

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, ICRWUA Pump House
January 26, 2016 –Meeting Minutes

Approved

Board Members:

Jimmy Stoner, President
Harvey Roberts, Vice President
Tom Sullivan, Treasurer
Diane Trocchio, Secretary
Curt Anderson, Director
Mike Spitz, New Director

Contract Staff:

Cheryl Ibbotson, Wallace & Associates
Pat Carpenter, a-Quality Water
Bill Meyer, Hydrologist

Member Guests:

Eileen McGowan
Chris Stoner
Bob Hilb

1. Call to Order –

Jimmy Stoner called the meeting of the ICRWUA Board of Directors to order at 9:01 A.M.

2. Roll call of the Board –

Roll call of the Board was taken. All present as noted above.

3. Board approval of the 01/26/16 Agenda –

Jimmy made a Motion to approve the 01/26/16 Agenda. Curt seconded the Motion. Motion passed unanimously.

4. Ratify 11-24-15 WC Settlement Motion – (see Attachment A to these minutes)

Jimmy stated that the board needed to ratify in an open meeting the Motion to sign the Whispering Canyon settlement agreement that was passed during an executive session. Mr. Stoner read the attachment in its entirety in the open meeting. After the reading, Tom Sullivan noted that this resolution took three years to accomplish; Bill Meyer added that the settlement was fair to both parties and in the best interests of the Water Users Association. A member of the public, Bob Hilb, asked how much money was spent in legal, consultant and other fees associated with the lawsuit and settlement. Mr. Stoner stated that since the costs were spread over three years they would have to go back through the records and get those details.

Jimmy made a Motion to authorize the President and Treasurer to sign the Whispering Canyon Settlement agreement previously voted on and approved in an executive session, ratified in this open meeting. Harvey Roberts seconded the Motion. Motion passed unanimously. *Action item: Tom will research and provide a summary of costs associated with the lawsuit and subsequent settlement agreement. (He will also include the other related costs with these new development phases in WC.)*

5. Review/Approval of 11-24-15 Board Meeting Minutes –

Diane made a Motion to waive the reading of the meeting minutes. Jimmy seconded the Motion. Motion passed unanimously. Diane made a Motion to accept the 11/24/15 meeting minutes. Tom seconded the Motion. Motion passed unanimously.

6. Election Results, Election of Officers –

Jimmy opened the discussion stating that the election results were included on the billing statements sent out in December. He stated that Tom and Harvey were re-elected and Michael J. Spitz was newly elected. He stated that there were four names on the ballot; however the fourth person withdrew after the ballots were mailed, before the ballots were counted. Jimmy Stoner asked Michael if he accepted the position of director of the board and Michael stated that he did. Jimmy told Diane Trocchio that her duties were now concluded and Michael took her seat on the board and Diane took a seat in the public. Jimmy read the actual results of the ballot counts as follows, Tom Sullivan 143, Harvey Roberts 126, Michael Spitz 80 and the count for Stan Salzman did not matter because he withdrew. Jimmy stated that it was now time to determine the positions of the board members.

Mr. Stoner made a Motion to nominate himself as the President of the Board. Harvey Roberts seconded the Motion. Motion passed unanimously. Mr. Stoner nominated Harvey Roberts as Vice President. Tom Sullivan seconded the Motion. Motion passed unanimously. Jimmy Stoner nominated Michael Spitz as Treasurer. Harvey Roberts seconded the Motion. Motion passed unanimously. Jimmy Stoner nominated Tom Sullivan as Secretary of the Board. Curt Anderson seconded the Motion. Motion passed unanimously.

A member of the public, Bob Hilb, stated that the Board needed to review term limits for President, it was his belief that according to the by-laws, the term of two years needed to be broken up by one year.

Following a discussion among the Board and past President, Bill Meyer, it was concluded that the 2 year consecutive terms limit” for the Board President as specified in the by-laws applies to the term for which a director is elected. Because a Director term is for two years, the consecutive term limit for the President is four (4) years.

Note: Subsequent to the meeting it was pointed out that this interpretation is consistent to that of prior Boards that had reviewed, discussed, and agreed upon this conclusion. At least two prior Boards had set a precedent in this regard with the Presidency of Earl Cummings (2004-July, 2008) and Bill Meyer (October, 2009- August 2013).

Action item: Tom and Michael would go to the bank and update the signature card giving Michael Spitz signatory authority and removing Tom from signatory authority. Jimmy Stoner and Michael Spitz will have signatory authority on the organization’s checking account(s) until revised by the Board.

7. Operator’s Report –

Pat distributed his report via email for Board review prior to the meeting ([click here to view the January Operator Note](#))

Pat added at the end of his report that a-Quality Water was in the process of obtaining an A1-General Contractor’s License, which would enable his company to perform some of the work they have been contracting out to sub-contractors.

Action item: Cheryl will provide information on new “tablet style” hand held and software.

8. Financial Report –

Tom Sullivan distributed his reports via email for Board review prior to the meeting ([click here to view the November Financial Summary](#)), ([click here to view the December Financial Summary](#)) and ([click here to view the 4th Quarter Budget Summary](#)).

Tom summarized the following from his November 2015 report: Net ordinary income for the entire system was \$(14,676) which was \$(1,273) less for this November NOI from last November 2014. There was a cash deficit for the month in the amount of \$(3,038). Water revenue decreased for November 2015

compared to November 2014 in the amount of \$(4,166). **Tom made a Motion to approve his financial summary and accept Wallace & Associates financial reports for November 2015. Jimmy seconded the Motion. Motion passed unanimously.**

Tom summarized the following from his December 2015 report: Net ordinary income for the entire system was \$(11,027) which was \$6,021 more for this December NOI from last December 2014. There was a cash deficit for the month in the amount of \$(4,352). Water revenue decreased for December 2015 compared to December 2014 in the amount of \$(2,622). **Tom made a Motion to approve his financial summary and accept Wallace & Associates financial reports for December 2015. Curt seconded the Motion. Motion passed unanimously.**

Tom summarized the fourth quarter Budget vs. Actual. He stated that the variance between the actual vs. budget revenue was \$(20,021) lower than the budgeted amount. Expenses for the same quarter were below budget in the amount of \$5,348. The net income for the entire system for the quarter was \$(14,673) lower than the budget, however it was noted that the overcharged Talking Rocks Accounts that were corrected in the amount of \$13,228.28 were part of the \$(14,673) variance, when that was considered the variance was very little. **Tom made a Motion to approve his fourth quarter budget vs. actual summary and Wallace & Associates supporting reports with noted corrections. Jimmy seconded the Motion. Motion passed unanimously.**

9. Delinquencies –

Cheryl stated that there were no delinquencies.

Cheryl advised refund checks to Talking Rock had not been received. The board concurred to stop payment on the check(s) and re-issue payment.

Action item: Tom/Michael place stop payment on check(s) and Cheryl re-issue checks.

10. Investigation of alternative Banks - Charges –

Tom stated that he had met with four different banking institutions and passed out a summary of those investigations to the board. The National Bank of Arizona Consortium Account has some favorable features but needs to be researched further. Of the others, the Arizona Credit Union seemed to be the best.

11. ARC Report (December 2015) - ([click here to view the December ARC Minutes](#))

Eileen McGowan represented ARC and summarized the minutes.

12. Operations Committee –

- **Commercial & Landscape Meter Testing**

Harvey stated that with Derek's assistance he had reviewed and worked to confirm the size and multiplier for all commercial and landscape meters in the system; it was discovered that there were two 2" meters that had the wrong multiplier in the billing software. It was noted that information was wrong when the records were brought over from the previous billing company to the current billing company. It was further discovered that one of the two meters needed to be replaced because it was not registering any water going through it. Harvey estimated that for the working meter there was approximately 15 million gallons of water that was not charged since June 2009 due to the incorrect multiplier of 001 as opposed to 100. He stated that he contacted the ACC to find out how far back they were obligated to bill for unbilled water and was waiting

for a determination He suggested that they contact the Association's attorney and ask the same question.

Action item: Jimmy to contact the attorney to find out how far back they were obligated to back bill for a billing error.

- **Meter Replacement Budget**

At a November Committee meeting it was decided to add a new budget item amounting to \$2,000 to cover the cost of replacing defective meters and meters that register greater than a 3% error. Harvey stated that he believes that the annual budget for meter replacements should be increased to at least \$3,000; during the Board's discussion it was decided to budget \$3,200 for the upcoming year.

- **Meter Verification Budget**

At the November Committee meeting the Board decided to increase the meters to be tested as per Best Management Practices 4.2 from 50 per year to 60 per year.

- **1" Meter installation**

Pat Carpenter reported that a 5/8" meter was mistakenly installed instead of the 1" meter ordered.

Action Item: Pat to review meter installation costs for various size meters

Action item: Cheryl/ Harvey verify all landscape and commercial meter size and rates

13. Water Use Reports (November & December monthly) – ([click here to view the November Water Use Report](#)) and ([click here to view the December Water Use Report](#)).

Bill Meyer summarized November by the amount of water pumped, delivered, sold, metered production losses and the resulting percentage of Loss/Gain (water unaccounted for). After detailing the ICR and TRR systems he determined that the average daily residential use per customer for the ICR system was 197 gallons and for the TRR system it was 140 gallons. Bill Meyer summarized December by the amount of water pumped, delivered, sold, metered production losses and the resulting percentage of Loss/Gain (water unaccounted for). After detailing the ICR and TRR systems he determined that the average daily residential use per customer for the ICR system was 143 gallons and for the TRR system it was 85 gallons. He summarized the 2014 – 2015 Well Field annual records stating that there was 1,831,000 less water pumped for the ICR system in 2015 compared to 2014, 12,763,000 gallons less pumped for the TRR system in 2015 compared to 2014 and 8,348,000 gallons less pumped for the golf course in 2015 compared to 2014. He summarized his analysis of 2014-2015 residential water use by stating that even though there are more average customers in 2015 than in 2014. 303 vs. 295 for ICR system, 207 vs. 199 for TRR system, overall both systems' residential customers are using less water. He closed by comparing 2014 vs 2015 water levels for ICR well #1, stating that the water levels have been higher most months of the comparison period (January – October).

14. Asset Committee –

Tom stated that he met with Cynthia regarding the Whispering Canyon infrastructure, it was determined that some of the assets were misallocated on the depreciation schedule. He said that WC Well #2 will not appear on our depreciation sheet because Del Rio's bill of \$14,025 was not capitalized; it was written off, Southwest Groundwater's bill was paid by Hambrick, and not a depreciable asset, Cynthia was able to track the \$187,092 to a journal entry from records received from Bob Busch, however there was no breakdown of this entry; keeping the \$187,092 in the depreciation sheet allows agreement between the Whispering Canyon Schedule and the depreciation sheet. She has corrected the balance sheet and the depreciation schedules for all reclassifications.

15. Website status –

Curt stated that everything would be up to date after all approved items from this meeting were uploaded.

16. Review Action Items –

The action item list was reviewed and updated.

17. 2015 Election Status & Ballot –

Previously discussed at the beginning of the meeting see item #5. Harvey asked Cheryl how many service applications were received for those accounts that are in the name of a contractor; Cheryl stated she thought that there were three.

Action item: Cheryl to re-contact those property owners to obtain a Service Application from them.

18. Talking Rock Phase 12 & 13 –

Jimmy stated that they were waiting for an updated schedule from Clint for Phase 12, the Board has already approved Phase 12, however they will need the schedule to move forward to implement and send to Civiltec. Harvey Roberts stated that there was a new phase that was beyond Phase 12 & 13 that looked like it was being set up for Equine, approximately 356 acres that they did not have any plans for.

19. Whispering Canyon Status –

Jimmy stated that they had a final draft of the settlement agreement and exhibits and they are very close to executing those agreements hopefully in the next two weeks.

20. Insurance Renewal –

Tom stated that he dropped off the application on Thursday of last week and told the broker that the numbers projected for 2016 should be very much like the budget of 2015, the only changes were in the property schedule and reductions in depreciation. There was some discussion among the Board member as to the need for terrorism coverage and it was decided since it was only \$75 for the year they would keep it. Tom discussed Alteris' lack of legal support with regard to the Whispering Canyon lawsuit that calls were not being returned, Jimmy stated that he would contact attorney Sullivan to get a list of attempts to contact Alteris. Tom stated that the deadline for renewal was February 1, 2016. **Jimmy made a Motion to have Tom renew the insurance policy as proposed. Mike seconded the Motion. Motion passed unanimously.**

21. Pending Actions –

There were no pending actions.

22. Public Comment Session –

There were no public comments.

Jimmy made a Motion to adjourn the regular meeting at approximately 12:55 pm. Tom seconded the Motion. Motion passed unanimously.

Attachment A - Motion to Execute WC Settlement Agreement and Mutual Release

Attachment A

Motion to Execute WC Settlement Agreement and Mutual Release

WHEREAS, the ICR Water Users Association (the “Association”) has been named as a defendant in a complaint filed by Old Capitol Investments, LLC and Whispering Canyon Development, LLC (collectively the “Developer”) in the Superior Court of the State of Arizona in and for the County of Yavapai as case No. P1300CV201400954 (the “Complaint”);

WHEREAS, the Complaint involves the rights, obligations and duties pursuant to a Water Facilities Line Extension Agreement dated March 12, 2001, and a First Amendment to Water Facilities Line Extension Agreement dated January 31, 2002, collectively referred to as the “WFLEA”;

WHEREAS, the Board of Directors of the Association (the “Board”) has been presented with and reviewed the Settlement and Mutual Release (the “Settlement”) including the legal descriptions and title commitment for the real property and easement to be granted the Association;

WHEREAS, the forms of deed and easement to be attached as Exhibits C and D respectively are not yet finalized;

WHEREAS, the Board finds the terms and conditions of the Settlement constitute a fair and reasonable resolution of the Complaint;

Jimmy Stoner made the following Motion: Second: Harvey Roberts

I move the approval of the Settlement and Mutual Release by and between ICR Water Users and Old Capitol Investment O.O.C. and Whispering Canyons Development L.L.C., dated____February, 2016, and to further authorize its execution by the Association’s President and Treasurer, as well as any such additional actions as may be necessary to effectuate the Settlement and Mutual Release, subject only to the President and Treasurer , in consultation with the Board and the Association’s legal counsel, being satisfied with the form of deed and easement attached as Exhibits C and D.

Sign:_____

Sign: _____

Jimmy Stoner, President

Tom Sullivan, Treasurer

Date: 26 January 2016

Date: 26 January 2016