

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
October 26, 2010 Meeting Minutes

Approved

Those Present:

Board Members

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

Contract Staff

Member Guests

Chris Stoner	Shirley Leasure	Clint Poteet
Eileen McGowan	Gene Leasure	Harvey Roberts

1. **Call to Order** - The meeting of the ICRWUA was called to order at 9:00 A.M. by Bill Meyer.
2. **Roll Call of the Board** – Roll Call of the Board was taken.
3. **Approve the 10/26/10 Agenda**

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

Motion: Jimmy moved to approve the Agenda as corrected (Correction: Review Minutes of 10/05/10, rather than 7/27/10); Curt seconded; motion carried.

4. **Review Minutes of the October 5, 2010 Board Meeting.**

Motion: Jimmy moved to waive reading of the 10/5/10 Minutes; Tom seconded; motion carried.

Motion: Jimmy moved to approve the 10/5/10 Minutes; Tom seconded; motion carried.

5. **Reports**

Operator's Report – a Quality Water was not in attendance at the meeting due to a conflict with another meeting, so there was no operator report.

Financial Report – Tom reviewed the September financial reports. For the entire water system, total ordinary income was \$39,404; other income was \$10,077; for a total income of \$49,481. Expenses were \$61,508, resulting in a total net income of \$-12,027. Comparing these figures to September 2009, net income was \$-4,966 for 2009.

For the ICR system, ordinary income was \$16,502; other income was \$3,173, for a total income of \$19,675. Expenses were \$16,278, resulting in a total net income of \$3,397.

For the TRR system, ordinary income was \$22,902; other income was \$6,904, for a total income of \$29,806. Expenses were \$45,230, resulting in a total net income of \$-15,424.

The expense that shot up this month was the aQuality expenses, particularly for Talking Rock. They went up to \$11,784. In comparing the aQuality expense of TR to the ICR side, it comes out to a ratio of 3.93:1.0. Electricity came in around what it normally does. Talking Rock had a higher maintenance repair/materials cost than ICR, in the amount of \$2,850.

Total current assets for September were \$231,841. After subtracting the ARC checking account balance, the net current assets were \$221,986. The liabilities amounted to \$95,782, so the current assets exceed liabilities by \$126,204.

Tom further discussed cash flow. He stated that the total deposits were \$50,757, total disbursements were \$32,114, for a cash flow for September of \$18,643.

Tom discussed the third quarter expenses in comparison to the budget. The lake fill revenue was \$45,896; the budget amount was \$52,000, so the variance is -11.7%. The amount of water pumped into the lake in September was a little below our expectation, and we expect to make that difference up in October. The metered water sales were \$86,409; budget amount was \$91,400, so we're under in revenues by 5.5%. For total revenues, we're under by 7.7%. The residential water sales trended down for the third quarter; \$26,945 in July, \$24,942 in August, and \$22,890 in September. (Good rainfall?)

Tom discussed some expenses vs. budget for the third quarter. aQuality is over by 33.3% of the budgeted amount. The other services are over by 84.6%; \$3,692 actual expense vs. the budget amount of \$2,000. Purchased electrical power is under budget by 13.4%. Repairs and maintenance were fairly close to our budgeted amount. Miscellaneous operating expenses are over budget by 223%; actual expense was \$1,372, while the budgeted amount was \$425. For accounting services, our actual expense is \$5,676, while our budgeted amount was \$10,100, which is -43.8%. We're right on the money for legal rate case amortization.

Bill stated that we don't pay the legal rate case amortization, and that the ACC is permitting us to amortize over a five year period \$150,000 for the rate case. Each year, we have an expense that is amortized of \$30,000.

Tom advised that aQuality has picked up the expenses previously carried out by the Company's Manager. The big ticket item for aQuality was the TRR Bestway electric motor which cost \$2,716.

The net income for the third quarter was \$556, compared to the budget amount of \$5,671, resulting in \$5,115 less income than projected.

Bill stated that under "other income/expenses," we show amortization contribution ICR, amortization contribution TR, amortization/contribution Preserve. He stated that in the past, when MDI was doing the books, they would give a depreciation of 100% of all of the infrastructure. But because not all that infrastructure was contribution, you can't depreciate a contribution. Bill sees that they are taking out the contribution part of depreciation in that column. The trouble with that is that for this year, we should be amortizing the contribution that's essentially equal to the depreciation because we split those almost 50/50. The depreciation shows up at \$249,180, and our amortization is only \$62,000. Bill said that perhaps Talking Rock is only contributing \$62,000 to the \$249,000, but that doesn't make sense to him. Bill thinks we need to check that. Bill said that we need to know what the cost of the infrastructure is, and that some of it has been allocated to contribution, some of it has been allocated to an aid in advance of construction, and we need to make sure we've got those figures right. Tom will discuss with Wallace & Associates. Bill confirmed that we cannot depreciate a contribution.

Bill stated that in the category of “repairs and maintenance,” our year-to-date total is \$23,245. Our budget for the entire year was only \$20,000, and there are some things to be discussed later that aren’t even in there. In previous years, our repair and maintenance budgeted figure was about \$5,000. Bill reminded the Board that we approved an additional \$1,000 a month for aQuality in January or February, which would not show up in the estimated budget.

Gene asked if it is permissible to take the aQuality “manager” work and put it under the manager line in the budget. Tom answered that this will be changed in next year’s budget. Bill indicated we have contract services with aQuality and non-routine services which are identified as other services, similar to the contract for financial services – routine and non-routine services.

Motion: John moved to approve the third quarter financial report; Jimmy seconded; Tom commented that he would like to contact Cynthia Wallace to make sure that the contributions have been deducted from the amortization figures. It was agreed that approval of the third quarter report should be withheld until after Tom’s discussion with Cynthia regarding the amortization; John withdrew his motion.

Motion: Tom moved to withhold the approval of the third quarter budget until after Tom has a discussion with Wallace & Assoc. regarding the veracity of the amortization contribution figures that are on the budget; Jimmy seconded; motion carried.

Action Item: *Tom to work with Cynthia Wallace regarding amortization and contribution figures.*

Motion: Jimmy moved to table approval of the September 2010 financial statement until the Board receives a balance sheet from Tom; John seconded; motion carried.

Bill stated that in the past, motions for the budget approval or tabling of the budget until the next meeting was something that was done for the Board by the Treasurer as the most knowledgeable person with regard to that item. We might consider doing this in the future.

- **Committee Reports**

- **Operations Committee –**

- **Distribution Meter for Storage Lakes** – Bill stated that there is a water line that goes from our infrastructure to the new pond and the old sump that was used to irrigate the golf course. The Board is looking at putting a discharge water meter at the junction of the line to the new pond & sold sump and our infrastructure. Currently, the meters are not at our infrastructure. We have entered into a discussion with TRR to undertake that effort.
- **Well No. 1 Air Content** – Bill reported that according to the Amended and Restated Water Services Agreement with Harvard, if the air production from Well 1 or 2 exceeded a certain number, Harvard would have to correct that. Wells 1 and 2 did exceed those numbers. The Board is in discussions with Harvard about reducing the air content. Those discussions are part of the discussions for the discharge meter for the new pond which are in the initial phases.

Gene Leasure asked when this might come to fruition, and Bill answered that its tied into a third item which we are going to discuss today and we can’t seriously enter into negotiations until at least early December. Bill’s discussions with Craig Krumwiede have been positive so far.

- **Molly Way Status Committee** – Jimmy advised that early this year, a committee was formed, which included all the Board members, the Operator, Dayne Taylor, and Charles O’Brien, to try

and get a handle on everything we knew about Molly Way, primarily all of the documentation and all the things that were to be transferred, and get a handle on the condition of the facility and the operational capabilities of the system. After a long and tedious process, Jimmy believes they have gathered up all the information that is available to the Company, and along the way we've encountered problems with the operation of the facility. Jimmy advised that we've contracted support work to come and evaluate the operation, and we are in the process about to make some repairs. Jimmy stated that they recently contracted with two independent third party engineering firms to do a review of the facility. The Committee has received one report and another report is pending. We have written a letter to Harvard asserting the position that the facility is still under warranty due to the terms in the Amended and Restated Water Services Agreement. The Committee is attempting to complete the documentation, review the reports from the engineers, and set up a meeting with Harvard to discuss those reports and operational capabilities. The timetable for that is some time in November. Jimmy stated that there are some significant things that need to be discussed. We've tried to put everything on the table that we've been able to discover and hopefully we'll have some fruitful discussions with Harvard to get these things resolved in a timely manner.

Bill added that a letter was sent to Harvard, outlining what we believe are the issues at the time and notifying them that there we had two independent engineering firms at that time looking at the infrastructure to make an assessment as to potential warranty issues. Bill talked with Craig Krumwiede on Saturday and he had not received the engineer's report yet. Mr. Krumwiede advised Bill that he had his engineers already looking at the first document that he received. Bill stated that we are awaiting a review of Molly Way by Flotronics, and we hope to have that report to Craig Krumwiede before the end of the month.

The Board and Harvard have decided to combine all three of the above issues in their future discussions.

Ongoing problem diagnosis and repairs for Molly Way – Jimmy stated that there are repairs in process, consisting of the repairs for pump replacement, self-start, and diagnoses of control software for Molly Way. Bill added that the Board approved the expenditure of approximately \$9,300 at an earlier non-regularly scheduled Board meeting and wanted to report this expenditure to the membership. This figure is in addition to the third quarter \$23,245 in expenses.

- **ACC Order Compliance (Resubmit BMP's)** – Curt advised that the reformatted BMP's have been submitted. Bill advised we had been asked to provide 10 BMP's which we submitted to the ACC. Jimmy added that as a recent example of adhering to the BMP's, when TR had the Green Fair, it was posted on the Water Company's website to disseminate information to the entire membership relative to water conservation.
- **Meter Reading Status (Software License Fees)** – Tom stated that he checked on whether there is an annual license fee from Creative Technologies. He found out that there is no annual fee for the software license, but there is an annual fee of a modest amount for unlimited tech support. Tom stated that the price of the software does not go up when the number of customers goes up. Installing the software package on an additional computer would result in an increased fee. Tom advised that Chris Williamson was impressed with the loaner handheld that he has been using and it will be returned. It has more features than we need.
- **ARC Report** – Eileen McGowan stated that there have been no complaints last month. Their performance balance is \$2,850.00; their review account is \$9,854.77. There are two members'

positions that are open for election. She suggested combining ARC's election with the Company's election.

Eileen stated that she had not been advised of the cancellation of last month's meeting, or the rescheduled meeting date, and stated that she would appreciate being advised of cancellations or rescheduling of meetings.

Eileen stated that on Lot 174, they received notification from the contractor requesting his bond money back. The exterior of the property was inspected and it was approved.

Curt asked if we got any information from Wallace & Assoc. as far as how far back into the records of the ARC that we had to go to try to sort out the money. Tom advised that Cynthia told him that she was having Cheryl work on that. Eileen stated that she has given Cheryl all of the statements they have.

Action Item: Tom to check with Wallace & Assoc. on where we stand with regard to the ARC checking account balance.

Jimmy discussed the combined mailing for the two elections. He thought it was a great idea for next year, but it would be difficult to do this year. ICRWUA needs to send election information to metered customers while ARC needs to send to every lot owner. He suggested that he and Eileen work together for putting together something for next year's elections.

6. Old Business

a. Final Rate Case Legal Payment – Tom advised that he sent a letter to Snell & Wilmer, dated October 4. Tom received a letter dated October 20, which states payment in full, and that the remaining balance of \$69,987.14 has been forgiven. Tom gave a copy of the letter to Jimmy for his records. Bill added that the forgiving of the \$69,987.14 came about during negotiations of their bill, when the Company agreed to pay 75% of their total bill, with monthly payments of the remaining bill over the interim period.

b. 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 Contact Southwest Groundwater about cost to locate the well)

Asset Committee work with Chris W. for documentation on all Molly Way repairs, replacements and testing that has been done.

Jimmy will coordinate a date next week with John Payne and Chuck O'Brien to go through the records.

Bill discussed the pending action item of uncapped TR wells with Clint Poteet at this meeting. Bill asked Clint Poteet if Harvard is willing to put the sanitary seals on the wells. Clint stated that he can take care of that.

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 stated that Chris Williamson pointed out that as long as that thing sits there in its current condition, we open ourselves to having to test it because it is a possible intrusion into the water system.

Jimmy will verify the Tariff Schedule is available on the Web Site.

Chris Williamson to check on a different generator company and e-mail his findings to the Board. He'll try to bundle all the Emergency generator work to the same company.

Jimmy Stoner to get the committee together next week to determine what is to be done with the old water boost station.

Chris to give the address of the Three Forks boost station to the Fire Dept. when he receives it from Tom.

With regard to the Three Forks address action item, Tom advised that he went to the County office and was advised that the address they had was 15527 N. Molly Way. Tom pointed out that from Molly Way, there is no access to the boost station, and that the structure actually fronts Three Forks Road. As a result, the County gave Tom a new address, which is 4965 W. Three Forks Road. (Change APS Service address on the computer?)

Tom also advised that in the course of his wandering around the County building, he found that the major property taxes that the Company is paying, about \$10,000 a year, has a parcel number that is a non- valid parcel number. Tom advised Cynthia Wallace of this, and she will get it straightened out.

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.

Chris Williamson to go ahead with finishing the interior of the Double Adobe boost station, with a limit of \$2,000. If the work will cost more than \$2,000, Chris is to seek approval from the Board.

Chris Williamson to research the cost of the replacement nuts for the Magner tank.

Chris Williamson to notify and schedule the people who will take care of the tank.

Curt Anderson to contact DAVA to see if they have the tank specs.

Regarding the action item for Curt to contact DAVA, he did contact Mike Lopez, and was advised that they had something in their files regarding the Magner tank, but Curt hasn't pursued it further.

Tom stated that he discussed the action item of storage drawers at Wallace & Assoc. He advised that Cynthia has two drawers available for archival materials. Cynthia also has two high quality scanners that are available to the Board. Jimmy thinks it will be great, but doesn't believe we're quite ready to start scanning.

Jimmy stated that he will set a date and time in the next couple of weeks for those who can to meet at the Sales Office and go through the file drawers.

c. ICR Website Status – Curt advised that he has nothing to report this month.

d. ICCRWUA Director Election Status – Jimmy advised that he updated the nomination letter used a year ago, to change it to have nomination openings for two people on the Board, to serve for two year terms. The nomination letter is going to go out with the bills today or tomorrow. The letter says that they need to return the nomination form by November 17, to Wallace & Assoc. The owners of property who have an active water connection as of the end of October 2010, will be eligible to vote. Ballots will go out in early December, and they need to be returned by December 20. Bill stated that both his and Jimmy’s terms are up, and the election is to fill those positions.

Motion: Jimmy moved to approve the nomination letter and the nomination form as distributed to the Board; Curt seconded; after discussion, motion carried.

Discussion of Motion: Bill asked if it states on the letter who is eligible to be on the Board. The Board decided that since the forms are already printed, there’s not much they can do about it at this point. They decided to put the eligibility information on the website. To be a Director one must meet the eligible voting requirement.

Chris Stoner stated that renters will be getting the election information, and that some owners don’t own computers to look on the website. Bill stated this has been a problem we’ve faced in each election. Bill couldn’t recall how this problem was addressed by the manager in past elections. Jimmy stated we have some time to address the issue of who we send ballots to before early December. The question was raised about how many renters we actually have who would be receiving the ballots. How do we identify renters vs the actual property owner. If there is an active meter connection used by a renter how do we determine that fact and get the ballot in the hands of the property owner?

Harvey Roberts suggesting putting wording on the ballot stating that renters are not eligible to vote. The Board agreed this was a good suggestion and would be followed.

Action Item: Curt will post the election eligibility information on the website.

6. New Business –

- a. **Magner Tank Maintenance** – This item is an action item for Chris Williamson.
- b. **Board of Directors Elections** – See above.
- c. **Pending Actions** – None identified or discussed

7. Public Comments:

Harvey Roberts asked why the Board combined the three items above for discussions with Harvard.

Bill replied that the three items are as follows:

1. Discharge Meter. Bill advised that TR is not obligated to install a meter at the juncture of the line to the new pond and the Water Company’s infrastructure, but they are willing to talk about it. This infrastructure was accepted a long time ago as is. The water meters that read the water that goes to the golf course now are on the private line and private property of TR. The Board feels that all the meters that go off of our infrastructure are at the juncture of a private line and the infrastructure. The Board discussed this subject with Harvard a couple of months ago, and they understood our logic. Jimmy added that the Company is under the order resulting from the rate case to transfer any infrastructure that serves customers to the Water Company. In the course of discussing this particular issue, the meters

belong to TR, the lines that feed the lakes, and the meters because of the meter locations, belong to TR and these are all located on TR private property. The Board feels it would be in the best interest of both parties to have our meter in the public utility where the line is tapped to feed the lakes. Harvey stated that he thought it would cost about \$14,000 to install a meter at that location and isn't that decision the Board should make. Are we expecting Harvard to pay for that? Bill stated that the Board feels that originally, TR should have put a meter in at that juncture. All other properties in TR are handled in that way in the public utility easement.

2. Well No. 1 Warranty. The warranty period for air production at the well was up at about the same time as the initial discussions regarding the discharge meter. To correct the air production problem at the well field, Harvard came up with what they would like to do, which is totally different from what the Company would like to do. The Company's solution for Well No. 1 is the same switch used on Well 2, which worked very well. This will cost about \$20,000. TR's solution will cost about \$3,000 or \$4,000. However, the Amended and Restated Water Services Agreement says that both parties have to agree as to what is going to be done.

3. Molly Way. Bill stated that about a month after the above two items came about, the Company was about to get the paperwork together for Molly Way. Bill sat down with Craig Krumwiede and they discussed all three items. Craig wanted to put off anything with regard to the discharge meter, although he is still willing to consider it and we want to do it now. He understood what we want to do about the air production and we both understood the difference in costs. He understands our position about Molly Way and Harvard is willing to discuss the warranty issues, but it not known if they will agree to anything. Craig indicated he didn't want to treat these separately and suggested discussing all three items at once.

Motion: Tom moved to adjourn the meeting; John seconded; motion carried.

Meeting adjourned at 11:00 a.m.