

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, ICR Sales Office
December 6, 2011 Meeting Minutes

DRAFT

Those Present:

Board Members

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

Contract Staff

Pat Carpenter, aQuality Water

Member Guests

Eileen McGowan	Dayne Taylor	Gene Leasure	
Chris Stoner	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 12/6/11 Agenda – Tom thinks the Board should discuss whether they should talk about the “By-Laws Amendment” under Old Business on this Agenda. He suggests that it be taken off the Agenda because it may create problems with Harvard. Jimmy recommended that we leave it on the Agenda until we know what the status is. The Board voted 1-1, so the item remained on the Agenda.

Motion: Jimmy moved to approve the 12/6/11 Agenda as distributed; Tom seconded; motion carried.

4. Review Minutes of the 9/27/11 Board Meeting.

Motion: Jimmy moved to waive reading and accept the 10/25/11 Minutes; Curt seconded; motion carried.

5. Reports

- a. Operator’s Report** – Pat Carpenter stated that the isolation valve for Molly Way boost station was completed. Pat reported that the tank cleaning company could not make it this month due to some scheduling issues. They will make it after the holidays. Pat also informed the Board that Richard is no longer reading meters due to neck surgery. Derek and his son will be doing the reads. He stated that they replaced the chlorine pump on Talking Rock Well No. 2. The valve exercise program is ongoing and should be complete before the end of the month. Molly Way flushing is ongoing. All required monthly samples were complete, with no resultant issues. All the equipment is functioning properly at this time, with the exception of the Molly Way clay valve. Pat advised the Board that with regard to the tightening all the siding up, caulking everything, and painting the Cooper Morgan boost station, it will take 30 to 35 hours of labor, plus the cost of materials. The labor will be billed at \$45 an hour. The total estimate is approximately \$1,800 to \$2,000. The Board agreed to have Pat go ahead with the work if he can do it at or below \$2,500.

Pat discussed a maintenance log for the clay valves that Engineered Sales put together for him. This log will be kept at Gray Bears, and each site will have its own log.

Jimmy handed out a copy of the Unconditional Waiver and Release for the Molly Way vault that he received by e-mail.

i. Clay Valves Discussion – Pat gave the Board a proposal from Advanced Pumping Control Systems to rebuild the clay valve at the Molly Way boost station. John questioned the \$124 tax on \$366 of materials. Pat will check on the tax. Jimmy asked if this will include some additional training on other clay valves. Pat said that while he is rebuilding the clay valve, aQuality will watch him very carefully on how he does it. The Board felt the proposal was high for only rebuilding one clay valve. Pat said that the proposal is for a 12 hour day, but he will call them and ask if the full 12 hours will be charged.

Motion: Tom moved to have Pat clarify the tax and 12 hour charge of Advanced Pumping Control Systems, and to proceed with the rebuild of the clay valve; John seconded; motion carried.

b. Financial Report (October) – Tom advised that for the entire water system, net ordinary income was \$37,507; total ordinary expenses were \$50,093; which gave us a net ordinary income of -\$12,586. Comparing October 2010 with October 2011, residential sales are nearly identical; commercial sales are similar. The biggest difference in the two years' revenues is the lake fill revenue. One of the differences between this year and last year is that this year, we paid \$6,200 in property taxes. Last year, that was paid in November. Electricity and aQuality charges were similar to other months. Last year, the October 2010 net ordinary income was positive by \$6,319, so we're talking about a \$19,000 difference. On the aQuality contract, there was a misapplied \$236 that should have gone into extras. Cheryl will correct this on November's financial report. For the ICR system, electric power is unusually large at \$2,167 (vs September of \$1,178.). Normally, the Talking Rock to ICR system ratio is about 4:1. This month, it's 2.5:1. Tom stated that the property taxes are allocated \$6,227 for Talking Rock and \$15 for the ICR system. Bill stated that this is because we own very little real estate on that side of the road.

For the ICR system, net ordinary income was \$3,951. For the TRR system, net ordinary income was -\$16,536.

There is \$1,417 more money in our current assets, minus our liabilities, this month than there was the previous month. Comparing Oct. 2011 to Oct. 2010, we have seen an improvement of \$90,614. Our available cash on hand is \$270,306. October had a positive cash flow of \$10,361, and this continues a six month positive cash flow trend.

Motion: Tom moved that we approve the October 2011 financial reports as given to us by Wallace & Assoc.; Jimmy seconded; motion carried.

i. Delinquencies – Bill stated that we had one delinquent account that the Board was looking at shutting off the water. The Board decided that they would talk to the Water Company's lawyer first. The Board was unable to get a rapid response. He explained that after a customer is delinquent, they are given ten business days to pay up. Bill had Cheryl write the delinquent account and they were put on a payment schedule, which they failed to keep. The Board was within ACC rules with regard to the way that was set up. Their water was shut off after the ten business day period. Cheryl Ibbotson of Wallace contacted Bill and asked, since the customer is a renter, if she should contact the owner. Bill asked Cheryl to mail a notice to the owner. The owner was totally unaware of the situation. The water remains off. There are two other accounts that are long overdue, and Cheryl sent a notice to them. Since then, both accounts have paid in full. It was discussed that if another person requests the water to be turned back on at the disconnected house, that the Board should be

notified so they can check with the owner. Curt discussed Cheryl keeping the Board notified of accounts receivable overdue. Tom will ask Cheryl to do this in the future.

Action Item: *Tom will ask Cheryl to provide the Board with a monthly past due aging report.*

Action Item: *Tom will ask Cheryl to provide the meter read period on the pumping report.*

6. Committee Reports -

a. **ARC Report** – Eileen McGowan informed the Board that with regard to the issue with the rocks on Lot 13, she talked to the owners again and they are waiting for the county to give them permission on what they can do to level out that land so they don't flood. They have to get a permit from the county because it's part of the easement. Eileen also stated that their nominations were mailed out with the water bills. They had six people nominated, three of whom did not do (submit) the nominations. Eileen contacted them and two of them said they are not interested, and the other one did not qualify. Of the remaining three, one is Eileen, and the other two are Jim Marshall and Ron Erst. There will not be an election since there are only three nominations for the three slots. Jimmy asked if Eileen could send another copy of the Minutes because the one he received was dated 2010, so he deleted it. Eileen will resend a copy of the Minutes for September and October.

b. Operations Committee –

1. **Water Use Reports** – Bill advised that in October, the ICR system pumped 2,533,00 gallons, and we pumped a total of 9,995,000 gal. from the TR system. Water sold to customers on the ICR side was 2,494,965 gal., and 857,679 gals. to Talking Rock. The total number of residential customers served was 52 for Whispering Canyon and The Preserve, 236 for ICR, and 159 for TRR. As a company, we provided water service to 447 residential customers. Commercial use for ICR was 1,210 gal.; commercial use for TRR was 77,336 gal. Landscape use for the ICR side was 37,020, and 64,863 gal. for the TRR side. Construction use was 31,450 gal. for ICR and 9,480 gal. for TRR. There were 17 zero use customers on the ICR system, and 14 zero use customers on the TRR system. We pumped 12,542,400 gal. total and delivered 12,029,343 gal., for a difference of 4.10%. He stressed that anything under 10% is considered good.

Pat Carpenter stated that in October, the first meters read were the well meters. They're going to do it the same way next month. Pat is going to try to have Derek and his son read the lake and the well meters at the same time.

Bill advised that in November, the ICR system pumped 1,799,800 gal. However, the electric bill was up for this same period. The water pumped for the TRR system for November was 9,935,000 gal. Total water delivered for the ICR system was 1,802,078 gal., and total water delivered for the TRR system was 10,382,386 gal. The golf course used 9,478,800 gal. Residential use at The Preserve was 239,000 gal., and ICR was 1,511,722 gal. We served a total of 279 residential customers on the ICR side. For the TRR system, the total residential use was 600,544 gal.; total customers served was 163. Overall, residential use for the Company was 2,352,196 gal.; total customers served was 442. On the ICR side, commercial use was 4,420 gal. On the TRR side, commercial use was 59,952 gal. Landscape use for the ICR side was 36,520 gal. Landscape use for the TRR side was 243,000 gal. Construction use for ICR was 8,286 gal. Construction use for TRR was zero.

(Secretary Note: This previous November reporting in the meeting turned out to be the November, 2010 Data. The report for November, 2011 is not yet available.)

Gene Leasure asked if the Water Board is still reporting commercial water use to the Sanitary District. The Sanitary Board needs the information because they charge the Ranch Compound for sewage based upon the percentage of water use. Wallace & Assoc. used to just bill the Ranch Compound for this amount. Gene advised that the new Sanitary District Board is changing their whole rate structure. Jimmy stated that he sent an e-mail out to the Board yesterday with respect to the issue of commercial users fee of the Sanitary District. Bill recalled the Board authorized Wallace to provide TR Ranch compound water use data to the Sanitary District and asked Tom to check with Cheryl of Wallace & Assoc. to see what the process is for getting the information to the Sanitary District Board. Jimmy added that the financial firms that serviced both facilities was the same until June. At that point in time, the firm that the Water Company used had direct access to the requested data but no longer services the Sanitary District. This financial firm is no longer providing services to the Sanitary District.

(Secretary Note: Cheryl advised that the Sanitary District has not asked for the data.)

Action Item: Tom to contact Cheryl of Wallace & Assoc. to get information on how to transfer commercial water use information to the Sanitary District.

Bill said that in terms of estimating the capacity of the TRR well field for full build out, the monthly report that comes from the Sanitary District to the golf course is an extremely important number. Bill has made several request without success in getting that number. He suggests that the Board make an official request for that information from the Sanitary District. Bill asked Dayne Taylor and Gene Leasure how the Sanitary District effluent records are kept. Dayne answered that aQuality Water provided the effluent numbers on a monthly basis. Jimmy will look at the ADEQ website (SMRF data) and try to get a sense of what the per month average is.

Action Item: Jimmy to look at the ADEQ website and try to get a sense of what the per month effluent average is.

2. Flowtronex Operator Training – Bill advised that he has contacted Clint and told him that we were interested, and the Board had agreed, to send someone from aQuality to training and that we would need details. Clint said that he would provide that information.

c. Molly Way Status Committee

1. Discussions with Harvard – Jimmy stated that nothing has happened. Bill said that he sent Craig an e-mail several weeks ago, telling him that we need to move on this. Craig told Bill to contact his secretary, which Bill did. His secretary said that Craig has two available days, either Dec. 8 or 13, 2011. The meeting is scheduled for the afternoon of December 8, 2011. Bill added that Craig said that the TR Water Adequacy report he received from the Board was fine. Bill reiterated to Craig that the Board will not sign the Notice of Intent at this time based on legal advice. Bill added that the Board agreed to service the golf course for 35 years, with a clause to be renegotiated after that.

2. Attorney Lynch Memorandum – Bill advised that we had one Board meeting following the Board's meeting with Mr. Lynch and Mr. Whittington. He checked back with Wallace & Assoc. and we have not had any correspondence from Lynch. It was Bill's understanding that Mr. Lynch was going to send them a letter stating what his charges would be per hour and what he felt he might do for us.

7. Old Business

a. Review Action Items – Jimmy reviewed the active 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)	Pending 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 verify Tariff Schedule is available on the Web Site (We have a problem. The Recommended Order, and separately, pages 35 & 36, the tariff schedule are posted, but, the actual Decision and pages 35 and 36, the tariff schedule are not posted. To complicate the matter further, there is a link titled “Tariff 083109” which brings up a document Titled “Tariff Schedule” which does Not agree with the order? We need to post the order, Decision 70977, and separately pages 35 and 36 from that document. We then need to resolve discrepancies between the documents.)	Action Req’d
Jimmy/Tom to compare property list to the insurance company’s list	Pending
Pat Carpenter to create a maintenance schedule for rebuilding the clay valves. He will provide the schedule to the Board by the next meeting.	In-Process
Jimmy Stoner to draft a letter to be sent to all property owners, notifying them of the backflow preventer requirement.	Pending
Jimmy will coordinate a date with John Payne and Chuck O’Brien to go through the records.	Pending
Tom look into establishing reserve accounts	Pending
Jimmy will forward the Minutes of the Annual Meeting to Curt for posting on the website.	In-Process
Bill to review the map that Clint gave him previously, and then get together with Pat Carpenter regarding Service Area Map.	Pending
Pat Carpenter to e-mail the Board the schedule and cost for Clay Valve repairs and training. Board will coordinate and confirm it is consistent with what has been discussed today and advise Bill who will give go ahead to Pat.	In Process
Bill to forward the memo to Bill Whittington regarding the change in the By-laws and get back to the Board for further action.	Pending
Tom will write a letter to the customer informing him that an acceptable form of payment must be received, or it will not be accepted. A draft of the letter will be sent to the Board members.	Tabled
Billy will e-mail Clint Poteet to get more information on the time and cost of the Flowtronics training.	In Process
Bill to forward the memo to Bill Whittington regarding the change in the By-laws.	In Process

Deferred Action Item

ICR Pump House Committee tabled any action regarding removal of equipment and deferred further consideration to a later date. Is it is prudent to remove ICR Pump station old equipment? (“Prudent” ... High cost maintaining vs low probability of need. Engineering study of existing ICR system and possible alternative in the event of single point failure is needed to address advisability of equipment removal. No failures of existing gravity system in the last five years.)

- b. ICR Pump House** – Jimmy advised that he looked at the pump house a week ago, and it looked like it was pretty much done except for a little caulking and clean up. One of the A/C heat units would not heat. They took it to a local repair shop to have it repaired. The repair shop is waiting on a new circuit board. We need to look into obtaining a couple tables and some chairs. Pat Carpenter suggested that the Board sheet the ceiling because some of the old insulation is falling down at the former rollup door location. Pat also stated that everything associated with the Water User’s Association will be stored in Gray Bears pump house. Jimmy asked if there is a place in Cooper Morgan where we can store TRR system drawings. Pat answered yes.
- c. Water System(s) Reserve Accounts** – Tom stated that at the last meeting we talked about setting up a depreciation reserve account. The proposal was made that \$50,000 be allocated for a reserve account initially. Tom suggested initially starting with a \$50,000 contribution to the account, then add yearly to it, and let the \$50,000 be apportioned according to the percentages found in the depreciation records. Tom also suggested these be non-restricted accounts so they could be accessed if the Board approved use of funds from these accounts. Jimmy advised that he researched the records to get the end of year data for 2006, 2007, 2008, and 2009, and he sent it to Bill and Tom. With that data, we can then go on with the discussions that we had in last month’s meeting about the baseline for depreciation and reserves should be the cost basis for the 2007, 2008, and 2009 rate case which was the end of year 2006 asset database. Then we would use that as a basis of what had been put into the margins for the new rates with the rate case, and use that as a targeted amount per year to consider putting into separated reserves for each water system. Also brought up in last month’s meeting was the fact that with those rates, it appears as though we could take the depreciation/appreciation amounts on the ICR side and would have some money that could perhaps track into an ICR reserve and we would have to do something special for getting some reserve money set aside for the TR reserve because depreciation keeps growing and growing. There is nothing positive on the TR side. The total accumulated appreciation as of this month’s financial records is \$2.15 million. Jimmy thinks we need to take a look at the data, along with Cynthia Wallace, to form a baseline and establish some rationale with backup for establishing the high level reserve account on both systems, one for each system. Tom said that if we have two separate reserve accounts, the P&L statements for TRR were all negative, so we have no profits to take from TR and put in the reserve account. Curt also believes we are forced to have two separate reserve accounts by the ACC. Jimmy stated that Cheryl advised the separate categories and data is backup data rolled up into a line item on the Balance Sheet. Bill asked if this is something the Board wants to do, and if so, then he suggests that we have a committee of the whole start to work on this. It was Jimmy recommendation to form a finance committee. The Board agreed to form a committee of the whole, and Tom volunteered to head it up and even open to non-board members. He would like Jimmy, Harvey, and anybody else who wants to be on it. Bill volunteered to be on the committee also. Curt said that he would agree to be on the committee also.

Action Item: *Jimmy will forward the financial records for 2006-2009 to Tom*

Action Item: *Tom will organize the reserve account/financial committee and will notify the committee members of the first meeting date.*

- d. **By-Laws Amendment 7** – Bill stated that this amendment deals with changing the residence requirements for being a Director on the Board. He said that he forwarded that recommended change to the Company’s lawyer for legal advice. The lawyer was not able to meet until after the nominee forms went out. The Board agreed to proceed with the election with the existing requirements, which was done. At this time, we do not have any advice from the attorney. Jimmy recommended deferring this action item until the beginning of next year. Harvey said that on the website, there are only five amendments. Jimmy stated that there is a sixth amendment which pertains to the Architectural Review Committee. Jimmy agreed to forward Amendment No. 6 to Curt for posting to the website.

Action Item: Jimmy will forward Amendment No .6 to Curt for posting to the website.

8. New Business –

- a. **Election for 3 Directors** – Jimmy advised that they sent out the nomination forms and had received three returned by the deadline. Tom and John are running for re-election for a second term, and Curt decided not to run again. Harvey Roberts has submitted a nomination form. There were three openings and three nominations accepted, so there is no need for an election. Bill advised that in this situation, the Board is empowered to approve by application of the three nominees if they wish. Bill said that the new officers should take office at the first regularly scheduled meeting in January. Bill suggested inviting Harvey to any meetings held between now and the date he takes office, which would include Executive sessions.

Motion: Bill moved, by acclamation, to approve the three new Directors without having an election, to take office on our first regularly scheduled meeting in January; Jimmy seconded; motion carried.

Action Item: Tom will send out notification in the next billing of the three nominees and that these people will take office at the first regularly scheduled meeting in January.

- b. **Website** – Curt advised that the website is up to date, with the exception of the Amendment No. 6. Curt will be gone until after the holidays, so if anything needs to be done to the website before he returns, Jimmy can be contacted and he will coordinate with Beth. Curt agreed to continue on as the website director even though he will no longer be on the Board. Gene Leasure commented that he would like to thank the Board for their service.
- c. **Pending Actions** – Jimmy stated that they received an e-mail from Skip Reid regarding a question that he wanted read at this meeting. The e-mail read as follows:
“Mr. Meyer and members of the Board: It has come to my attention that there is a discussion underway with Harvard Investments that would provide that the residents of ICRWUA service area assume a portion (50%?) of the financial liability for Harvard’s cost of repairs to the Molly Way pump station prior to that asset being legally transferred to the Water Company. This presents a fundamental question: How can you possibly rationalize (other than fear of legal action and intimidation) imposing on the residents of the Water Company service area any portion of the financial obligation that is unequivocally the liability of a developer, in this case, Harvard Investments.” Bill stated that the Board should respond to Mr. Reid’s e-mail by thanking him for his inquiry and informing him that the Board is proceeding with Molly Way issues following legal advice, and the Board believes it is on firm ground in doing so. Bill stated that beyond responding in this meeting we do not need to do anything further. Bill also stated that we are not obligated to

respond to every e-mail when answered here. Jimmy will advise Skip Reid to read these Minutes for the response to his e-mail.

Action Item: Jimmy will advise Skip Reid to read these Minutes for the response to his e-mail.

9. Public Comments:

Chris Stoner asked if Mr. Whittington given any opinion about the Amendment 7. Bill answered that we were trying to get an opinion prior to the nomination letters going out, and failing that, Bill e-mailed the Board about proceeding with the election and it was decided that we would just drop the issue at that point. Jimmy stated we didn't get any help from Whittington on the two matters we sent to him, had proceeded regarding the delinquency, so the Board decided to proceed without him.

Dayne Taylor asked what the residential water use was for the Company as a whole in October. Bill answered that it was 3,131,284 gal. Dayne said that if you look at the effluent, it appears that there is a significant disparity in effluent in relation to water use. It was his understanding that Hugh Pryor was going to do some survey or inquiry on this subject relating to ICR only. The Board advised that they never got a response from Hugh on this. Harvey agreed that there is a big disparity between what's being put into the system from the Water Company and what's going to effluent. Gene Leasure stated that the rule of thumb is about 40%. Gene added that if 100,000 gallons of water is being pumped into this housing development, about 40,000 gallons of it should be going to the sewer plant. The other 60% is being used for household use. Bill added that using 33,000 gallons effluent per day as an average, taking all the customers that we had in 2010, came out to be 75 to 77 gallons per day per residential customer. The average total water use at Talking Rock was about 142 gallons per day, so the return was over 50%. Since TR using far less irrigation than we do, the return from TR is actually much more than 50% and the return from ICR is somewhat less. One must use the numbers for each water system to come up with an average number.

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

Meeting adjourned at 11:56 a.m.