

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
June 23, 2009 Meeting Minutes

Approved 7/28/09

Those Present:

Board Members

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

Contract Staff

Chris Williamson – Water System Operator
Dee Crooker-MDIFS

Member Guests

J Reid	F. Engel	Dayne Taylor	Gene Leasure
H. Roberts	B. Steffensen	Chris Stoner	Tom Sullivan
John Payne	Jim Clark	Leo Sullivan	Charles O'Brien
Shirley Leasure	Eileen McGowan	Marless Taylor	Erik Seineke
Kim Utz	Clint Poteet		

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 May 5, 2009 Board Meeting.**

Hugh discussed the two versions of the May 5, 2009 Minutes, in particular, the comments made regarding the ACC open meeting of April 28, 2009, by Bill Meyer and Jimmy Stoner, before adjournment of the 5/5/09 meeting, and public comments made after adjournment.

Motion: Jimmy moved to accept the original minutes as written with comments pertaining to the ACC Open Meeting, as well as public comments made at the conclusion of the meeting; Bill seconded; Shirley and Hal opposed; Hugh cast deciding vote opposing; version not approved.

Motion: Shirley moved to accept the edited version eliminating reports made by Jimmy and Bill relating to the 4/28/09 ACC Open Meeting and everything recorded after adjournment of the regular Board meeting (All the public comments by members and the Board); Hal seconded the motion.

Discussion - This version removes the reports that Bill and Jimmy made during the ICR Board meeting regarding the ACC Open Meeting. Hugh stated he felt these reports were inappropriate for the minutes even though the reports were made in the board meeting. Hugh stated he had a different interpretation and others may have a different interpretation. Bill asked if Hugh's comments regarding the open meeting will remain in the minutes. Hugh's report of the ACC Open meeting remains in the minutes. Jimmy asked if Hugh was questioning the veracity of our reports? Hugh said no. Jimmy stated he had circulated his and Bill's reports to 10 other ICR members who attended the Open Hearing and they agreed the reports accurately represented what happened at the ACC meeting. And that the draft minutes had been posted on the ICR website for 5 or 6 weeks for others to review. Hugh stated we have a difference of opinion and Jimmy's comments are duly noted. Jimmy stated, you clearly want to sanitize the minutes? Hugh said, no.

Shirley and Hal voted to accept, Jimmy and Bill opposed; Hugh cast the deciding vote approving, and the Minutes were approved without Jimmy and Bill's reports pertaining to the 4/28/09 ACC open hearing and the member public comments.

Review Minutes of the May 29, 2009 Board Meeting.

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

Hugh stated there are two versions of the minutes. The difference being the second version does not contain the Public Comments. Hugh commented that the Public Comment occurred after the Board meeting adjourned so they should not be contained in the minutes. Jimmy and Bill both believe that it is appropriate to include the public comments after adjournment of the meeting into the Minutes; Hal and Hugh did not agree. Jimmy brought up the fact that previous meeting Minutes had included public comments. Hugh advised that the reason they were included was because they were recorded. Jimmy pointed out that these Minutes are also being recorded. Bill and Jimmy agreed that this is the only mechanism that members have to make comments and get those comments in the record. Hugh advised that he has no problem with the comments being published on the website; however, he does not feel they belong in the Minutes. Jimmy pointed out the minutes clearly show the comments were made after the Board adjourned. Jimmy asked what they do at the Yavapai County meetings; what is done at the ACC meetings? Hugh stated there was no recording of the ACC Open meeting and no transcript was available. Jimmy pointed out the ACC meetings on 12/1-3/09 and 4/16/08 were recorded and had public comments in the transcripts. Hugh agreed and stated they were on the website and the difference was these were recorded. Jimmy pointed out the recording running right in front of Hugh. Hugh admitted he understood.

Motion: Jimmy moved to accept Version 3 of the 5/29/09 minutes as written, including public comments made after adjournment of meeting; Bill seconded; Shirley and Hal opposed; Hugh cast the deciding vote in opposition, so motion did not carry.

Motion: Shirley moved to accept the version without public comments; Hal seconded;

Discussion – Jimmy asked if they were going to eliminate the public comments that were made at the Board meeting on 5/29/09? Hugh stated that was correct. Jimmy commented; So much for transparency. Hugh commented that he felt the public comment should be public but not in the Board minutes, perhaps in another vehicle.

Jimmy and Bill opposed; Hugh cast deciding vote in favor; motion carried.

3. Reports

a. Committee of the Whole Report

Hugh advised that a meeting was held on June 11, 2009, to discuss implementation of the Best Management Practices as required by ACC Rate Order 70977. Clint Poteet and John Noyes of TRR were in attendance and provided Hugh with a matrix of things that they've done against the list of BMP's. He also advised that there are 3 items which Bill is putting together; one item has to do with education, and the remaining are being provided by Clint and John. Shirley has agreed to put the whole thing together in a package for presentation to ACC. A matrix has been developed that indicates the items that need to be accomplished. Hugh discussed those items:

- Program new rates into the billing software and compare it with the Order – Completed on 5/28/09.
- Provide notice to customers by 6/1/09 – Completed on 5/20/09
- Read all meters on 6/1/09 and 6/2/09 – Completed
- Implement Best Management Practices – due date 9/5/09 – See above
- Transfer of Well #1 by Bill of Sale – Bill of Sale has been prepared, signed, and sent back to TRR for recording
- Transfer Well Field land by Bill of Sale – Scheduled by Order on 9/5/09 and by the WSA on 8/29/09. Hugh believes there is a draft prepared to transfer that land.
- Record TRR land easement to get access to the rest of their property – In progress
- Transfer of remaining TRR infrastructure by 8/1/09 –
- Collect taxes – Being completed as required
- Implement Depreciation Rate – Being completed as required

- File Annual Reports – Being completed as required
- Two compliance filings: Tariff rates – Completed on 5/29/09
- Implementation of Best Management Practices by 9/5/09 – In progress
- Well #2 Pump Replacement – Bill Meyer is working on this
- Air Production – In progress
- Financial Assistance – Harvard to provide \$50,000 to ICRWUA to help pay for the legal expenses in negotiating Agreement – completed on 5/29/09.
- Characterize the split of aid in advance of construction vs. contributions in aid of construction – In progress
- Letter of acceptance/non-acceptance – Both Harvard and The Company have provided letter – Completed 5/13 and 5/20.
- Remove deed pumping restrictions on Well #2 and #3 – The Company has the documents in hand. They are ready for signature.
- Recording deed restrictions on remaining four acres by 8/29/09 – In progress

b. MDIFS Report

- **Delinquency & Shut Off Notices** – 22 Notices of Delinquency were sent. Of those, 8 were paid in full, 10 remain unpaid, 3 made partial payments. There was one Notice of Termination sent out – it was paid in full.
- **Handheld** – Dee spoke with RVS, and as of June 22, 2009, the handhelds (for meter readings) are still unavailable. She spoke with a sales rep from National Meter, who informed them of two handhelds, at a cost of \$7,295 and \$10,795. Jimmy Stoner supplied Dee with information regarding a refurbished handheld for \$895, and a new handheld from the U.K. Dee advised that she found a unit that is available for \$750. She will check on compatibility of this unit. Jimmy advised that there are two new units, same model as current unit, available for \$795 each from National Technology Services. Bill thought that the Board should approve Dee’s purchase of two of these \$750 handhelds if they are compatible. The Board discussed a handheld that Jeff has access to which should work with the Core software. The board concurred we should pursue something compatible with our software at an attractive price.

Motion: Jimmy moved that Dee validate the compatibility of the \$750 handheld, which has a 30 day return policy, and if compatible, that the Water Company purchase two of the units; Bill seconded; motion carried, 5 to 0.

- **Tiered Pricing** – Dee contacted Core and they are working with their data and testing the changes. She has made the rate changes in the billing software, and ran test bills, with everything working properly.
- **Member List** – Core has a report with “type of customer” field, for residential or commercial. There is also a field that could be used for the number of votes, and this report can be converted to an Excel spreadsheet. Bill asked Dee if the Board could see a draft of the member list. She will e-mail it to Bob and ask him to forward it to the Board.

Action Item: Dee will e-mail member list to Bob Busch, for his forwarding to the Board.

Bill advised that the Water Company started to pay off the debt to the attorneys this month. Dee advised that checks will now be going out on the 10th of each month to Snell & Wilmer.

c. Operator’s Report

Chris advised that he is looking for a homeowner to volunteer his house for the annual organics and arsenic testing. He got volunteers from today's meeting. Jimmy asked Chris about the maladjusted valve on the ICR well side. Chris advised that he finished the month with that well off to make sure that it wasn't influencing the water billing data. We will compare water pumped to water delivered to see what effect, if any, the improvement in unaccounted water.

d. Financial Reports (April & May)

Bill reviewed the April financial report – Revenues were \$37,609.51; expenses were \$48,686.83, for a negative net income of -\$11,077.32.

For the income statement year to date, ending April 30, 2009 – Revenues were \$102,668.21; expenses were \$208,720.36, for a negative net income of -\$106,052.15.

In terms of cash flow, Bill informed that the Water Co. began April with \$82,566.89 in the bank, ending April with \$77,903.94.

Bill moved that the Board accept the April income statement; Hal seconded; motion carried.

Bill reviewed the May financial report – Revenues were \$28,588.87; expenses were \$55,656.35, for a negative net income of -\$27,067.48.

For year to date ending May 31, 2009 – Revenues were \$131,257.08; expenses were \$264,393.51, for a negative net income of -\$133,136.43.

In terms of cash flow, Bill informed that the Water Co. began May with \$77,903.94, ending May with \$43,707.94, which does not reflect the fact that a check was written for \$50,000 to Snell & Wilmer, but the reimbursement of that \$50,000 from Harvard, was not received until June.

Bill moved that the Board accept the May income statement; Shirley seconded; motion carried.

Bill advised that he and Bob Busch met with MDI in June. MDI is now sending the Water Company two income statements: one for each groundwater system (the ICR system and the TRR system). Bill advised that each system is being tracked separately and as a whole. A Quality allocation is based on history and in their contract. MDI is based on customers. Bob's allocation is also based on customers. Hugh suggested that the cost allocation between the two systems might be put in layman's terms and posted on the website. Bill stated this could be done, we have the data.

e. Manager's Report

Bob Busch was not in attendance at this meeting, but the Board reviewed the June 23, 2009 Memo from Bob. Hugh summarized the water usage as follows:

- For the month of May, the total amount of water pumped for ICR was 4,425,000 gal., and for the TRR system, 17,234,000 gal. Water sold to customers for ICR was 3,887,032 gal., with 537,968 gal. of unaccounted-for water. On the TRR side, 17,560,164 gal. were delivered, with 326,164 gal. more than was pumped, reflecting a problem with the bookkeeping. For residential use, the ICR system was 3,796,202 gal. The TRR system was 975,836 gal. There are 276 customers on the ICR system. There are 149 customers on the TRR system. The highest single user in ICR used 117,000 gal. of water. Average use per customer is 13,784 on the ICR side, and 11,425 on the TRR side.
- Water Audit – Hugh discussed the May water usage report summary. We will continue to pursue where the unaccounted for water could be going.

f. Committee Reports

- Asset Transfers – Hugh advised that we are still waiting for some backup data relative to the Whispering Canyon well. On the TRR side, the only asset not transferred is the Molly Way Pump Station, which needs to be transferred by 8/1/09. Bill advised that the Molly Way pump station is scheduled to be tested in July.
- Operating Procedures – Bill advised that on June 18, Bill, Jimmy Stoner, Chris Petalano from Southwest Groundwater, Inc., and Chris from aQuality conducted an air production test on the three wells at TRR. The results were as follows: TRR 1: air concentration of 4.3%, TRR Well 2: air concentration of 6.1%; and TRR Well 3: air concentration of 1%.
- Board Policies – Jimmy advised that they have had two meetings since the last Board meeting. A Purpose Statement was written, and was sent to the Board. Jimmy proposed that it be adopted by the Board.

Motion: Jimmy moved to accept the Purpose Statement; Bill seconded; motion carried.

- Acceptance of Booster Station @ Phase 10 – Bill discussed whether the method of adding chlorine to the water was satisfactory, and if not, what had to be done. He advised that Chris of AQuality is concerned about the way the chlorine is added. It would cost approximately \$500 to rectify the situation, but this may void the warranty of the equipment. Hugh advised that he talked to Harvard and that they advised him that if the correction was going to cost the amount that Chris talked about, then the Water Co. could go ahead and do that. Bill wanted this put in writing by Harvard. Hugh agreed to discuss with Harvard. Bill reported that a 2nd major issue has come up when the pumps shut down with a low water level in the storage tank and a sudden high demand for water. The test is to further characterize the system. Hugh advised the warranty period for would cover any repairs. Jimmy advised we should use the 1 August deadline as leverage to get the system performance adequately demonstrated Bill stated the Order doesn't require us to accept faulty equipment. The Board agreed to wait until July, after the test is completed, to make a final decision on this issue.
- WSA Implementation, ACC Order Compliance – See above “Committee of the Whole” discussion.

4. Old Business

a. Review Action Items

Jimmy to continue investigating the purchase of a handheld – See above

Bob to follow up with MDI on the other sources of handhelds – See above

Chris to schedule an inspection of all valves in Phase 10 to make sure they're operating correctly and that they're easily accessible - Completed

Chris to get back to the Board with a recommendation, including price, of a routine valve inspection – The Board has not heard from Chris on this issue.

Chris to check into the maladjustment on one of the well control valves and report back to the Board if and when he finds something – The Board has not heard from Chris on this issue.

Chris to get prices on surge suppression at the Phase 10 boost station and relay them to the Board – Hugh advised that Bob informed him that it would cost \$9,000 to do surge suppression at all locations. The Board needs to get documentation and a priority from Chris on this.

MDI to check and see how many people pay by check, and report back to Board – Bob informed Hugh that very few people pay by check, and they will discontinue sending return envelopes with the bills.

Bob will prepare a full financial report on both sides and give it to the Board for the next Board meeting – not discussed.

Bob will e-mail the Board with a summary of the website costs – Bob has not completed this item.

b. Committee Statement

Jimmy advised that he and Bill drafted a change to the Committee Statement that is part of the 2009 Task List. Jimmy sent it to the Board on Sunday, and he would like feedback from the Board on the statement.

Motion: Jimmy moved to accept the statement as offered; Bill seconded.

Shirley disagreed with some of the items on the statement, and did not approve of the structure. Hal agreed with Shirley that the committees need a great deal of freedom, and should not have so much oversight by the Board. Jimmy read the committee statement to the Board and the public. Bill advised that the main difference between the old statement and the new is who selects the committee members. At this time, committee members are selected by the Committee Chair only, and the By-laws require that the Board form committees. Bill said that he thought that approval of committee members should be made by the Board, but final approval for each side system would really be by the Director from that system. Shirley suggested that this be tabled for more discussion and agreement. Hugh also thought it should be tabled, so it would give opportunity for input. After discussion, Jimmy withdrew his motion to accept the statement, and the issue was tabled.

5. New Business

a. Amendments to Well #2 and #3 – Amendments were made to remove all the restrictions that were put in place originally with respect to the amount of water pumped on a peak and annual basis. Documents have been received and reviewed, and are ready for signature. There is only one space for signature, so Hugh asked if the Board wanted him to sign it, or if he should send it back to Harvard for revision to include space for two signatures. Bill advised that he is comfortable with the amendments being signed by only Hugh.

Motion: Bill moved that the documents be signed, and that only the signature of Hugh will be required; Shirley seconded; motion carried.

b. ARC

Hugh advised that he has been informed by the attorneys that the Water Company is operating outside their scope, having the ARC operate under them. He also advised that having an attachment to the Company by ARC jeopardizes their tax free status, because, in effect, it's a Homeowner's Association of a sort. Hugh advised that in February, 2008, there was a two hour meeting with the ARC, the Board, and the attorneys. The ARC was provided with alternatives for them to become a stand-alone operation, disassociated with the Water Co. Assuming the attorneys have no problem with this, Hugh intends to prepare a draft to modify the By-Laws and repeal Article 11, have the Board approve it, and if that is approved, will request full accounting of all funds collected and disbursed by the ARC under the plan check fee. Hal discussed that since the Water Company is operating outside of their scope, the Board and members may have personal liability.

c. ACC Open Meeting Comments Document

Hugh discussed adding a section to the rate case tab on the website to include comments from the public relating to the ACC open meeting, rather than putting those comments in the Minutes. Hugh felt this information should be available to the public but not as part of the minutes. Jimmy did not agree, and felt that the comments should be included in the Minutes. Hugh read an opening paragraph of a draft document he had prepared indicating people who attended the 4/28/09 ACC Open Meeting would have an opportunity to post their recollection of the meeting since there is no transcript of the meeting. Bill discussed that the difference between what is being proposed, as opposed to including the comments in the Minutes, would amount to a forum for people to start arm waving at each other, and he agreed with Jimmy that the comments should not be posted this way. Bill was in concurrence with Jimmy that if comments are made during a Board meeting, before adjournment, then those comments should be placed in the Minutes, particularly when the minutes are published and our minutes are published.

Motion: Shirley moved to put the comments in the rate case section on the website, with the notation that the comments are opinions only; Hal seconded; Jimmy and Bill opposed; Hugh cast the deciding vote; motion carried.

d. Signatures

Hugh advised that the policy of the Board is to have two signatures on all documents; those of the President and either the Treasurer or the Secretary. He advised that there are times when two of the required people are not available, and suggested that in the absence of the Treasurer or Secretary, other Directors may sign these documents. Bill did not agree with this change in policy. Jimmy agreed with Bill. The Board decided to leave the policy as it is.

Adjourn

Motion: Shirley moved to adjourn; Hal seconded; motion carried.

Adjourn at 11:10 a.m.