

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, ICR Sales Office
August 23, 2011 Meeting Minutes

APPROVED

Those Present:

Board Members

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

Contract Staff

Pat Carpenter, aQuality Water
Derek Scott, aQuality Water

Member Guests

Eileen McGowan	Gene Leasure	Dayne Taylor	Harvey Roberts
Chris Stoner	Charles L. O'Brien	Clint Poteet	Hugh Pryor

1. Call to Order - The meeting of the ICRWUA was called to order at 9:02 A.M. by Bill Meyer.

2. Roll Call of the Board – Roll call of the Board was taken.

3. Approve the 8/23/11 Agenda –

Motion: Jimmy recommended moving the Molly Way discussion up to coincide with the Talking Rock Well 1 & Storage Lake Meter. Also, there was a typo on the Agenda that was published on the website, which has been corrected. Jimmy moved to approve the Agenda with those two changes; Tom Sullivan seconded; motion carried.

4. Review Minutes of the 7/26/11 Board Meeting.

Motion: Jimmy moved to accept the 7/26/11 Minutes as distributed; Curt Anderson seconded; motion carried.

Jimmy advised that he coordinated with Gloria Lorntzen to transcribe the Minutes with the recording that he will provide to her of this meeting.

5. Reports

Operator’s Report – Pat Carpenter stated that the gable fans were replaced at the Cooper Morgan boost station because they were bad. The electrician inadvertently sent the bill to the Sanitation District, so Pat asked them to resubmit it to the Water Company. Pat advised that the clay valve maintenance schedule is still in the works. It should be complete by today. He also stated that if we coordinate the tank cleaning with their water system in Congress, AZ, the amount would go from \$2,500 per tank to \$1,600 per tank. He is coordinating with the water system in Congress. Pat also suggested that if the Congress water system does not want to coordinate with the Water Company, then the Company could have the Cooper Morgan tank done at the same time and perhaps get a discount for having both tanks done.

Motion: Jimmy moved to take advantage of the offer to coordinate tank inspection [with the Congress water system] at a cost of \$1,600; Tom Sullivan seconded; motion carried.

Pat advised that Molly Way was flushed twice this month to keep the chlorine residuals up. Talking Rock well houses 2 and 3 caulking and painting are complete. Derek advised that the double doors on the electrical building have been replaced with a single door. Pat stated that he changed the well call order per Bill's request: It is now No. 2 first, No. 1 second, No. 3 last. He had one emergency call to the Cooper Morgan boost station which was weather related. The vari-drive units needed to be reset. The meter verification program is ongoing. The valve exercise program will start in September. All the required testing was completed. Derek asked if there was a way to notify customers in the ICR side that they are going to be there to verify certain meters. Derek advised that they have had a few customers who were a little upset when they showed up to do the meter verification. Jimmy suggested putting a notice in the billing or on the website with respect to meter verification. Tom thought the website posting is very doable. The Board was in agreement that a note on the website and a one-time notice in the Bill would at least educate the customers of the ACC required meter testing program.

Pat advised that all equipment is functioning properly at this time. The weed abatement is ongoing. aQuality responded to an isolated customer complaint about red water in their toilet. Derek explained that when the fire department is out flushing the system weekly, they're stirring up sediment. This particular situation is in Whispering Canyon at the end of Cameo Circle. Derek flushed their line to the meter, and told them to advise if this clears up the problem. Harvey Roberts asked if a sediment filter can be installed in the home to keep this from happening. It is an option available for the customer.

Pat sent an e-mail regarding when Wallace & Assoc. gets an emergency call, they send a fax to them instead of calling either Pat or Derek. If they are not in the office, aQuality doesn't get informed of the fax or the emergency. He feels it would be better if they are called in an emergency, instead of faxed. Tom will contact Wallace & Assoc. and let them know that in the case of an emergency, they should call either Pat or Derek.

Curt asked Pat how much water we lose when we flush Molly Way. Derek answered 15,000 gallons, but depends on tank level, etc.

Financial Report – For the month of July, the ordinary income for the entire water system was \$47,425; the ordinary expenses were \$41,165; other expenses were \$2,500; which gave us a net total income of \$3,760. The ICR system net ordinary income was \$5,787, and net total income was \$5,287. The TRR system net ordinary income was \$473; other expenses were \$2,000; for a net total income of -\$1,527.

The aQuality accounting expenses went up as a result of a pay raise that the Board voted. On the TRR side, the contract expenses were \$5,600. On the ICR, the contract expenses were \$1,400. The electricity was fairly high this month, with a total expense of \$8,805, with \$6,887 of this amount going to the TRR side.

Looking at our balance sheet for the month, our net current assets are \$273,369. Total current liabilities are \$25,173, which means that the current assets exceed liabilities by \$248,196. Comparing this month to previous months, it is an improvement of \$24,898, so we're slowly becoming more cash-rich. Comparing July 2011 to July 2010, we had an improvement of \$160,081. The Accounts Receivable continues to climb for the fourth or fifth straight month. It is now \$58,619, and this represents a 145% increase. Our accountants tell us that this is due to a function of the billing cycle – when the bills go out and when we receive the money.

Our cash flow continues to be positive. This month, it was \$15,963.

Lake fill revenues were \$19,478 for July 2011, compared to \$14,849 in July 2010.

6. Committee Reports -

ARC Report – Eileen McGowan stated that concerning Lots 13 & 14, I sent you a copy of the letter that was sent to the owners to file a complaint against their neighbor. It will be turned over to the County to handle the situation. The Committee approved the extension of a deck and a sunroom, and accepted their deposits for that. As a follow up to last month's meeting, Eileen informed the Board that they have received a letter from the owners of Lot 14, requesting my resignation. The ARC discussed it at their meeting and the decision was that Jan Marshall would talk to all of those that were there and get statements, and then the ARC will respond to the homeowners' letter. Jan has not spoken with everyone at this time, but at this time, there is no accountability between what the owners of Lot 14 say and what witnesses have said. It's a non-issue, and Eileen was not involved with the survey and was not directing the survey. The Board will be provided status when the investigation is completed.

Operations Committee –

Water Use Reports – Bill stated that the total water pumped from our system for the month of July was 17,531,200 gallons, and of that amount, the amount that went to residential customers was 3,586,913 gallons. The amount that went to commercial use, which was essentially in the Talking Rock Clubhouse compound, was 99,457. The amount that went to landscape use was 30,760 on the ICR side, and 198,580 in the TRR side, for a total of 229,340 gallons. Construction use was 15,000 for the ICR side, and 52,300 for the TRR system, for a total of 67,351. The golf course used a total of 13,912,700 gallons. The average water use on the ICR side, counting the zero use customers, was 324 gallons per day. The average water use on the TRR side was 209 gallons per day. Chuck O'Brien asked what the TRR compound paid for their water, and Bill answered that they pay the standard rate of \$2.80.

Molly Way Status Committee (Discussions with Harvard) - Bill reported that the Board has been in discussions with Harvard on four basic issues: (1) to resolve infrastructure problems that the Board believes exist at Molly Way; (2) under the Amended and Restated Water Services Agreement that was part of the settlement for the rate case in 2009, Harvard accepted responsibility for financially taking care of the air problems at TRR Wells 1 & 2; (3) the current meter for measuring flow to the golf course is located on private land owned by TRR, and the Board wants to have a discharge meter put in at our infrastructure where the line takes off from our infrastructure; and (4) the Board will sign off on the fact that there is water adequacy with regard to the TRR well field to service the TRR subdivision at full build-out.

The Committee met with Harvard last week, and they've reached an agreement that they're in the process of finalizing. In essence, there is a cash settlement that allows the Board to take the funds of the cash settlement and work on problems that they believe they have at Molly Way. Harvard has provided the funds for the Company to replace the pump at Well 1 in the TRR well field. Harvard has agreed to split the cost for putting a discharge meter at the Company's infrastructure for measuring flow to the new pond. What the Company is required to do for water adequacy for the subdivision is that when Harvard applies for water adequacy for each new phase, the Company has to sign off with a Notice of Intent to Serve that new phase. The Board has in the past signed off on a blanket Notice to Serve the entire subdivision, so we have agreed to sign off on that. Harvard has provided the Board with a map and the numbers for each of their phases that still have to be built, that the Board has not signed off on yet, and the Board will be in the process of going forward and signing off on those. It is Bill's opinion that it was an agreement that was good for both sides. We will be reviewing the agreement when the legal documents have been drafted.

Chris Stoner wanted to know why the Board is vouching for water adequacy. Bill answered that they are not vouching for water adequacy. The Developer has to show ADWR that they have adequate supply. Harvard filed their consultants (Southwest Ground Water, SWG) "Adequacy" report and ADEQ approved it. Bill stated that as long as there is water, the water company has to service each phases.

Charles O'Brien disclosed that he had worked on the Molly Way committee and now wanted to know if Bill could provide more specific information about the terms of the settlement. Bill answered that the Board needs to finalize the legal process first. Bill stated Bill Whittington will be representing the Board as legal counsel.

Harvey Roberts asked if the Board thinks it will need more infrastructure to supply future phases, and if so, who pays for it. Bill stated that he prepared a report that looks at the TRR well field capacity relative to demand for the present through build-out. The report clearly shows that the existing TRR well field can handle demand from now through build out with any 2 of the 3 wells pumping. Bill has sent the report to a hydrological consultant for review. Every report today supports adequate water exists to support build out. Infrastructure delivering water to the new phases is the responsibility of the Developer, not the water company.

Dayne Taylor asked if the Water Company has a master water plan? Bill stated that they do. Dayne asked if they have an engineered master plan, and Bill stated that he doesn't know if he would call it that until he looks at it further. Bill stated that with regard to new infrastructure, with the Amended and Restated Water Services Agreement and the original agreement with Harvard, Harvard is required to supply their infrastructure specifications prior to building. It is the Board's responsibility to have those checked and approved. Once the infrastructure is put in, it is the Board's responsibility to make sure it's being put in appropriately.

Charles asked when was the last water adequacy study done: Bill added that the last water adequacy study was done for the entire subdivision in July of 2001. It had a ten year life to it. Harvard has gone ahead with SWG and filed with ADWR and had approved a new water adequacy study for the subdivision at full build out.

Billed summed up that Harvard has agreed to supply us with the latest study and ADWR's approval. Bill and Clint Poteet have met with the County, and Bill has a form that he has a form that the County requires the Board to sign for Notice of Intent to Serve.

Dayne Taylor asked if there is any intent to inform the customers of what has transpired in the discussions with Harvard. Bill answered that the Board hasn't discussed that yet. At this time, they only have an oral agreement with Harvard, and once it's put on paper, it is a subject they need to address.

Emergency Operations Plan – Pat had previously provided the Board with the amended Emergency Operations Plan. Pat will be correcting one typo and resend to Curt to post.

Motion: Tom moved to approve the Operation Plan with the changes that have been made; Jimmy seconded; motion carried.

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
Bill to meet with Operations Committee and include EOP's within its scope.	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	Action Req'd
Jimmy/Tom to compare property list to the insurance company's list.	Pending
Pat Carpenter to schedule Summit Controls to come out and take a look at the the over-current problem on Pump No. 1 at the Cooper Morgan.	In-Process
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
Pat Carpenter will forward the Montana company proposal to the Board.	In-Process
Tom look into establishing reserve accounts	Pending
Tom try to get a hold of somebody at S & W for the specs to be given to Fann.	Pending
<i>Tom advised at today's meeting that he talked to Richard Aldridge at S & W, and Tom said that he doesn't believe there are a separate set of specs. Curt added that the specs are written into the original plans.</i>	
Jimmy will forward the Minutes of the Annual Meeting to Curt for posting on the website.	In-Process
Note: ICR Pump House Committee tabled any action regarding removal of equipment. Defer further consideration much later. Is it is safe to remove ICR Pump station old equipment. ("Safe" ... 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.)	Defer
Additional Item: Tom stated that he talked with Cynthia Wallace with regard to depreciation, reserve accounts, etc. Cynthia said that it would beneficial for her if Derek and Pat would examine the 2010 depreciation schedule, and any item that has been retired and is no longer functioning should be crossed off the list. Tom will have Cynthia e-mail the Depreciation Schedule to all.	
b. ICR Pump House – Jimmy informed the Board that they have the bids and have made a selection. They are trying to finalize the contract with the supplier. The one outstanding issue is the Company	

being provided with an insurance certificate. Jimmy left a message again this morning, and once that is done, he can present the entire package to the Board. The contract is for approximately \$10,500 to do all the work to upgrade the building to be rodent proof and a satisfactory storage space and working environment for the System Operator.

8. New Business –

a. Website – Curt stated that the website is up to date except for the latest changes for the financials from this meeting. Curt added that he got an e-mail from Jimmy asking about whether we should consider posting the audit. Curt is concerned about posting the procedural audit since it has more to do with Wallace & Assoc. than with the Company. After discussion, the Board agreed that the audit is not material for public viewing and will not be posted on the website. Members can review it.

Update Status – Jimmy stated that he added a date to the bottom of the Records Request Form.

b. Tariff Schedule Distribution – Jimmy stated that he believes the Board agreed that there is not a need to provide new customers with the tariff schedule. This was concurred to by the Board. Bill added that we were required to post the new rates to our customers at that time, which was done.

c. Pending Actions – Tom discussed the customer who is unhappy about the situation that he believes he was incorrectly charged \$15 for insufficient funds, and he refuses to pay it. The customer also got into a dispute with Cheryl regarding a \$0.20 charge for an envelope. Tom will discuss this matter with Cheryl and Cynthia on Thursday, and he may also call the customer and talk to him. Tom is afraid that this is heading in the direction that the customer is going to get his water shut off. Pat added that if it comes to shutting off his water, we should put a door hanger on his door notifying the customer that his water is about to be shut off. Jimmy asked if we have written correspondence with the customer, and Tom replied that we have a correspondence file. Bill suggested that the Board have no communication with the customer. Tom is to ask Wallace & Assoc. to give him the complete track record of their response and the customer's letters, which should go into Jimmy's records immediately.

Charles O'Brien thinks it is important to have paper trail including evidence of communication between Wallace and the bank. Dayne asked if we were sending signed receipt correspondence with the customer. Bill advised it will be verbal from Wallace to the customer to bring any further discussion to the Board.

Harvey Roberts suggested that the customer be given the opportunity to explain his case directly to the Board.

Action Item: Wallace & Assoc. to give Tom the complete track record of their response and the customer's letters, which should go into Jimmy's records immediately.

9. Public Comments:

Gene Leasure what the logistics are of cleaning the tanks. Pat answered that they will go into the tank, clean out any sediment at the bottom of the tank, and then they will video the whole interior of the tank.

Harvey Roberts stated that at the last meeting, there was a discussion about the Sanitary District wanting to use MDI for their accounting service. Harvey had contacted them through their website. Harvey asked if the Water Company would contact the District regarding MDI. Bill answered that the Board doesn't want to interject itself into the Sanitary Board's business. He added that if any of the Sanitation Board members are also customers that the Water Company serves, they have the right to the Water Company's records. If

any of those people want to fill out a form and request information from the Water Company, the Company is happy to give it to them. It is in their ball park to get the information from us. Jimmy added that there is a lot of documentation that discusses the issue of MDI on the Water Company's website. Jimmy went through the Minutes on the website that are available to anyone, and there are at least six sets of Minutes that have discussions about issues with MDI. This was an ongoing series of issues with MDI, with their process, procedures, quality of work that culminated in finally deciding that the Water Company needed to find a financial institution that would provide better quality and performance with respect to the services contracted for. Jimmy added that we don't have to supply anything special if the Sanitation District Board wants to go to the Water Company's website to learn of the issues that we had with MDI services. Jimmy added that they can come and get additional information, as required. Bill stated, there are letters exchanged with MDI that could be reviewed.

Harvey Roberts asked if the tariff schedule is on the website. Bill answered that it is.

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

Meeting adjourned at 10:39 a.m.