

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
July 28, 2009 Meeting Minutes

Approved - 8/25/09

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
Bob Busch - Manager

Member Guests

| | | | |
|----------------|-----------------|---------------|---------------|
| Skip Reid | R. Steffenson | Jim Fite | Chris Stoner |
| Jeri Fite | Dayne Taylor | Pat Carpenter | Gene Leasure |
| Harvey Roberts | John Payne | Russ Hubbard | John Morley |
| Lani Beach | Leo Sullivan | J. McGowan | Chuck O'Brien |
| Susan O'Brien | Shirley Leasure | Erik Seineke | Fred Engel |
| Eileen McGowan | Kim Utz | Bobbie Engel | Irene Roberts |
| Marless Taylor | | | |

1. **Call to Order** - The meeting of the ICRWUA was called to order at 9:07 A.M. by Hugh Pryor. Hugh reminded the audience that during the official part of the meeting that runs when it's called to order until adjournment, questions and comments from the audience are not accepted. There will be a period for questions, answers, and comments after adjournment.
2. **Review Minutes of the June 23, 2009 Board Meeting.**

Hugh discussed the two versions of the Minutes, with one version including public comments, and the other which does not contain the comments.

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

Motion: Jimmy moved to accept the full minutes that contain the public comments; Bill seconded; Shirley and Hal opposed; Hugh cast the deciding against; motion did not carry.

Motion: Shirley moved to accept the minutes that do not contain the public comments; Hal seconded; Discussion – Jimmy asked about the removal of the Reports Bill and Jimmy had made in the 5/05/09 meeting. Hugh disagreed with discussing this at this time, but agreed to discuss this in Old Business. Jimmy and Bill opposed this version of the minutes with the public comments removed; Hugh cast the deciding vote in favor; motion carried.

3. Reports**a. MDIFS Report**

- **Delinquency & Shut Off Notices** – 16 Notices of Delinquency were sent. Of those, 11 were paid in full, 1 remains unpaid, 1 made partial payment, and there are 3 credit balances. There were 3 Notices of Termination sent out – 3 partial payments were made.
- **Handheld** – Dee did not purchase the two new handhelds approved at last month's meeting. Bob Busch has taken over the search for a compatible handheld.

- **Tiered Pricing** – Dee informed the Board that the tiered pricing conversion is complete, and that the first billing was sent out for the first part of July. There were no calls regarding the new rates or the bills.
- **Member List** – Dee was able to add the type of customer and number of votes on the report. Jimmy asked for clarification regarding whether this was a sample list or a complete list. Dee advised the Board that she had provided a complete Member List containing the information to Bob. Bob is supplied an updated list each month.

b. Operator's Report

Chris Williamson advised that ADEQ has scheduled an annual inspection of the ICR side of the water system, which is scheduled for tomorrow morning. Chris found a hard fault on one of the two pump skids at Molly Way Boost Station. When he reset it, it was apparent there was pressure maintaining and sustaining issues that need to be addressed. There also seems to be a leak. The authorized pump repair person is being contacted. Chris also advised that a new meter register has been ordered for the homeowner whose bill showed an extra 1,000,000 gals. of water used last month. Also, there seems to be a fire pump that is leaking from a mechanical seal at the Molly Way Station. The same people who are working on the electronics for the one pump station will also address the fire pump problem. Chris also advised that they started working on upgrading the electronics and remote controls at the Cooper Morgan Main Boost Station in TRR. He said that at midnight, things weren't working right, and he started checking the control wire between the boost station and the wells. He found that the wire is bad, and the signals being sent from the boost station have been crossed. He said it could simply be a nearby lightning strike, or insulation going bad. This is the second time for this failure. He drove the line and could see no disturbances so he's looking into prices for telemetry. He's running Well No. 1 manually. Well No. 3 is cycling automatically. The main boost station on Thursday blew a high pressure hose coupling. He had a new one installed on Saturday.

Action Item: Chris to look into prices for telemetry system between the boost station and the wells.

c. Financial Reports (June)

Bill reviewed the June 30, 2009 financial report – Revenues were \$37,255.14; expenses were \$33,963.83, for a net income of \$3,291.31.

For the income statement year to date, ending June 30, 2009 – Revenues were \$168,512.22; expenses were \$298,357.34, for a negative net income of -\$129,845.12.

Cash flow for the month of June showed a net increase of \$40,222.23. Part of that increase was the \$50,000 that the Water Co. received from Harvard for their payment with regard to the rate case. The current checking balance as of June 30 was \$83,930.17.

Motion: Bill moved that the Board accept the June financials; Hal seconded; motion carried.

d. Manager's Report

Bob Busch discussed the Budget vs. Actual report. He passed out and discussed the Cash Flow Year to Date Report with the Board. He advised that the balance in the checking account as of June 30, 2009, was \$83,930.17, and it was \$89,763.84 on January 1, 2009, a difference of \$5,833.67. Hugh inquired whether the repayment to TRR goes down because of the reclassification of the assets. Bob advised that the repayment is based on 15% of the revenues received from customers. Hugh also asked about what the bank charges, and Bob explained that the bank charges for the auto pay each month. Bob also discussed the Reconciliation of Cash Flow Report to Financial Report. Bob discussed the projected

budget and how the Water Co. (Note: This refers to year to date budget) is \$20,000 less than budgeted as far as cash flow is concerned.

- **Water Use Summary for June** – Total pumped from both wells was 13,775,000 gallons for June. The water loss for both sides is 803,825 gallons. The number of customers dropped this month due to disconnects, and Bob stated that the golf course should now be included as a customer, bringing the count to 444. The usage year-to-date compared to last year is down about 10 ½% from last year's usage.
- **Bills of Sale** – Bill of Sale for Molly Way Pump Station has not been executed. The Amendments to Bills of Sale for Wells 2 & 3 have been executed and return to Harvard for signature, and were recorded on July 9. The Bill of Sale for Well 1 has been executed and recorded. Bills of Sale for WC Phases 1-4 have not been executed yet due to not having back up for part of the well. Hugh recommended a meeting be called with the Asset Committee to discuss the Bills of Sale.

Action Item: Bob Busch to set up meeting of the Asset Committee to discuss the Bills of Sale.

- **Property Transfers** – Jim Heitel has not yet recorded the deed transferring property on the north side of the street. (Note: This refers to the ICR entrance at Inscription Canyon Drive) He has promised to do so.
- **Aqua Meadows** – Hugh advised that the Agreement has been signed by Steve Pierce, and returned to Whittington for recording. Aqua Meadow's receives an increase in the water withdrawal rate because of the rate increase granted to ICRWUA. The new water withdrawal rate is now .24¢ per 1,000 gallons.
- **True Up** – Bob has done the draft true-up for first five months (Note: This refers to the previous Well Agreement). He has sent that to Harvard for comments and review, but he has not received any comments from them as yet.
- **TRR Infrastructure Classifications** – Bob has notified Harvard that the Water Co. has already reclassified 44.76% of infrastructure as contributions, (Note: This allocation was determined by the Asset Committee in response to the terms in the Water Service Agreement) so the remaining almost \$4,500,000 would be subject to repayment under the Main Extension Agreement. Hugh asked Bob to put this on the website.

Action Item: Bob Busch to put the TRR Infrastructure Classification information on the website.

- **Handhelds** – Bob advised that he has had several contacts with a company in New Jersey, who indicated they had two available, but they have been promised to be sold to another company prior to Bob being able to purchase them. However, the handheld company has not received a check from the other company. Jimmy suggested that Bob call the handheld company today, and ask how long they will wait for the other check, before we will be able to purchase the two handhelds. Another source that has handhelds available is a source in the U.K. He sent them an e-mail and got a response this morning. Two handhelds, claimed to be new, would be about \$1,500, but he's very skeptical about buying from them.

Action Item: Bob Busch to call the U.S. handheld company today.

- **Uncollectable Accounts** – Bob advised that we have 16 accounts that he considers uncollectable, which total \$2,382.07. His recommendation was to write those amounts off.

Motion: Hal moved to have Bob write the \$2,382.07 off; Shirley seconded; motion carried.

- **Water Samples** – Chris advised that water samples were done at the TRR wells and standpipe. Of the 12 samples done, two samples by the standpipe by the wells did not pass, although one of the two passed later. Bob advised that ADEQ requires a notice regarding the test results must be sent out to all customers in TRR with the next billing. The draft notice was sent to ADEQ and was approved. Chris advised that nothing else needs to be done at this time.
- **New Rates and Service Application** – Bob advised the Board that he has modified the Service Application to show the current rate of charges, and is now on the website. Hugh suggested that this be put in the Policy Manual. Jimmy asked if this is a matter of responding to the new Order that we had to modify the Service Application. Shirley said that she doesn't believe this is a policy, but instead, is a requirement. Jimmy believes it will be part of handling the ACC requirements that we had to respond to as part of the Policy Committee. Hugh advised that the two ought to agree with each other. Bob stated that the issue is whether the Policy Manual has been approved by the Board or not.

Additional Item: There was a discussion regarding the policy manual and whether it was ever approved by the Board, and Jimmy stated that there is no evidence that it was ever discussed, reviewed, or approved by the Board, that he could find. Hugh stated that the Board has made revisions to that document. Jimmy stated that policies have been passed before the Board and that they have been approved. Bill stated that apparently the book has not been approved. Bill suggested that we put it on the agenda for next month. Hugh stated that the unapproved policy book is on the website, but Bill didn't believe it should be on the website if it has not been approved by the Board. Hal stated that the Board did adopt the Policy Manual, but doesn't know why it didn't get in the Minutes. He said it happened when he first got on the Board with Shirley. Shirley stated that they have referred to the Book. Shirley stated that the rates are not part of the Policy but directed by the ACC. We just implement. Hugh suggested removing that page out of the Policy Manual so there's only the correct one on the website. In response to Jimmy's concern that there is no evidence that the policy book was ever approved, Hugh responded by stating that there were two members of the current Board who were on the Board at the time it was introduced. They claim that it was approved, but he doesn't know if it was or not. Bill suggested that to resolve this issue that the Board spends some time reviewing the Policy Manual being discussed and put it on the agenda for next meeting to accept all or part of it. It was agreed that this issue will be put on August's agenda. Jimmy will make recommendations on what we should retain. Some pieces were approved and should be considered valid policies.

- **Bank Charges** – Dee advised that Summit Bank offers a non-profit business account, with the auto pay program \$40 per month, and they will also pay interest on the money. National Bank has the Water Co. in an Account Analysis, in which the Water Co. gets credits for the money in the account and there are fees for everything that is done on the account, including deposits, checks, etc., which amounts to approximately \$75. Hugh suggested that Dee speak with Bruce on whether the Water Co. should change banks.

Motion: Bill moved that we tentatively approve changing to Summit Bank, and that Dee is to provide information on how much ordering new checks for Summit Bank will cost, and submit it to the President. If the President approves, then we will change; Shirley seconded; motion carried.

Action Item: Dee to get the amount that ordering new checks will cost and relay that information to Hugh.

e. Committee Reports

- Asset Transfers - See above. (Bob set up a committee meeting.)

- **ARC Resolution** – Shirley advised that they have been approached by members of the ARC, and that the lawyers for both ARC and the Water Co. are trying to reconcile the issues from the Water Co.’s and the ARC’s points of view. The lawyers have been given a deadline of August 25, 2009, to work this out. Hugh advised that the Board was told by counsel that they need to separate themselves from the ARC because of some risk to their non-profit status. Shirley advised that the lawyer handling the ARC issue for the Board was hired several years ago, and was hired to handle both the non-profit status and amending the By-Laws. However, the By-Laws were put on the “back burner.” Bill added that it was his opinion that we currently have a lawyer working on the ARC issue without the Board having approved that action. He doesn’t believe the Board has any letter from the lawyer what this is going to cost the Water Co. He believes the Board needs to approve the lawyer working on the ARC issue, and that a fee agreement be written between the lawyer and the Board, showing what the costs will be. Bill stated the company went down that open road engagement with the rate case and it ended up costing over \$350,000. Shirley and Bill had a discussion about whether the Board should approve hiring the lawyer at this time – it was Shirley’s opinion that since he worked on the By-Laws previously, he is just continuing with what he started and no new approval is necessary. Bill stated that the lawyer finished his jobs, and gave his recommendations that the Board was to send out notices to the owners of the first 180 lots of ICR to see what they wanted to do, and to meet with the ARC. Neither of these recommendations was done; we have not followed through on those recommendations. Jimmy added that in February 2009, the Board agreed that it would not spend money on legal fees unless it was brought to the Board and voted upon. Hal stated that he had correspondence with Fred Mayer in March, and he asked if the ARC made a decision on the separation from the ICRWA. Fred’s answer was that they made our decision to do nothing about being separated from the ICRWUA.

Motion: Hal moved that the Board retain the attorney to work on the ARC issue; Shirley modified the motion to say “continue” retaining the attorney; Shirley seconded Hal’s modified motion;

Discussion: Bill stated that the Water Co. does not have the money to hire an attorney “open ended” at this point. Bill stated we need an engagement letter. Shirley said they usually work by the hour. Jimmy stated that we certainly know that since nearly \$350,000 was spent on the Rate Case. Hugh discussed that at the last Board meeting, he said he would bring forth a By-Law change for the Board separating the ARC from the Water Co. He drafted and forwarded it to the attorney. The attorney’s response was that he had been contacted by the attorney for ARC and that ARC was willing to separate from the Water Co. provided they could resolve a couple of issues, which Hugh does not recall at this time. Hugh told the attorney that we need to get this resolved by the August Board meeting, which binds what he can do in terms of time and effort. Hugh said he could ask the attorney what an approximate cost will be. Hugh stated that he believed this was a continuation of an effort which began nearly two years ago. Bill brought up that the Board had previously agreed that no attorney’s fees would be spent without being approved by the Board, and that certain members of the Board hired this attorney without notice to other Board members. Jimmy suggested that before we go back to the attorneys and do what they recommended in 2008, a meeting be called with the ARC Committee and the Board, and then determine if attorneys need to be involved. There were comments from the public, including that the people from ICR are paying both attorneys; an engagement letter should be obtained from the attorney; there should be an engagement letter now if the Board did engage the attorney two years ago, and please produce it; the Board can meet with the ARC even though they have an attorney because this isn’t a criminal matter. Jimmy again recommended the board meet with the ARC and discuss where we stand and how to best proceed. Shirley then stated that the Board is in the middle, and everybody’s threatening to sue, and she believes the attorneys should handle it until such time as there are no threats to sue. The public commented that just because ARC hired an attorney doesn’t mean they’re threatening to sue. Another public comment was that removal of the ARC from the Water Co. can cause permanent damage done to those people who own

property in ICR. Bill suggested the person who made the motion with draw it and meet with ARC. Jimmy agreed.

A vote was taken on the motion; Shirley and Hal voted in favor of the motion, Bill and Jimmy voted against the motion, Hugh cast the deciding vote; motion carried.

- Other Operating Procedures (e.g. well field) - Bill advised that Pump 2 on the TRR well field failed. The pump was pulled, a video was made of the well casing and, since it was going to be replaced anyway as part of the rate case settlement, it will now be replaced and paid for by the developer of TRR. They are in the process of sizing the pump, and this should be replaced in anywhere from 2 days to 2 weeks. Chris advised that there is no back up well, so it should be done ASAP. Bill will be talking to Bill Roberts (of the company that is putting the new pump in) today and will inform the Board as it progresses.

Action Item: Bill to contact Bill Roberts regarding installation of the new pump, and inform the Board of its progress.

- Board Policies - There was one policy meeting since the last Board meeting. The Committee agreed on an approach to address the ACC requirements and how ICR will implement and conform. He also advised that the Committee agreed on an approach to looking at the Arizona Revised Statutes that specifically apply to non-profits, and how the Water Co. will need to respond in the policies to insure that they are in compliance. Hal asked why there hadn't been a meeting in five weeks. Jimmy answered that because of people's schedules, one meeting had been cancelled. There will be a meeting tomorrow at 8 AM. Hal was invited and stated he would attend. Hugh wanted to know the location of the meeting and was it costing the company anything. Jimmy said not for this brief meeting.
- Acceptance of Booster Station @ Phase 10 – Hugh advised that a test is being negotiated with Harvard. There is a disagreement between the Water Co. and Harvard about what test needs to be run. Harvard is taking the position that if the Water Co. pursues the test, they will void the warranty on the equipment. He stated that a memo is being prepared by the design people about the proposed test. Bill added that if a test is run that is within the specifications of the station, Harvard cannot void the warranty. Harvard making a threat to void the warranty is a hollow threat and we have the right to test and intend to do so. Negotiations on the test should be completed this week. Jimmy stated that according to the WSA, the Water Co. has to sign an agreement to accept it on August 1, and therefore, a letter should be written to Harvard advising them that under the circumstances, that the Water Co. cannot accept Molly Way by August 1. Hugh will write the letter to Harvard. Hugh advised that he asked Bob to check with the ACC to see what needs to be done to defer acceptance of the Booster Station until after the deadline.

Action Item: Hugh to write a letter to Harvard that the Water Co. cannot accept Molly Way per the WSA.

Action Item: Bob Busch to check with the ACC to see what needs to be done to defer transfer of the equipment in the event there is something flawed.

- WSA Implementation, ACC Order Compliance – Hugh asked Bob to make sure that the WSA Implementation, ACC Order Compliance is posted on the website. Hugh went over the list of items to be completed, stating which items have been completed and which still need completion, including:
 - Best Management Practices – A couple of meetings have been held. Three practices have been developed, and Shirley has agreed to compile the response to the Best Management Practices

(BMP) Order. Harvard has just turned over a package of the BMP's they are supplying. Copies will be provided to the Board.

- Transfer of Well 1 – completed.
- Well Field Land Bill of Sale – not yet received from Harvard.
- Deed Restrictions for Remaining Four Acres – in progress.
- Well 2 Pump Replacement – in progress.
- Storage Pond – Harvard agreed to construct a storage pond on the left side of the driving range. They have pulled the permits to do the construction, and will start sometime late next month and be done by the end of the year. (Permit number and date will be added to the matrix) Bill stated that he believes that if the storage pond is not completed by the due date, the rate case could be reopened, so the Board needs to stay on top of what's happening with the storage pond.

Action Item: Bob Busch to post the ACC Order Compliance on the website.

4. Old Business

a. Bob Busch reviewed the Action Item.

b. **Additional Item:** Jimmy discussed the content of the 5/05/09 Meeting Minutes. Jimmy stated that Hugh said the reasons given for excising the reports given by Jimmy and Bill from the minutes that Hugh's recollections were different. And there was no Transcript of the Open Hearing and no recording. On that basis both the reports of Bill and Jimmy regarding the Open Hearing could not be verified, and that others attending the hearing may not have the same recollections. Jimmy state that their reports had been reviewed verified by 10 other persons who had attended the Open Hearing. Jimmy stated Hugh was wrong about a record of the Open Hearing and showed the Board the CD obtained from the ACC and a copy of the transcript of the ACC Open Meeting of what actually occurred during that meeting. Jimmy offered to provide the transcript to the company to post in its entirety. All he asks is that he be reimbursed his cost, \$125, for obtaining the transcript. In addition, as a result of this record validating the reports of Bill and Jimmy believes these reports should be put back in the 5/5/09 Meeting Minutes. Hugh advised that the Board previously voted on this issue and that all comments will be put on the website in a separate section. Jimmy stated that this was wrong and should be restored to the original version.

5. New Business

a. Members List – See above

b. Well Site Emergency Power Generator - Bill advised that the Water Co. does not have a backup generator, and if power is lost on the TRR side of the road, there could be major problems. A new generator would run in the neighborhood of \$30,000 to \$40,000. The ICR side has a tank that would supply water for about three days in the event of a power failure. Chris said that there are backup generators at the boost stations, but there is no way to power the wells. Chris recommended that the Board look into a portable generator sufficient to run the ICR wells, the ICR boost station, and TRR wells. The previous Saturday a power interruption occurred for an extended period to the TR wells. Its possible to rent a generator but the well site electrical system will need a modification to accept a roll up emergency generator.

Action Item: Chris to investigate the cost of an emergency portable generator and get back to the Board before the next Board meeting. Bob will work with Chris on this.

(Note: Dayne Taylor had worked with Earl Cummings to set up contracts for the about 5 years ago. Bob will contact Earl Cummings to get what had been done before.)

c. Storage Pond per WSA – See above.

Additional Item: Hugh discussed the fact that public comments are made after adjournment of the Board meeting, and therefore, should not be included in the Minutes. He does believe that the comments should be included in a separate section on the website for review. Jimmy commented that since the public comments relate to the topics discussed in the Board meeting, and therefore, should be included in the Minutes.

Motion: Shirley moved that the public comments be put on the website adjacent to the Board Minutes; Hal seconded;

Discussion - Jimmy stated that he has a problem with separating the public discourse, not public comments, on agenda subjects from the Board Meeting. He believes this public discourse is pertinent to business that the Board discusses. He could go along with posting the Minutes and public comments together (e.g. a date for the Board meeting, a date for the particular comments). Hugh commented that the public comments could be adjacent to the Board Minutes. Jimmy did not see the benefit of two separate documents since when in the same document the Board meeting concludes with an adjournment, and then is followed by a separate title for the Public Comments. Shirley and Hal voted in favor; Bill and Jimmy opposed; Hugh cast the deciding vote; motion carried.

Additional Item: Jimmy discussed utilizing an action item log and motion log. He previously provided copies of these logs to the Board members, but had no response.

Motion: Jimmy moved that an action item list and motion list be utilized; Bill seconded. Bob stated that he has kept an action log since 2005, and he will provide it to any Board member that wants it. Hugh agreed that a log should be used and made public; vote was taken; motion carried.

Additional Item: Bill prepared a report for downsizing the pump at Well 2, and had a consultant review that. He suggested that the Board approve him getting several bound copies of that, which would include the consultant's review, to have for the Water Co.'s records. The cost would be about \$50. The Board agreed with Bill's suggestion.

Adjourn

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

Adjourn at 11:17 a.m.