

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, ICR Sales Office
January 4, 2011 Meeting Minutes

DRAFT

Those Present:

Board Members

Bill Meyer, President
Jimmy Stoner, Vice-President/Secretary
Tom Sullivan, Treasurer
John Payne, Director
Curt Anderson, Director

Contract Staff

Chris Williamson, AQuality Water
Pat Carpenter, AQuality Water

Member Guests

Chuck O'Brien	Craig Brown	Eileen McGowan
Chris Stoner	Harvey Roberts	Dayne Taylor
Clint Poteet for partial meeting		

- 1. Call to Order** - The meeting of the ICRWUA was called to order at 9:08 A.M. by Bill Meyer.
- 2. Roll Call of the Board** – Roll Call of the Board was taken. (Curt Anderson appeared at the meeting at 9:55 a.m.)
- 3. Approve the 1/4/11 Agenda**

The Board approved the Agenda scheduled for today’s meeting.

Motion: John moved to approve the Agenda; Jimmy seconded; motion carried.

- 4. Review Minutes of the November 23, 2010 Board Meeting.**

Motion: Jimmy moved to waive reading of the 11/23/10 Minutes; Tom seconded; motion carried.

Motion: Jimmy moved to accept the 11/23/10 Minutes; Tom seconded; motion carried.

- 5. Election of Officers –**

President: Tom moved to nominate Bill Meyer; John seconded; motion carried

Vice-president: Tom moved to nominate Jimmy Stoner; Jimmy declined and moved to nominate John Payne; Tom seconded; motion carried.

Treasurer: Bill moved to nominate Tom; Jimmy seconded; motion carried.

Secretary: John moved to nominate Jimmy Stoner; Tom seconded; motion carried.

- 6. Reports**

Operator’s Report – Chris Williamson advised that the valve at ICR No. 2 is now working correctly. He is going to try to put it back on line such that it alternates and functions the way it was intended. He also advised that the Double Adobe pump house is done and working correctly. The Magner tank is in pretty good condition. The tank diver, three years ago, suggested that we should consider putting someone back in the tank at this time to reexamine it, or simply go ahead with replacing all of the nuts.

Chris talked to the manufacturer of the tank, and they think we should leave the tank alone, because it could cause leaks. Chris suggested having the diver go into the tank and inspect it, which will cost about \$1,500. If the diver finds that the nuts are wearing rapidly, then we would have to schedule replacing them. Three of four manufacturer people talked to recommended we do not replace the nuts. Chris stated that the manufacturer probably will not give us an extended warranty on the tank because it is so old. Chris stated that doing any work on the bolts in the tank could cause more damage to the tank by way of leaks. This was confirmed by the calls which Curt had made to the manufacturer, don't mess with it. Chuck O'Brien asked why we would have a diver inspect the tank if we can't replace the bolts. Jimmy answered that an inspection will tell us if we need to replace the tank. Pat Carpenter added that if there is an issue internally on the tank, there are some things that can be done to prolong the life of the tank, which would be less expensive than replacing the tank. Chris stated that while the diver is there, he will have them clean up the sediment and vacuum off the bottom.

Motion: Jimmy moved to schedule a diver, have the tank inspected, and have videos taken; John seconded; motion carried.

Action Item: Chris Williamson to schedule a diver to inspect the Magner tank.

Chris advised that the soft starts and other equipment have been replaced at Molly Way, which brings us up to a minimal level. He proposes running Molly Way on a very short leash in terms of cutting controls, and that a leak in the Molly Way distribution system needs to be found. John asked if this is what was causing the Jockey pump running all the time. Chris said the leak is causing the jockey pump to cycle so frequently. He stated they hadn't found any lead source so felt it was underground and will take awhile to find it. A simple alternative would be to back feed the entire system from the existing system and shut down Molly Way. This has the unfortunate side effect of leaving us open for fire damage, which is minimal this time of year. Fire protection needs to be maintained for the area. He will keep an eye on this leak and will start looking for it next week. They will start walking the area looking for unusual sources of water. He said that the pump at Molly Way is cycling every ten minutes, rather than once a day as it should. He wants to put the pressure vessel completely back on line and use it to slow down the cycling. Dayne asked what the flow was on the jockey pump. Chris said the flow is low but it cycles too often just to keep the pressure up.

Chris advised that he is trying to have Cheryl Ibbotson of Wallace & Assoc. prepare the water use and preliminary water use reports. It will take Cheryl a month or two to get up to speed on the reports. Bill suggested having Cheryl prepare the water use report only, and no longer do the preliminary report. The Board members concurred with this and the current format is good. Bill stated that the Board needs a current water use report as soon as possible because they need it to prepare the estimated 2011 budget.

Financial Report – Tom reviewed the November financial reports for November. For the entire water system, the ordinary income was \$34,909; other income was \$10,077; for a total income of \$44,986. The expenses for the entire system were \$64,315, for a total negative net income of -\$19,329. In November 2009, the net income was -\$14,408.

For the ICR system, total ordinary income was \$16,561; other income was \$3,173; for a total income of \$19,734. Expenses for the ICR system were \$18,085, for a total net income of \$1,649.

For the TRR system, total ordinary income was \$18,349; total other income was \$6,904, for a total income of \$25,253. Expenses for TRR system were \$46,229, for a total negative net income of -\$20,976.

Tom advised the depreciation figures are essentially the same as last month. A Quality expenses are more in line with what they have been previously for most of the year, about \$7,000. There was a large outside services fee for TRR in the amount of \$4,013, and for ICR in the amount of \$1,242. One of those outside services bills was for CivilTec. Tom figured out that this bill had been incorrectly billed to us and it should have been billed to Granite Oaks Water System. We now have a refund of \$2,070, and that will show up on the January statement. There was some discussion as to how this mistake can be avoided in the future. Since the Water Company does not use CivilTec, it was agreed that Tom will contact Wallace & Assoc. and inform them that if they get a bill like this again, they should check with Tom before paying it.

Action Item: Tom to contact Wallace & Assoc. and advise them that any bills from CivilTec should be cleared by Tom before paying.

Tom advised that there was a property tax bill of about \$5,000, which is paid twice yearly. Total current assts are \$229,105, less ARC checking account of \$9,802, for total current assets of \$219,303. Current liabilities are \$16,264, so assets exceed liabilities by \$203,039. In November 2009, our balance sheet showed security meter deposits totaling \$12,602, whereas this year, it is about one-half of that. There was a positive cash flow for the month of November in the amount of \$5,620. Dayne Taylor commended Tom for the job he is doing with the monthly financial reports and separating the financials for the two separate water systems.

Motion: Tom moved that the balance sheet for November 2010 be approved by the Board, Jimmy seconded; motion carried.

Committee Reports -

Operations Committee –

Molly Way Status Committee –

- **Flotronex Repairs and Testing** – Chris Williamson stated that the repairs and testing have been completed. The hydro tank needs two more seals and put on line and left on line. That should reduce a lot of the cycling that is going on now without interfering with the capacity of the tank at all. Bill added that the cost of the Flotronix repairs should be sent to Craig Krumwiede. The cost was approximately \$7,400.
- **Third Party Engineering Tank Survey** – Curt was supposed to give this report, but he was not in attendance yet at this meeting. Jimmy stated that the tank is within 0.8X inches of level from the lowest to the highest spot, which is within normal standards. However, the grade ring around the tank was 3.8X inches from the lowest to the highest point of grade ring. The grade ring makes it appear that the tank has settled, when in actuality, the grade ring is off by over 3.5 inches. The good news is the tank does not appear to be settling. Craig Brown asked if the water was level and it was concurred. Chuck O'Brien asked what the ring is made out of, and Chris Williamson answered it is made out of steel. John asked if they addressed the rusty leak from the top of the tank. Bill replied that the survey was strictly to see if the tank was level. Craig Brown asked if this needs an annual review, and Bill answered that it could be done, but since the tank has been there five years with less than an inch of settling, it doesn't seem necessary to inspect it every year. Clint Poteet added that after six months of construction of the tank, there is what is called frost heaving, water that accumulated inside the gravel and the ground, it gets cold and frosts, which raised the ring about 2", and that is when they put the concrete collar around the ring about 4 and one-half years ago. The ring itself is not attached to the tank.

Bill asked if we should notify Harvard officially of the survey results, and the Board answered yes. Clint Poteet asked if the letter could be sent to his attention since Craig Krumweide was on vacation for the month of January. Bill will prepare the notice to Harvard, to the attention of Clint Poteet.

Action Item: Bill to prepare the letter notifying Harvard of the survey results, and will send to the attention of Clint Poteet. He will send the draft letter to the Board for their review and comments. We will also include the repair costs for the Flowtronex equipment to get it up and running and advise them that only limited testing has been accomplished

- **Harvard Inspection** – Jimmy advised that an inspection was scheduled at Harvard’s request, to access and inspect Molly Way to identify the issues pointed out in the Fann Environmental report. This inspection was done on December 22, 2010. We have no results of the inspection. Clint Poteet had agreed to write a report and identify the results of their inspection by their engineers. Jimmy stated that Mr. Poteet’s attitude was not very professional in that Mr. Poteet claimed that he felt that this entire effort was just a matter of extorting money from Harvard. Jimmy stated he felt this was a bit disingenuous. Jimmy also stated that he was called later in the day by Chris Williamson indicating that the electricians were doing work at the facility. Jimmy didn’t know what kind of work they were doing but it didn’t matter. The electricians were authorized to inspect, not to do any work. Jimmy contacted Bill, who then contacted Chris and Clint, and the work was stopped. It is Jimmy’s understanding that they are going to give us a report on what work was done and the report on the results of the inspection. Bill advised that he and Clint talked, the work was stopped and they agreed that after the holidays, Clint would contact Bill to set up a new date to complete Harvard’s inspection of Molly Way, in order to review the items that were identified by Fann Environmental as potential issues, as well as by the Board itself, to give them a chance to inspect these items and draw their own conclusions, so we can then discuss them. Tom asked how much of the inspection was completed. Clint stated the electrician was not finished. Jimmy asked if he had an estimate of how long it would take to complete the inspections? Clint stated that it will take the electrician approximately two hours to finish his inspection. Bill stated after the inspection a date would be set up with Harvard to discuss where we are with the Molly Way issues. It was agreed that a Board member will be in attendance at the next inspection, and Jimmy volunteered to be there, even though I’m not qualified. Clint stated that Jimmy is not qualified to participate in the inspection, and Jimmy stated that he is qualified to observe. Clint asked Bill to move on. Jimmy responded that when Clint was 4 or 5 years old, Jimmy was installing all the electrical equipment in a sanitary system. Clint Poteet added that Jimmy is not qualified to participate in their report. Jimmy responded that he is not intending to participate, but he will observe. Clint again asked Bill to move on. Chuck O’Brien asked why the electrician made repairs when they were only to inspect. Clint answered that he believes the only thing the electrician did was put an electrical plate over a box that had open wires, but he wasn’t there. Charles asked why they did that. Clint added they did that as a courtesy to the Water Board. Clint then again asked Bill to move on. Jimmy asked Clint if he is running this meeting, and Chuck added that he wondered that too because Clint keeps saying, “move on.” Clint answered that there is no sense in arguing over this. Jimmy again asked Clint if he is running this meeting, and Clint answered that he is not. Bill asked if there were any more comments on the inspection and that we refrain from personal issues.

ARC Report – Eileen McGowan stated that nothing has changed since the last meeting. They had an election, and only had one volunteer, Jerry DeSantis, to be on the ARC, so they are short one person. She asked if a Board member would like to sit in on the meetings and be a temporary ARC representative, and to be a fifth vote if they need it. Bill said that he doesn’t believe a ICRWUA

Board member can be an ARC member, and will check into this. Chuck O'Brien concurred with Bill. Eileen stated that their next meeting is January 11, 2011. Eileen advised that she has been reelected as the Chairperson and they will be running as a four person board at this time. (Erik Seineke and Fred Mayer have terms are complete. Eileen also stated that solar panel requests are not in the jurisdiction of the ARC, and is a State issue. They cannot grant or deny permission for solar panels. County is working on some guidelines but no HOA can preclude Solar power.

7. Old Business

a. Review Action Items – Jimmy reviewed the action items. The open items are:

- Bill to work on well registration at Long Meadow Ranch straightened out.
- Bill to meet with Operations Committee and include EOP's within its scope.
- Asset Committee work with Chris W. for documentation on all Molly Way repairs, replacements and testing that has been done. There appears to be some pre-delivery documentation we should have received. Also we question the "completeness" of the Flotronex documents?
- Jimmy will coordinate a date next week with John Payne and Chuck O'Brien to go through the records.
- Tom and Jimmy will get together to discuss and evaluate cost allocations between TRR and ICR further, and perhaps do an analysis for the next meeting.
- Jimmy to call a subcommittee meeting – ICR pump house renovation?
- Jimmy will verify Tariff Schedule is available on the Web Site
- Chris Williamson will check to see if it is safe to go ahead and get rid of the ICR Pump station old equipment.
- Chris Williamson will see if he can determine a market value for the ICR Pump station old equipment.
- Jimmy Stoner to get the committee together next week to determine what is to be done with the old water boost station.
- Chris Williamson to make necessary repairs to the clay valve on the ICR No. 2 well, and order a rebuild kit to have on hand. Done, and testing in process.
- Tom to work with Cynthia Wallace regarding amortization and contribution figures.
- Tom to check with Wallace & Assoc. on where we stand with regard to the ARC checking account balance. (Eileen has provided finance records to Cheryl.)
- The Pump House Committee to look into hiring an engineer to do a study of the as-builts of the WC boost station, get a cost estimate from the engineer, and submit it to the Board for approval at the next meeting.

Action Item: *Tom to do a letter to Clint Poteet about a sign for the Molly Way address, to be sent to Bill Meyer for coordination.*

Tom stated that he needs to schedule a date to discuss the amortization and depreciation issues with Cynthia. He did talk to Bill about this, and he recollects Bill saying that if Tom can provide a copy of the depreciation schedule to the other Board members, we may be able to work this out ourselves. Bill then said that he was at Wallace & Assoc. several weeks ago and talked with Cynthia. The issue is the depreciation for TRR vs. the amortization of infrastructure. Because that infrastructure is split equally between "contributions" and "aid" in advance of construction, Bill thought the depreciation and amortization should be roughly equal, and they aren't. A lot of the things that were "aid" in advance of construction, which are being depreciated, the Board actually put in the things that would depreciate more quickly. So, depreciation would be higher than amortization because of that. Cynthia said that they had a complete list that we had supplied of all of that equipment. Bill asked Cynthia to send a copy of what they have to Jimmy so that the Board can compare what Wallace & Assoc. has for depreciation and amortization vs. what we have. It should be the same. Bill added that on the depreciation side, we have the infrastructure that depreciates most quickly. Tom advised that he has already received the list from Cynthia.

Action Item: *Tom to copy the list of equipment that Wallace & Assoc. gave him and give it to all other Board members.*

8. New Business –

- a. **ICR Sales Office Facility Use** – Bill advised that the Board needs to decide whether they want to use the Sales Office for future Board meetings in the event the room at Talking Rock is not available. The cost is \$150 to use the office, which includes the ARC's meetings, the use of the copy machine and telephone, and some storage space. Jimmy stated he felt the convenience has been well used in the past and its unlikely we can have an alternative in the next 6 months, or more. Bill stated that the Board is considering using both the ICR sales office, and the room at Talking Rock for the normally scheduled Board meetings, for a total monthly cost of \$250. (Prior to holding meetings at Talking Rock the Board was paying \$300/month for the ICR Sales Office room.) It was agreed at this time that we would use both facilities this year. We will cut a check for the ICR room for this year.

Motion: John moved to continue renting the sales office for \$150 month; Tom seconded; motion carried.

- b. **Annual Meeting** – Bill asked the Board what month the Board would like to schedule the annual meeting. Jimmy suggested late February or early March, depending on when Wallace & Assoc. will close out 2010. Tom would like to have a budget available prior to the annual meeting. Bill thinks the Board will have the budget for the year available in February, so a March meeting would be good. The Board agreed to set the meeting for the middle to end of March.

Action Item: *Tom to contact Wallace & Assoc. to confirm availability of year end financial data by the middle of February.*

7. 2011 Budget – Bill stated that as soon as they receive the water use figures for November and December, he and Tom should get together to discuss the budget.

- a. **TRR Gratuities** – Tom discussed giving gratuities to the staff of TRR who set up chairs, etc. for the Board meetings. Craig Brown stated that since this is a near public entity, he does not feel that the Water Company's members' money should not be given as gratuities. The Board discussed this item, with John adding that we're already paying them for the use of the room. Jimmy believes that we should provide some gratuities, and Curt thinks we should not give away the members' money without their permission. Chris Stoner thinks the money paid for the room should cover the cost of setting up, tearing down, etc. Harvey Roberts agreed with Chris Stoner. Eileen McGowan and Tom Sullivan also agreed with Harvey and Chris Stoner. The Board agreed not to give any gratuity to TRR employees.
- b. **Website** - Curt asked who should be shown as the contact for aQuality. It was agreed that both Derek and Chris Williamson of AQuality will be put on the website as the contact persons for AQuality.
- c. **Pending Actions** –

9. Public Comments:

Chris Stoner commented that no guest member attending a Board meeting should be able to tell the Board how to run a meeting or when to stop a discussion. She added that she thought it was deplorable [referring to Clint Poteet's comments] and she believes the question that should have been asked of Mr. Poteet was why those people were there for three hours and what were they doing. It certainly wasn't just to put a cover plate on a box. Chris Stoner added that if it had been any other guest, they would have been asked to be quiet or leave.

Harvey Roberts asked about the CivilTec bill, and how we're doing oversight of payments. Bill answered that for all work done by engineering firms is initially arranged by the operator. There were some medical issues at AQuality at this time, so the bill slipped through the cracks. Normally, AQuality reviews all bills and advises Wallace & Assoc. whether or not to pay the bill. Other bills are under the approval of the Treasurer. Jimmy added that CivilTec, as an independent 3rd party review, had done some work for the Company regarding Molly Way, so there was some confusion about whether their bill was for the evaluation that was done for the Company. Also, the bill was sent to MDI (Granite Oaks Financial firm) then forwarded to W&A for ICR. Craig Brown asked if the invoice had been checked before the check was cut. It had not, was dropped through the crack, but will be appropriately (aQuality or the Treasurer) checked in the future.

Harvey Roberts also asked about the ARC checking account, and wanted to know what this money is for. Eileen answered that it is for a performance bond when a house is built or added onto. If there are no issues at the completion of building, the builder or homeowner gets their money back. If there is an issue, they do not get their money back. There is also a non-refundable plan check fee that is deposited into the checking. This checking account pays for costs, such as office supplies, election costs, newsletter, legal fees, etc.

Harvey Roberts asked about the depreciation and amortization schedule, and asked whether this should be reviewed. Jimmy answered that they have to go by the ACC depreciation schedule. Subsequent to the Rate Case Decision, the Board set up the AIAC and CIAC asset list and set up the appropriate schedules.

Eileen McGowan thanked this Board for the past year, in being a member-friendly Board, entertaining comment, allowing participation, etc. Craig Brown reiterated Eileen's comment. The Board thanked Eileen for her comments. Craig Brown concurred with Eileen's comment. Bill added that this is the best Board he's ever worked with. Craig also commended AQuality Water.

Jimmy Stoner said that the little "to do" he had with Mr. Poteet today will probably not diminish as long as Mr. Poteet's attitude remains the same. He added that we can talk about it as personalities. It's not personalities, it's just a disposition of a person who is totally non-professional, in Jimmy's opinion. He also added that at the time of the inspection, Clint was rude, obnoxious, and very accusatory. Jimmy believes that Clint has a problem with him because Jimmy is not intimidated by Clint and his actions. Jimmy also stated that he is not going to be intimidated by Clint and his actions. As a Board, Jimmy thinks we have an obligation to make sure the membership of this Company gets value for their money spent, and Jimmy is totally committed to that position. Tom added that he thinks Mr. Poteet has a problem with facts and the truth. We as a Board are going to have to work through that and complete our tasks for the members.

Dayne Taylor asked if Chris has considered hiring a company to find water leaks. Chris answered that he has considered it, and there is also equipment from DWR that is available. He can turn off Molly Way and feed from the rest of the system.

Craig invited everyone to come to the Williamson Valley Community Organization Annual Meeting at Embry Riddle, the date of which will be on their website. Meeting focus – water and Supervisors.

Adjourn, 11:03 AM - Motion: Jimmy moved to adjourn the meeting; Tom seconded; motion carried.