

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
October 5, 2010 Meeting Minutes

Approved

Those Present:

Board Members

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

Contract Staff

Chris Williamson – Water System Operator

Member Guests

Chris Stoner	Dayne Taylor	Charles O'Brien	Harvey Roberts
Gene Leasure	Clint Poteet		

1. Call to Order - The meeting of the ICRWUA was called to order at 9:07 A.M. by Bill Meyer.

2. Roll Call of the Board – Roll Call of the Board was taken.
 Jimmy Stoner, Curt Anderson, Tom Sullivan and Bill Meyer. (John Payne on vacation)

3. Approve the 10/5/10 Agenda

Tom asked that the agenda include some information about the audit report under his financial report. The Board approved the Agenda scheduled for today's meeting.

Motion: Jimmy moved to approve the Agenda as modified; Curt seconded; motion carried.

4. Review Minutes of the August 24, 2010 Board Meeting.

Motion: Jimmy moved to waive reading of the 8/24/10 Minutes; Tom seconded; motion carried.

Motion: Jimmy moved to accept the 8/24/10 Minutes as distributed; Curt seconded; motion carried.

5. Reports

Operator's Report – Chris Williamson stated that the air line at Well No. 1 in Talking Rock burst somewhere below ground level. It is no longer serviceable, so data from that will not be forthcoming. It failed just after the balloon tests were done. Chris is unable to figure out where it is broken – inaccessible.

Chris also advised that the seal on the No. 2 Talking Rock boost pump in the main lift station failed, so it is unserviceable. When the ceramic seals fail, they're failed. He is going to try to get prices. The company that made the pumps is being bought by another company, and getting prices and parts is taking much longer than it should. The seals on Pumps 3 and 4 have been leaking since he started working for the Water Company. He did advise that they are not bad and are serviceable. It may be cheaper to replace all three at one time, saving travel expense. Seals like this are \$1,500 each (75 hp motors) so as soon as he gets hard numbers, he will pass them on to the Board. Chris advised that if a crane is not needed, an hour or two of labor to change each one in sequence would be needed. Chris advised that Bill Roberts in Mayer would do the work. We do have reserve pump capacity.

Action Item: Chris Williamson to check on a price to replace the seal(s) at the main boost station.

Chris advised that the interior of the front gate boost station at TRR has never been finished. There is exposed insulation, it needs some interior rodent proof covering, and needs additional insulation. He believes it will run about \$1,450, and it needs to be done at some point.

Chris stated that the generator service agreement is up again. He advised that we didn't get our money's worth last year from GenTech. This was the company that left the breaker switch off on one generator, making it unserviceable. He thinks we should try a new generator company in the neighborhood, and put off any approval of the existing agreement. Bill asked if Chris would be making the contacts. Chris answered that he is waiting for Jimmy to make it an action item. AGM in Cottonwood is qualified to do the work. Chris will give them a call. If we lose electricity, we need the generator or we lose TR's ability to pump water. Bill suggested to the Board that we ask Chris to check on a different generator company and to get back to the Board. We can get service without a service contract but it is more expensive. Chris stated that he believes generators over about 250 kw require an air quality permit from ADEQ. The application fee was not very expensive. The renewal fee is \$3,500 a year. Clint Poteet said that he researched this and found it wasn't required for both of them. He stated that it's not required because it's a backup generator and it's only run about 15 minutes a week.

Action Item: 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.

Chris advised that Magner tank is held together with galvanized nuts and bolts, and the lifespan of the nuts is nine or ten years. If they're not replaced before they round off and he's not able to unscrew them, the tank will fail slowly after that. The crew that does the replacement is booked for months in advance. He suggested scheduling them now. The cost will be about \$2,500 for labor, and he's still trying to find a price on the 3/4" square nuts.

Chris advised that on the ICR side, the cla-valve on the ICR No. 2 well failed to properly open once and close once. He estimates that we lost 300,000 gallons of water. He advised that the repair parts will be about \$500. He stated that the pressure at the wellhead is so high, rather than start the well pump against a 200 PSI load, the water is diverted out into the field first for a minute or so, and then the valve gradually closes to equalize the pressure. The whole device hinges on whether a micro switch closes or not, and if there is corrosion or wear, the valve will keep dumping to the atmosphere or it will fail to shut off the well. The first time, it failed to shut off the well. It also failed to finish diverting water up to the tank and it just ran out to the field by well house No. 2 all night. No. 2 is off line now with No. 1 in use.

Chris advised that the WC tank unit was intended to partially replace the old ICR boost station. Once the second WC tank was built, that boost station was to be demolished. He has never had a reason to use the boost station. The system maintains pressure and everything seems to work pretty well. He would feel better if we have two tanks up on the hill. He believes we can probably safely begin removing that extra equipment. He believes that if we lose any part of the line that goes from the Magner boost station into WC, it can be jumped backwards using fire hoses and still retain use of the tank. He would like to verify that with the as-builts to make sure that's possible. If it is, he doesn't have a problem getting rid of the old equipment. This is another potential entry point into the water system for contamination. ADEQ could impose a requirement to run frequent tests which could double our lab costs.

Action Item: Chris Williamson will check to see if it is safe to go ahead and get rid of the old equipment.

Action Item: *Chris Williamson will see if he can determine a market value for the old equipment.*

Chris stated that the old water boost station is ready for some action. The final tank has been removed.

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

Chris advised that there is no Molly Way Street on paper. He wonders if it is possible to put an address for the Phase 10 boost station on Three Forks until there is a Molly Way on paper. That will get an emergency team to the right location. Clint advised that the Board can go to the County and get a Three Forks address to use. It was agreed that Tom will go to the County to obtain a Three Forks address that can be used for the Phase 10 boost station. After Tom gets the address, he will give it to Chris, who will then give it to the Fire Department.

Action Item: *Tom will go to the County to obtain a Three Forks address that can be used for the Phase 10 boost station.*

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

The Board discussed items of priority with Chris. Chris stated that it is his opinion that the items be done in the following order of priority:

Priority No.	Item	Cost
1	Get the ICR clay valve on the No. 2 well to work correctly.	\$500
2	Replace the seals on the boost pumps at the main boost station (Pump 2 for sure, and potentially Pumps 3 & 4)	\$Unknown (approximately \$3,000 for one seal, including labor)
3	Get generator service agreement.	
4	Finish interior of boost station by front gate.	
5	Magner tank repairs	\$2,500, plus galvanized nuts

Bill suggested that the Board approve Chris to make any necessary repairs to the clay valve on the ICR No. 2 well. Chris suggested having a spare valve available, which would run approximately \$500 more, or have a rebuild kit on hand. Well No. 2 could be run in a manual mode if we needed to fill the tank. Charles O'Brien asked if Chris Williamson has a limit on what he spends to repair the clay valve. Bill answered that no matter what the cost, Chris is authorized to do the repairs.

Action Item: *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.*

Bill suggested that the Board approve Chris to finish the interior of the boost station by the front gate.

Motion: **Jimmy moved to authorize Chris to go ahead and proceed to get the interior of the Double Adobe boost station skinned, with the appropriate insulation and material, with the work to be capped at \$2,000. If the work will cost more than \$2,000, Chris is to notify the Board; Tom seconded; motion carried.**

Action Item: 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.

Well 1 Air line issue - Bill asked if the electric tape line can still be used on TR No. 1. Chris answered yes, it can. Bill said that it's really important that we keep track of that one level right now. Chris will drop the electric tape line down the well every day until it is fixed.

Chris suggested getting the Magner tank repair job on the schedule. Not fixing it is not an option. Chris will research the cost of the replacement nuts. Bill suggested that Chris notify and schedule the people who will take care of the tank. Gene Leasure asked if we knew how many fasteners are need and to be sure we have the appropriate nut specifications? Dayne Taylor asked if Chris still had the video of the inspection done several years ago and noted square nuts have a larger surface area to reduce the risk of the nut shoulders being rounded off during removal. Chris will look for the video. Dayne Taylor indicated Dava and Associates was the engineering firm for the ICR Development. Curt will contact DAVA to see if they have the tank specs, including the hardware.

Action Item: Chris Williamson to research the cost of the replacement nuts.

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

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

Chris advised he is working with the Fire Marshall regarding our water availability and infrastructure. This information in the hands of them may end up with a positive influence to our insurance rates.

- **Financial Report** – Tom reviewed the August financial reports. Revenue for the entire water system was \$46,344.00; other income was \$10,077, for a total income of \$56,421. Expenses were \$50,240, resulting in a net income of \$6,180. Total income for August 2009, was \$58,574. Expenses in 2009 were \$45,398. That led to a net income for August 2009 of approximately \$13,000. For the ICR system, income was \$18,176; other income was \$3,173, resulting in a total income of \$21,349. Total expenses for ICR were \$14,150, resulting in a net income of \$7,199. For the TR system, income was \$28,168; other income was \$6,904, resulting in a total TR income of \$35,072. TR expenses were \$36,091, resulting in a negative net income of -\$1,019.

The depreciation for Talking Rock was \$19,532. Depreciation for ICR was \$8,155.

a Quality's expenses for Talking Rock for the month of August were \$5,691. a Quality's expenses for ICR for the month of August were \$1,448.

Total current assets are \$220,479, and after subtraction of the ARC money, net assets are \$210,624. Current liabilities are \$91,096, which leaves assets exceeding liabilities by \$119,528.

Deposits were \$51,953; total disbursements were \$28,512; which gave us a net positive cash flow for August of \$23,441.

Bill shared that our total income from January through August 2010, was \$288,898. This is 68% of what was estimated for the year, and we're 67% into the year. Therefore, we're right on track with regard to our estimated budget for 2010. Bill stated that several big ticket items are power for TR wells and boost stations, and power for ICR wells and boost station. When he compared the total

costs of January through August for the power that we've purchased for the two well fields, it comes up to 57% of our estimated budget for the year. Bill compared the repair, maintenance, and supply costs, and January through August costs to date are \$20,393. We estimated \$20,000 for the year, so we're at 100% of our estimated costs for repairs. Bill also stated that the cost up to this time for a manager was included in the budget, at a cost of \$10,000, which we have not incurred. He would like Wallace & Assoc. to give us a third quarter comparison to the estimated budget. The Board agreed to this. It was agreed that Tom Sullivan will make enough copies of his financial report summary to hand out to people attending the Board meetings. Jimmy commented on Tom's summary being very helpful for reviewing the financial data at the meetings.

Audit Report – Tom advised that we have the audit results from Constance Pinney. He would like to give a copy of the results to Jimmy to put in our file cabinet. Tom will retain a copy for his records. Tom put together a short summary of Ms. Pinney's results.

Tom advised that Constance Pinney conducted a limited scope (procedural) audit of the internal control systems for the fiscal year ending December 31, 2009. For a limited scope audit, the internal controls that she looked at were segregation of duties, which is a check and balance situation. She advised that the checks and balances were consistently applied. Constance also found that the expenditure authorizations were consistently applied. She found that control totals, which is a cross reference of data between CORE and either Peachtree or Quickbooks software, were consistently applied. Consistent monthly monitoring to minimize error and fraud was evidenced. Regarding the safeguarding of assets by the end of 2009, a satisfactory auditable link had been created to track actual costs of water meter purchase and installation process, was satisfactory. By the end of 2009, substantial clarity had been added to the association's books through the use of Quickbooks accounting software, use of classes, general ledger entries, elimination of general journal entries, and detailed reporting of the CORE accounts receivable interface and daily deposits. The Quickbooks bank reconciliation feature was used and documented. Based on the audit, Ms. Pinney believes that there are no reportable deficiencies or material weaknesses in internal controls for the year ending December 31, 2009. Ms. Pinney is also happy that the Company has gone to a more professional accounting firm like Wallace & Assoc. Bill pointed out that this was a procedural audit, not a full audit.

- **Committee Reports**

- **Operations Committee** – Chris Williamson advised that in August, TR pumped a lot of water, keeping up with irrigation. They used about 12,000,000 gallons for the golf course, which we are easily able to supply. He stated that we're not over-pumping wells or overstressing equipment. Chris is still working on exactly when to read water meters to get the most accurate results. The problem is that it takes two days to read ICR and WC. If you take the meter readings at the beginning, the two together look like we gained 300,000 gallons, and if you read it at the end, it looks like we lost only a few gallons. He is going to try the end reading for awhile.

The total loss of water on the ICR side for September was very low, and represents a matter of a few hours difference in reading times. In TR, because it uses such a large volume of water for the golf course, we can get fairly substantial errors in a matter of an hour, which is why that one is either very good or very bad. If we take it over a year, the variance will be almost nothing.

Chris questioned the value of the use-by-route data. It was agreed he'd drop the data. He's open to suggestions for adding useful additional data.

Jimmy wanted to know what the influence on the average use by customer by those properties that have some minimal use, and wanted to know if there was an easy way to flag the number of

customers whose monthly use is below 500 gallons, for example. Chris answered that he does that when he manipulates the spreadsheet he gets from Cheryl to get the highest customer. He explained that there are about 50 residences that use less than 500 gallons a month. Jimmy felt that if we took the highest out of the average use and took those that are under 500 out of the average use, then the average use per customer would be a little more meaningful. Dayne Taylor asked Chris if he takes out the customers who are under 500 to come up with his average. Chris replied that he currently does not. It was agreed that Chris will add the customers quantities with “residential use under 500 gallons” to his monthly report. Gene Leasure clarified that there would be a new line item for residential use under 500 gallons. Bill noted that in the past Bob Busch listed “zero” use which was about 20 customers per month.

Bill advised that he pulled the September TR well usage record. He further advised that we’ve been running the three wells at TR, with No. 2 on first demand, No. 1 on second demand, and No. 3 on third demand. No. 3 has not been called up. For the month of September, the average per day pumping time for Well No. 2 has been 14 hours. The lowest it had was about 12.75 hours on one day, and the highest was 16.5. Well No. 1 has been used on average 8.3 hours, with a low of 5.75 and a high of 12.5 hours. The average pumping rate of Well No. 2 has been about 300 GPM, and the average for Well No. 1 has been 390 to 415 GPM. No. 1, per the original rating, is supposed to deliver 500 GPM, so it’s pumping rate is down to where it normally is in the summer.

- **Distribution Meter for Storage Lakes** – Bill advised that they met with the Harvard and discussed the possibility for putting in a discharge meter that would be installed at the point where our infrastructure is tapped into by TR’s private infrastructure to take water to the new pond and to the old sump area for supplying the golf course. Those talks are in progress. It is our hope to work together to get the meter put in there at that point.
- **Well No. 1 Air Content** – Bill advised that we completed the warranty period for Well Nos. 1 and 2 for air content. The warranty period is specified in the Amended and Restated Water Services Agreement. Both wells produced an unacceptable amount of air when we entered into that Agreement, so the warranty was provided that if the air produced by either well exceeded 3.5% of the volume being pumped, then some action would be taken to reduce that value below 3.5. We’ve completed the warranty period. All wells were measured 7 times during the warranty period. Air production at No. 1 exceeded the 3.5 limit four times, and it exceeded the limit at No. 2 one time. We are starting discussions with Harvard to take what would be appropriate action to reduce the air content in the wells down below the 3.5 limit. The results of the testing have been sent to Harvard, along with a letter. We are scheduled to begin discussions this week, on Friday. The readings for Well No. 1 were 4.3, 4.28, 2.7, 1.22, 3.47, 3.7, and 3.8. Bill advised that the air production increases as the depth down to water in the well increases, explaining the variance in the readings. The only time Well No. 2 exceeded the limit was last year before the new pump was installed. Bill feels the lower pumping rate solves the problem. The new pump will pump about 300 GPM for high water levels, and as the water level goes down, the pump rate goes down, which brings the water level back up. It is now essentially a self-correcting well.
- **ACC Order Compliance (Resubmit BMP’s)** – Jimmy reported that he has not drafted the letter yet. Curt stated that he has the letter started, but he needs a copy of the reply that we got that said that the BMP’s need to be reformatted. Jimmy will forward the letter from the ACC.

Action Item: *Jimmy and Curt draft the letter for review regarding the reformatted BMP’s.*

- **Meter Reading Status** – Tom stated that Cheryl has done all the evaluation that she feels is needed. Of the five companies she reviewed, she selected two. One of them is a company called

Creative Technologies, which supplies a product called El Dorado Software. We have a quotation from them for a meter reader and for the software itself, and also an estimate for data transfer, which may or may not be needed. The price is around \$4,500. Cheryl feels that with a little creativity and using the resources of Prescott Computer, we might be able to get the cost down to \$3,500. The other software contender is United Systems Technology, Inc. They had a higher quote for the meter reader, software, and bundled tech support of \$5,260 (meter reader was about ¼ that of the Nomad meter). Cheryl called people who used both systems and she got good reports from the users. The user input favored the El Dorado software. Their tech support is supposed to be fantastic and immediate. The USTI tech support was not quite as good. Tom believes the El Dorado package, which includes a handheld Nomad meter reader, which prices out at about \$1,649, and the software package, is the better choice. He would like to make the information available to the Board for their review. The features of the El Dorado software were also very impressive to Cheryl, such as ACHS bank drafting, on line help as well as phone help, credit card processing, and an intuitive, simple to use screen. Tom will check into whether there is an annual license fee and whether it costs more based on the number of customers. Harvey Roberts wanted to know how critical it is to purchase the new meter and software when billing is being accomplished. Tom answered that as Cheryl has been learning the CORE software, she is discovering several problems with it. Tom feels it is important to replace the CORE software at this time. Bill agreed with Tom's opinion. Chris W. asked if there was a possibility of testing a loaner meter in the field under real meter reading conditions. Tom will investigate.

Action Item: Tom will check into whether there is an annual license fee and whether it costs more based on the number of customers and loaner hand held.

- **ARC Report** – Eileen McGowan was not in attendance at this meeting, so this item has been tabled. Tom handed out a sheet with ARC's checking account balances. He went back to January 2007, and the checking account balance was \$10,737. It remained that same amount throughout the year. Sometime during 2008, it shot up to \$20,764, and it remained at that amount until June 2010, when Cynthia Wallace looked at it. In June 2010, we were given a figure of the actual value of \$13,411. The June 2010 statement was posted as \$20,764. In July 2010, the balance was \$12,705. The posted value on the balance sheet was \$20,764. In August 2010, the actual value is \$9,855, which is the same as the posted amount. Chris Stoner stated that MDI was responsible for the incorrect figures being used for two years. Tom stated that this money has to be accounted for and Cynthia is unable to account for it. Bill added that somewhere in the Minutes, there should be a discussion to the effect where the \$20,764 came from. In 2009, Bill tried to get motions passed where we quit reporting this \$20,764 because it had no basis. He also added since the ARC is a sub-committee, their financial information needs to be included on the Water Company's financial reports. Bill suggested that ARC give the Board the records and actual numbers, and the Company needs to correct its (ICRWUA) books. How far back do we go? Perhaps Cynthia can give us guidance and we get results of our investigation on record.

6. Old Business

a. Final Rate Case Legal Payment – Tom advised that he wrote a letter asking Snell & Wilmer's balance be forgiven that he e-mailed to the Board members for review. He now has the final letter ready for signatures. Since this is the final payment to Snell & Wilmer, the Company's expenses will be reduced by \$3,100 each month. The Company's liabilities will drop to essentially zero, and we're getting a write-off of \$69,987 from Snell & Wilmer. The final letter was reviewed by the Board.

Motion: Jimmy moved that we send the letter to Snell & Wilmer, advising them of our final payment and requesting forgiveness of \$69,987.14; Tom seconded; motion carried.

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

Bill to work on getting well registration at Long Meadow Ranch straightened out.	Pending
Bill to contact Southwest Groundwater for the cost to locate the well.	Pending
Bill to meet with Operations Committee and include EOP's within its scope.	In-Process
Asset Committee work with Chris W. for documentation on all Molly Way repairs, replacements, and testing that has been done.	In-Process
Jimmy will coordinate a date next week with John Payne and Chuck O'Brien to go through the records.	Pending
The Operations Committee to contact Harvard about uncapped TR wells.	Pending
Tom is to consult with Cynthia on how to arrange keeping a couple of file drawers of records at Wallace & Assoc.'s office. (Board agree on what needs to be available.)	In-Process
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.	In-Process
Jimmy will call a meeting of the subcommittee for the old ICR pump house renovation.	In-Process
Tom and Jimmy will write a letter to the ACC advising them of our statutory agent, phone number, and address. The draft letter was coordinated and approved.	Done
Jimmy will verify tariff schedule is available on the website. [Note: Jimmy stated that there are several things on the website and he needs to get together with Curt and make sure the correct things are on the website, because there is conflicting information posted on the website.]	Pending

c. ICR Web Site Status – Curt advised there was a problem because Cable One's server was down for awhile. He had Beth post the announcement of the Green Fair that TR is holding in October. There are a couple of gaps in the archive data that he's trying to fill.

7. New Business –

a. Board of Directors Elections – Jimmy advised that we will follow the same process followed last year, so he will dig back into the Minutes from last year, pull that information out, and circulate it to the Board. Bill advised that there are two Board member vacancies that will be coming up – Jimmy's and Bill's terms are up. The Board sent out to its members an announcement that the vacancies will exist and asked for people who would want to run for election. You cannot nominate someone else; you must be willing to run yourself. There is a timeline to return the forms to our business office. Then, the Board sends out a mailing, giving a background of each individual who wants to run for office, which is supplied by the individual. The election takes place in early December, so we're behind schedule in getting these mailings out. Bill suggested getting this special mailing out next week. Jimmy will find the letter previously used and get it to Tom. It would be good if we could get the list of people who are willing to run out in the November billing. The ballot could then be mailed out in the December statement. Gene Leasure suggested sending the ballot with the description of people who are running, in the same mailing in November. It was decided that a request for people

who want to run for the Board will be mailed out next week. There will be a two week time limit for people to respond to the letter. Within three weeks, we should be getting names and bios back from people who want to run for the Board positions.

Action Item: Jimmy to find the letter previously used to notify members of Board vacancies, and get it to Tom.

b. Pending Actions – Tabled.

8. Public Comments:

Harvey Roberts asked what the generator contract gives us. Chris Williamson said that you can have the work done piecemeal by other entities, and the engine maintenance and service could be done for much less money by a local firm, and then we could bring in a generator company for an annual load test to see if the generator still performs properly. Jimmy stated there were two different kinds of contracts - one for service and one for a backup generator for running the well field in emergencies. It is clear an annual service contract is not required as long as someone is responsible for ensuring the services are performed on the emergency generators in a timely fashion.

Harvey asked if a tax return was filed for 2009. Tom answered that it was filed. It was also clarified we had filed with non-profit status.

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

Meeting adjourned at 11:44 a.m.