; motion carried.

- Bylaws Lilien-No Report
- ARC Lilien-No Report

- Aqua Meadows Easement

Hugh advised that we have completed, and Hugh and Steve Pierce have executed the documents, but they have not been recorded because Bob discovered that they were not in recordable form. The documents have been given to the attorney to put them in recordable form, and they will then be recorded with the County.

- Snell & Wilmer Negotiations

Bill and Hugh will meet with Jeff Crockett on Friday at 10:00, and try to negotiate Snell & Wilmer's bill. They will only negotiate within their set limits; otherwise, they will meet with the Board for approval over the limits.

- ICR Entrance Parcels

This item has been completed. Both parcels have been deeded to the adjacent landowners and have sent to the County for recording.

- Working Relationships

Hugh advised that they met on March 6, and the committee recommends that we close this issue because the parties involved seem to be getting along better, and the committee recommends that we take no further action on this item.

Motion: Bill moved to approve the committee's recommendation to close this issue, Jimmy seconded; motion carried.

- Board Policies

Hal advised that he had a meeting with Lonnie Beach, Rick VonHinkle, Scott Robbins, Dayne Taylor, and Leo Sullivan. No business was conducted at the meeting, but there was some discussion that the committee should have a member from Whispering Canyon. Dayne agreed to supply Hal with names of people who might be interested in being on the Committee. Hal advised that after he gets his full committee, he will discuss how the committee will operate. Jimmy advised that Skip volunteered for this committee, and feels that he could contribute greatly to the committee. Hal agreed that although Skip is well qualified, he prefers not to have him on the committee, as he doesn't approve of his methods. Bill also expressed his opinion that he felt he had an agreement with the Board that the Board would approve people who applied to committees. He also believes that Skip should be on the committee. Hugh suggested that we could replace Hal, as chairman of the committee with Jimmy or Bill. Hal did not agree to this proposal. Bill suggested that Hal allow Skip to be on the committee, and if Skip proves to be disruptive, he then be removed from the committee. Hal would not agree to this proposal.

Motion: Bill moved that Jimmy replace Hal as chairman of the committee; Jimmy seconded; Bill and Jimmy voted in favor of the motion; Hal did not vote in favor of the motion; Hugh declined to vote; therefore, the motion carried on a 2-1 vote.

- Acceptance of Booster Station @ Phase 10

The committee recommended that we send a letter accepting Phase 10. Jimmy suggested that the Board not accept it for a couple more months to make an assessment that everything is working correctly. Bob advised that WSA states that acceptance of the infrastructure is a 60 day time period after June 1. Bill advised that it was Chris of aQuality's opinion that the Board accept the system at this time. Hugh advised that a letter should be sent to Harvard accepting the system, and that a Bill of Sale must be signed. It was agreed that this topic is tabled until the next Board meeting on May 26, 2009.

Motion: Jimmy moved to undue the motion to sign the Bill of Sale; Hal seconded; motion carried.

- WSA Implementation

Jimmy suggested that the WSA committee name be changed to "Compliance Implementation Committee." It was agreed that the entire Board will be on this newly revised committee. The Board will set up a meeting next week to discuss the implementations.

- WV Fire District Agreement

Jimmy had nothing to report at this time. After receipt of the new Order, this will be discussed.

- Aqua Meadows acquisition

Hugh advised that we did agree to write a letter to Aqua Meadows to donate or sell the property so the Water Co. owns the well site and the property that it's on. Aqua meadows responded that they are not interested in donating or selling the property. The only benefit is that the Water Co. has evidence that they did attempt to acquire the property, but was unsuccessful.

4. Old Business

a. Review Action Items

Chris will look into the cost of a new sensor and will forward the cost to Bob - Completed
Chris to continue pursuing the reason for the unaccounted water – Ongoing
Chris to investigate the water loss and also look at the meter – Completed
Chris to have Fire Dept. come out and check fire hydrants – Ongoing
MDI to research handhelds – Ongoing
Notify residents of shut down – Completed
Unaccounted-for water – Ongoing
Bob to forward information regarding collection agency – Completed, but still open item

The Board discussed what options are available to collect delinquent payments.

Motion: Hal moved to try a three month trial with the collection agency; as no one seconded, the motion did not carry.

The Board asked Gene Leasure his opinion regarding the collection agency. He advised that he never used a collection agency, but put a lien on the property, and eventually got paid. Bob advised that the Water Co. cannot legally put a lien on a property. There was discussion about why we couldn't when other businesses can do so. He is to do more research on this issue and advise the Board. Bob to send a letter of termination to the collection agency.

Action Item: Bob to send a letter of termination to the collection agency.

Action Item: Bob to research the issue of whether the Water Co. can put a lien on the property of delinquent accounts.

b. 2009 Operating Budget – Discussed above.

5. New Business

a. Authorized Signature Policy

Bill advised that there is a suggestion that the Board have two signatures on all correspondence: one of President and the other of either the Secretary or the Treasurer. The Vice-President may sign in lieu of the President, if necessary.

Motion: Bill moved that all correspondence from the Board have the two signatures; Jimmy seconded; motion carried.

b. Phase 10 Acceptance Letter – Discussed above.

c. Best Management Practices – Discussed above.

Additional Item: Hugh advised that as part of the Policy Manual, one of the committees on capital improvement projects came up with a procedure to put into the policy book, and the committee made a recommendation that this policy be incorporated into the policy book. Hugh also advised that he failed to ask for Board approval to do that.

Motion: Jimmy moved that it be handed to the policy committee for review and a recommendation to the Board; no second; no vote taken. Hugh handed the recommended procedure over to Jimmy for the Policy Committee to take appropriate action.

Additional Item:

At Jimmy's request, Hugh discussed the Arizona Corporation Commission ("ACC, or Commission") Open Meeting that was held last Tuesday, 5/5/09. There were four amendments discussed to the recommended Opinion and Order, that basically inserted the Best Management Practices. Changes included clarifying both water rates. The tariff calls for \$5.00 per 1,000. The agreement with Talking Rock for construction on this side was \$1.40 per 1,000, and they agreed to adjust the language to make that applicable only to Talking Rock for construction water, and not for the Whispering Canyon, ICR, or Preserve. After those amendments, the Commission voted 4-1 in favor of the amended Recommended Order. The Order should be forwarded to the Board next week after the Commissioners have all signed it.

Adjourn

Bill moved to adjourn; Jimmy seconded; motion carried.

Adjourn at 11:00 a.m.