

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, ICR Sales Office

October 25, 2011 Meeting Minutes

DRAFT

Those Present:

Board Members

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

Contract Staff

Pat Carpenter, aQuality Water
Derek Scott, aQuality Water
Cheryl Ibbotson, Wallace & Assoc.

Member Guests

Charles O'Brien	Harvey Roberts	Jack McGowan	Eileen McGowan
Chris Stoner			

1. Call to Order - The meeting of the ICRWUA was called to order at 9:00 A.M. by Bill Meyer.

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

3. Approve the 10/25/11 Agenda –

Motion: Jimmy moved to approve the 10/25/11 Agenda as distributed; Tom seconded; motion carried.

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

Motion: Jimmy moved to waive reading of the Minutes of 9/27/11; Tom seconded; motion carried.

Motion: Jimmy moved to accept the 9/27/11 Minutes; Tom seconded; motion carried.

5. Reports

- a. Operator's Report** – Pat Carpenter stated that the Flowtronics rep was here and checked the Molly Way boost station. It was determined that the issue was with the clay valve and not with the program. While the rep was here, he fixed the other problem with the No. 4 fire pump fault. Those seem to be firing in sequence and shutting down in sequence also. Pat advised that the problem was that on the contactor, there is an amperage adjustment and it wasn't clamped up all the way, so it was faulting on an undercurrent.

Pat stated that there are two lines that come into the Molly Way lift station, and one is dedicated just to fill the tank. The clay valve that we're having problems with is the one that fills the tank, so in order to isolate it to work on it, you shut that valve off, the box fills up with water, you short the electrical out. So what Pat's done is contact Steve Norris and they got a proposal to put an isolation valve in next to the clay valve. The total bid is \$4,550, which includes the isolation valve, the excavation, put an ARV in, and to put the steps into the vault. Bill passed around the actual bid from A Engineering, which was for \$4,499.55. The Board discussed the problem and agreed that they should move forward on the repairs now.

Motion: Jimmy moved that the Board accept the proposal to install a 10” water valve, air release valve, and access steps at the Molly Way tank site so that we can have ready access to any deficiencies and repairs required to the clay valve; Tom seconded; motion carried.

Pat Carpenter asked the Board to consider purchasing a master map of the service area, and the master map would show all the valves, the hydrants, line sizes for each water line. Bill stated that previously, Clint Poteet had a master map made up of lines and all hydrants for the entire water company. Bill will look at this map and get back with Pat with regard to whether the map will suffice.

Action Item: *Bill to review the map that Clint gave him previously, and then get together with Pat Carpenter regarding Service Area Map.*

Pat stated that Molly Way flushing is ongoing. Pat also advised that all of the well and boost station buildings have been winterized. Well 1 building needs to be repaired. He also discussed the Cooper Morgan boost station; it needs to be tightened up and painted. Pat will e-mail something regarding this to the Board.

Action Item: *Pat Carpenter to e-mail the Board regarding tightening up and painting the Cooper Morgan boost station.*

Pat advised that the valve exercise program has started. Most of Whispering Canyon’s have been done, and they are going to move to TRR and then ICR, and get it done before the end of the year.

The proposal for the tank cleaning has been signed, and Pat has to e-mail them the contact information for Wallace & Assoc. The cleaning company should be here sometime in mid-November.

All required monthly samples were taken, with no issues resulting. All equipment is functioning properly at this time.

- i. **Clay Valves Discussion** – Pat advised that he contacted Engineered Sales, who gave him the name of someone who does nothing but clay valves. Derek has been in touch with him, and they are trying to get him to schedule a date that he is going to fix the Molly Way clay valve. While he’s here, he will go through a couple more with Derek to train him how to do it. Pat will e-mail a timeline and his cost.

Action Item: *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.*

b. Financial Report (August and September Report) –

August: Tom advised that for the entire water system, the net ordinary income for the month of August was \$8,504. Total ordinary revenue was \$48,610, and expenses of \$40,106 for August. For the ICR system, net ordinary income was \$7,182. For the TRR system, net ordinary income was \$1,321 for August. The aQuality extra expenses were in line for TRR at \$1,836, and for ICR at \$614. The electrical power for Talking Rock was \$6,374; for the ICR system, it was \$1,702.

Our balance sheet is looking better. Total current assets are \$233,506; accounts receivable are \$54,309, which gives us net current assets of \$287,815.

Our liabilities are very modest at \$17,546, which gives us assets exceeding liabilities by \$270,269.

With regard to cash flow for residential, we had a surplus for the month of \$18,756. Looking at our revenues, comparing August 2011, to August 2010, we are pretty much the same for both months, at around \$25,000. With regard to cash flow for commercial, we're very similar for both years. There was a difference of about \$1,500 from lake fill revenue in August 2011, of \$19,231. For August 2010, we had \$17,879.

Quality total expenses for August were \$9,450, which was \$1,029 more than the previous month. The accounting expenses were \$394 more than July 2011. The electric power turned out to be \$729 less than the previous month for both systems.

Comparing August 2011 to August 2010, our net ordinary income for August of this year was \$8,504. For August 2010, it was -\$1,396. There was an improvement of \$22,000 in current assets minus liabilities from July of this year.

September: Total ordinary income was \$48,985; expenses were \$40,546, which gave us a net ordinary income of \$8,439 for the month of September. For the ICR system, net ordinary income was \$8,076. For the TRR system, net ordinary income was \$363.

The balance sheet for September continues to improve. Our total current assets is up to \$312,345. Liabilities are \$17,921. Our current assets exceed liabilities by \$294,424.

We also have a positive cash flow for September, with a positive cash flow of \$26,439.

Revenues for the month of September, residential and commercial are very close to what they were in September 2010. The one difference is the lake fill, which is about a \$7,500 difference. Lake fill revenue this month was \$20,720, and in September 2010, it was \$13,168.

Quality expenses for September were \$9,498. Electric power totaled \$8,282 for September. Our net total income for this year is \$8,439, compared to September 2010, when it was -\$4,244.

There was a \$24,155 improvement in our current assets minus current liabilities from August 2011. This is the sixth consecutive month that we've seen improvement on the balance sheet. The cash flow was \$26,439, continuing a five month positive cash flow trend.

Jimmy added that the total accumulated depreciation is \$2,122,160.xx and our reserves are at \$0.0 (zero). Jimmy added it is important to note the trend that the positive total net income turns out to be as a result of the ICR side, not the TRR side. Tom commented this is an effect of the very large depreciation for the TR Water System.

Bill stated that our accounts receivable of \$52,400 is water bills that have been sent out that have not been paid yet. Cheryl of Wallace & Assoc. added that the reason it's high every month is that's the billing for the month. The billing gets mailed out on the 27th or 28th each month, and they don't receive funds for that until the following month. Bill asked Cheryl what constitutes the current liabilities of \$17,921. Cheryl answered that there is \$10,500 in accounts payable, and there is \$7,400 in security deposits held.

Tom added that we have an allowance for depreciation, which Cynthia says is considered a depreciation reserve. Bill stated that according to Attorney Lynch we should be setting aside funds for depreciation based on our rate case decision. At the time we did the rate case, the annual depreciation for TRR was in the neighborhood of \$35,000 because we had separate infrastructure. Jimmy added that the rate case had an allowance that was based upon depreciation for the infrastructure on the books for Whispering Canyon, which was everything, ICR, which was everything, and TR, which was about \$2,000,000, so our ability to accumulate margin and put money into reserves was based upon those 2006 numbers, which certainly did not reflect reality.

The rate case did account for all the depreciation that we should be setting reserves aside for ICR. Our ability to accumulate reserves for ICR is reflected in that we're always on the positive side on the ICR income, so over the last two and one-half years, ICR continues to be on the positive side and we're accumulating money that we should be putting into a reserve account to offset depreciation. Bill said that it doesn't work that way. ICR was gifted to us, so we can't depreciate it. Our apparent profit in ICR is not profit because we can't run a depreciation expense. If we were running the depreciation expense the same way for TRR, we would be in trouble on the ICR side as well. (Secretary Note: Reserves and depreciation will be an Agenda topic for discussion in a future meeting.) Pat commented that we may be required to go in for a Rate Case? Bill advised we could not go in for a rate case until the company is operating in "red" ink.

Motion: Tom moved that we accept the August and September 2011 financial reports as given to us by Wallace & Assoc. and summarized by Tom Sullivan; Jimmy seconded; motion carried.

i. 3rd Quarter Budget – Tom stated that when you look at the actual numbers vs. budget numbers on the revenue side of the balance sheet, everything falls into place except we have the good fortune of having about \$15,000 more than budgeted in lake fill revenue. We're budgeted about \$45,000, and we have about \$60,000 in revenue. Total income was actual at \$145,000, \$131,000 was the budgeted amount, so the \$14,000-\$15,000 difference is made up essentially by the lake fill revenue. Jimmy asked if the commercial water sales for The Preserve is because of construction. Cheryl answered that it is. Tom stated that all of the actual expenses are pretty much in line with the budgeted expenses, but when you look at the sum total, our actual was about \$122,000, and the budget amount was \$133,000. As a result, our net total income is about \$25,000 over budget. We have a figure for the third quarter of -\$10,000 on the budget, and we actually realized \$15,673. Year to date, we are about \$26,500 over budget for the year on the total net income. We budgeted -\$97,000, and it turned out to be -\$70,000.

ii. Delinquencies – Bill advised that he has had several conversations with Wallace & Assoc. regarding delinquencies. Cheryl Ibbotson stated that Dimitri made a \$60 payment after the Friday that he was supposed to. Bill added that Dimitri is the resident who approved the payment schedule for his family to pay off their outstanding bill of around \$300 in equal payments, and the first payment was due on Friday, October 7. The Board also required Dimitri to sign a form that they agreed to these payments. Cheryl added that when the wife made the \$60 payment, she said she'd bring the form in the following day, and she did not. Bill informed the Board that the agreement states that the Dimitris would make equal payments over a six week period of time to pay off their bill. They would also pay their existing bill on time, and they would also sign this form that says they agree to all of this. The Dimitris agreed to it in an e-mail, but they have not brought in the signed form. Bill also stated that if they don't pay today, they will be delinquent on their current bill. The agreement states that they have to fulfill all the parts of the agreement (paying on their past due bill, as well as keeping current on their current bills) or they would be subject to having their water shut off. At this point, they have broken the

part that requires them to sign the form, but if they don't pay today, they've also broken the part that says they must pay their current billing on time. John stated that he thinks it's time to tell Pat to turn the water off. Jimmy suggested that Cheryl send an e-mail to the Dimitris saying that today is the cutoff date, if payment is not received today, the Water Co. will follow through with the agreement and shut their water off. Tom agreed with this suggestion. There was some discussion about whether the ACC regulations require a six month notice before shutting off water. Jimmy will check the ACC website to determine if there is a six month notice requirement. It was agreed that if there is no six month notice requirement, Cheryl will give notice tomorrow morning in the form of a door hanger and an e-mail to the Dimitris that the water will be shut off on Thursday at 5:00 p.m. Bill stated that the agreement also states that to turn the water back on, the payment must be made in full.

Action Item: Jimmy to check the ACC website to determine if there is a six month notice requirement before shutting off water and forward to the Board, Wallace and aQuality.

Suggestion was made that it may be advisable to contact the company attorney regarding shutoff. We are probably considered providing an essential service. Also, is there some new "Hardship" rules we must conform to? We will await feedback from Whittington prior to shutoff action.

Action Item: Bill contact Whittington to attempt to get quick review and advice.

Cheryl discussed the other delinquencies: No. 2018901 has not made a payment since 6/13. He has received reminders and late notices, and late fees. His balance is \$568.46. He has had an outstanding balance for at least 90 days, up until his September partial payment. Billed \$168.31 for September. Unable to contact him since his phone rolls to FAX.

Regarding Customer No. 2030104, Cheryl spoke to the wife on October 21. They have not paid since July 11, and when they paid then, they brought their account down to zero. So, they now have July, August, and September bills. They have received reminders and warning notices. Their balance is \$176.41. The wife said she would get the check to Cheryl this week.

Regarding Customer No. 2004601, his last payment was June 23. He paid \$126.59, bringing him to a credit balance of \$16.28, but he hasn't paid June, July, August, or September bills. He currently owes \$164.85. Cheryl tried to call him, and left a message. Another potential turnoff.

Cheryl discussed the customer who had the NSF fee. Last month, he paid his bill on time, but he had stapled it to the envelope with ten staples. His most current payment was duct taped and stapled with heavy duty staples, and in order to get the check out of the envelope, the check will be destroyed. Bill suggested that when this happens, Wallace & Assoc. return the check to the customer, and if we do not receive another acceptable form of payment, the customer will be in arrears. It was agreed that 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.

Action Item: 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.

Cheryl suggested we review the delinquent notice form produced by the software as a possible notice we use in the future. The software can then track the actions we take regarding the delinquent accounts.

6. Committee Reports -

a. ARC Report

For September – Eileen McGowan stated that their performance account for September was at \$850. Their review account was at \$9,299.50. Eileen advised that in the past few months, she had been getting the budgets reversed. She had been saying that the review account is \$850, but that account is actually the performance account. The ARC received a request from Lot Owner 79 to change out their Santa Fe flat roof to a pitched roof due to leakage, and that was approved. With regard to the complaint of Lot Owners 14 regarding the Chairperson of the ARC, Eileen gave Jimmy a packet of the investigation. There was a thorough investigation by Jan Marshall, and it came out that nothing was done wrong, so the ARC has given all of the information to Jimmy. Every person involved was interviewed. Eileen advised that there are some people doing construction on the outside of their property, and she notes that the CC&R's say that any outside construction is to be pre-approved by the ARC. Three of the ARC members are up for reelection, Jan Marshall, John Blockberger, and Eileen McGowan. Eileen has done the form letter to go out to all of the residents. She has also contacted Cheryl Ibbotson so the letter can go with the water bill this month for lots 1 through 180.

For October, the ARC's performance account is \$1,600, and the review account is \$9,399.50. A lot owner had done an addition to their house this last year, and they did a gazebo on the second level, so they needed to put an extension of the walkway so they don't have to walk through the whole house to get to the gazebo. The ARC approved that without any deposits because it was part of the original plan. Lot 14 has requested to put a shed up. The ARC doesn't require any deposits for sheds. In this particular case, they are attaching it to their gazebo. The ARC isn't requiring a deposit, but they did suggest that they contact the county as to whether or not they need a permit. The painted rocks is the issue between Lots 13 and 14, and the neighbors had painted them orange for their corner marker. They were advised to quit painting rocks and do something that is more aesthetic to the community.

b. Operations Committee –

1. Water Use Reports – Bill advised that the total water pumped out of the ICR system was 3,060,600 gallons, of which we sold 3,008,592 gal. For the TRR system, we pumped a total of 15,214,000 gal., of which water sold to residential customers was 1,103,497 gal., and water that went to the golf course was 14,799,800 gal., so the total delivered was 15,903,297 gal. The residential use for ICR was 2,930,892 gallons; total residential customers that we service for WC, Preserve, and ICR was 274; average water use per home was 356 gallons per day. The residential use for TRR was 853,909 gallons; total residential customers was 158, for an average water use per home of 180 gallons per day. Golf course use for the month was high. The wells in total were pumping about 22 hours a day, but we're now down to about 12 hours a day.

Curt stated that the difference between the total water delivered and distribution pumped total is 22,392, but it's labeled distribution pumped to customers, so the title doesn't make sense. Curt said that he went back and looked at some of the other pumping stats, and that number is different on the other pumping stats. Curt isn't sure whether the number is wrong or whether the labeling of that number is wrong. Cheryl stated that she has never changed the labeling and that it is Chris' format.

Jimmy suggested that maybe it is due to trying to read the lake meter and the well meter near the same time. He added that we can't always be manufacturing water on the TRR side, and this is the seventh month in a row that we have manufactured water --- we sold more water than we pumped on the TRR side. He thinks we need to look at the procedure and see if we can't read the meters in some different way. Pat stated that it was a timing issue this month, but next

month, they are going to try to coordinate them better. He said that some of it could be air production out of Well No. 1. Chris Stoner asked if aQuality could use a walkie talkie when reading the meters. Pat said they can use their cell phones, and they will try to coordinate that a little better next month.

- 2. Water Adequacy Report** – Bill advised that they turned the report over to Harvard and he e-mailed Harvard late last week asking for an update. Harvard answered that they had submitted the report to Southwest Groundwater for review and that the person who is going to review it was on vacation and had just gotten back. Bill thinks that he will get a response soon. Bill stated that he has been advised not to sign a Notice of Intent to Serve. He added that we were supposed to get a letter from Lynch, but it has not been received yet. Cheryl was advised that if she gets a bill from Southwest Water and Mineral, she is to allocate it to a TRR expense.

Jimmy wanted a discussion of water adequacy report vs. shared water vs. Notice of Intent to Serve. He wants it part of the record. Also that some attended a meeting with Mr. Whittington and Mr. Lynch to get some guidance relative to the Notice of Intent to Serve. Bill stated that since we're dealing with a legal issue, it is not appropriate to get into details. The Board agreed to discuss in general.

We all listened to the ADWR head of water adequacy program. The water adequacy program is laid out by the State so that if you're outside of the active management area, as we are, if you put in a well, and you own the land and the well, you can use that water for beneficial purpose to any amount, which includes golf courses. In order to preclude developers from developing something such as Talking Rock or ICR and there not be an adequate water supply, the State has a water adequacy program and if you develop a subdivision, the developer can apply to be able to advertise his development as having an adequate water supply. To be able to do that, they get approval from the real estate commission to advertise lots that way they must have an ADWR approved report.. In order to get that, the developer has to hire a hydrologic consultant that does a study that shows that there is a water supply in the amount you need that will last for 100 years. It's not tied to a well field; it's tied to the aquifer from where you're going to get your water. For ICR, TRR, WC, and Preserve, the State has approved water adequacy for the four subdivisions. However, if somebody wants to put in a well next to you that could affect your supply and there's no way to stop it.

It is the developer's responsibility, TRR builds a new phase, to make sure that there is a water supply available to bring to that phase. It is our responsibility to deliver that water. It is not our responsibility to create it. Before we sign off on the Notice of Intent, we need to make sure that the water is there.

TR has more phases to be approved by the County and those phases will have to have ADWR approval for an adequate water supply and they would also have to have a Notice of Intent to Serve. For them to get the phase approved by the State, they have to show there is an adequate water supply. The State has already said that the supply is there. We are not obligated to sign the Notice of Intent to Serve unless we know the water's there. If the water isn't there, it's TR's responsibility to provide that water. If we sign the Notice of Intent to Serve those phases before they're actually platted and the State checks to make sure there's water there, it becomes our responsibility to get that water. The water company never wants to sign the Notice of Intent to Serve prior to the development phase being approved.

Charles O'Brien asked that if we are required to provide water once we sign off, does that mean that we're responsible for developing the infrastructure that delivers the water. Bill answered that it is the developer's responsibility to develop the infrastructure that includes the source of water. They have total responsibility. Bill added that we're not required to agree to service anybody that we don't have infrastructure given us to service them with. If we sign the Notice of Intent prior, we accept the responsibility.

Jimmy added that the reason he felt it was important (interruption - big earthquake was felt!) for us to have this issue on the record is because the water adequacy and the Notice of Intent to Serve was involved with the Molly Way process and discussion, and the sticky point that came up and has caused some of the delay with respect to the well and the service meter for the lake, and Molly Way has been this Notice of Intent to Serve. Jimmy also said that in the negotiation for the settlement with respect to Molly Way was voted by the Board 4-1. Jimmy was the dissenter because in his opinion, there is a big chunk of money that the membership would be obligated to pay for Molly Way repairs, maintenance, etc. that he felt very strongly that was a burden that should be borne by the developer. Jimmy felt that the membership and association would be paying more money than it should be paying to make repairs to the developer's facility, i.e. Molly Way. Bill stated that things discussed in executive session are not be discussed in open meeting and thinks we're doing this inappropriately. Jimmy asked what was disclosed that was inappropriate? Bill stated that discussion details of what we were trying to accomplish in executive session. Jimmy asked: "The fact that we took a vote"? Bill stated and even what the votes was. Jimmy stated he thinks the membership has a right to know that it was not a unanimous vote of the Board. Bill stated he though it was incorrect. Tom stated it was not a "done deal" and Jimmy agreed. Tam stated things were still being worked out. Charles O'Brien said that Jack McGowan and he both agree that there should be no obligation imposed on the members of the Water Company that should have been borne by the developer, and it's probably inappropriate for us to have agreed to accept a substantial monetary obligation in connection to what's happened.

3. **Flowtronic Operator Training** – There was discussion with regard to aQuality receiving training from Flowtronics. Derek advised that normally only Flowtronic techs get to go to the school in Texas, but the rep was able to talk them into taking Chris, but Chris refused to go. Clint is supposed to give the Board more information on the cost, etc. The Board is supportive of sending aQuality to Flowtronics training, but they need more specific information on time and cost.

Action Item: Bill will e-mail Clint Poteet to get more information on the time and cost of the Flowtronics training.

c. **Molly Way Status Committee**

1. **Discussions with Harvard** – See above.
2. **System Operational Issues** – See above Flowtronics discussion.

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
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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
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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	Action Req'd
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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.)

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
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

Deferred Action Item

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.)

b. ICR Pump House – Jimmy advised that he talked to Rob Ibbotson this morning, and he has made good progress. The old rollup doors have been removed, the windows are in, the AC and heater units are in, all the interior framing is done, the wiring is pretty much done, and he’s installing the framing for the new double door today. He hopes to have that installed today. He should be in a position to start sheet rocking and taping tomorrow. The members are welcome to stop by and see the progress. If the gate is locked, the code is 4921. The members are urged to be cautious as there are many tools and materials on the ground.

Jimmy advised that an issue came up with respect to the double door. Both contractors had bid a standard wood frame construction material. So, the door that was bid was a wood frame and the committee had a discussion about how serviceable that would be over time. The committee agreed that we need a metal frame door and we need to tie that metal frame door into the metal structure that was there. Jimmy recommended to the Board that we go ahead and spend the extra money, even though the extra money for a metal frame door would be more than double what we had in the original estimate. Jimmy doesn’t have the amount at this time, but just the metal frame alone was an additional \$600. Jimmy further advised that they could not find the steel siding that matched the paneling that was there. They decided to re-skin that whole wall. There had been some damage to the paneling on the exterior wall, so they went with paneling that was the same color, but the spacing between the raised portions

was a little wider, so we had to end up buying four more panels to make that whole side of the building look the same. As a result, there is some additional cost for that.

Motion: John moved to approve the additional cost of the retrofit of the ICR pump house, including the additional exterior wall paneling, and the additional cost of changing the door from a wood frame to a metal frame, with a total approximate increased cost of \$2,000; Tom seconded; motion carried.

d. Water System(s) Reserve Accounts – Tom stated that he has been asked to look into a depreciation reserve account. He has been in contact with Cynthia Wallace about this. Two meetings ago, Tom handed out a proposal for a reserve depreciation account for major infrastructure replacement and repair. Tom looked at the current categories, such as pumping equipment, water treatment equipment, meters, etc., and he calculated a percent of the total that is in the current depreciation account. He then took an arbitrary \$50,000 that they set aside and used those same percentages to break up the \$50,000 into various categories. Tom’s recommendations would be to make the money in the account unrestricted so that it can be freed up if the Water Company needs that \$50,000 for some other emergency, and that at the end of the year, contributions coming from our profits, be added to the reserve account. One of the things that Cynthia advised Tom to do is to ask Pat to go through the depreciation equipment inventory and see if there are things that he would want to retire or even bring on line, which would change the percentages here. Pat advised that he went through the depreciation schedule, but was confused. He will revisit this and advise the Board of his recommendations. Tom advised that Cynthia is looking at major pieces of equipment that would be pulled out of or put into service that are not being recorded currently. (Lengthy discussion of adequacy of the assets in the data base, the backup data and allocations made by Bob Busch/MDI subsequent to the rate case .) The Board discussed setting up two reserves instead of one. Jimmy stated that we need to separately track the financial status of each water system. ICR came on line before TR, so we have a difference of expected replacement date on the equipment. Curt stated we must have separate finance for each water system and a reserve account line item with supporting schedule for each system. Tom advised that an allowance for depreciation is considered a depreciation reserve, and we are allowing every month \$27,815. Jimmy asked where is the money? We need cash set aside and not in the checking account. Tom indicated this should be money that could be used in an emergency and it was agreed. There was further discussion of how to determine how much, when and how allocated and the specific basis. **(Secretary note Added: An accounting “allowance” on the books vs setting aside appropriate cash in reserve is an issue we still need to discuss further and fix.)**

Bill added that when he, Curt and Tom were at Mr. Whittington’s office and asked Lynch, and he advised that we should have a reserve account, but he didn’t say it is required. Mr. Lynch said that as part of the 2009 rate case should expenses should be set aside the 2006 infrastructure basis for reserves. Jimmy agreed with that approach. Bill said that we should set aside the money for accumulated depreciation from the 2006 infrastructure up to the present time. Bill thinks that the Board should do this annually as part of the projected budget guided by the cash assets we have on hand. Tom stated that we could make it a fixed percentage or a negotiable figure. Tom suggested an amount of \$50,000, and Bill agreed. Curt asked if as part of the rate case was there a breakdown of how the rates were determined. Did it included the amount of assets and depreciation that was used. Bill knew some of Borrassa’s data was provided but he didn’t know how much. Maybe we’d go to the ACC and get their assistance in learning the basis for the rates they decide on. Jimmy advised that we need some kind of an allocation to back up what we do. Pat asked if we have a master plan for wells and springs, and if we plan on replacing wells at some time. Bill answered that we should think of wells as part of the replacement. Bill didn’t know how they were being depreciated but wells/casings should be in the schedule. Cheryl thought they were in the depreciation schedule. The Annual Report filing has much of this data.

8. New Business –

- a. **Election for 3 Directors** – Jimmy stated that he sent out a potential draft of Amendment 7 that dealt with qualifications for Director. Bill questioned whether a Board member has to reside within the service area. John indicated this has been a sore spot with members in the past. Jimmy believes that the people who live here, within the CCN, should have the voice on what happens here. This was a possible discussion topic back on a Board list in 2007/8. The Board discussed whether they should amend the By-laws so that a Board member must live within the service area. Harvey asked if the Board could change the By Laws. At this time, the Board is able to change the By-laws without a vote of the Members. Bill recommended we pass this by the attorney. By Laws have been run by the attorney in the past. He was concerned there may be people with money who may think they may be disenfranchised. Charles O'Brien indicated the Board has the authority to make this change and is within its power. Also, this had been discussed back when Earl Cummings was the chairman. Jimmy stated that he can get the document with the wording to change the By-law to Bill right after the meeting, and then Bill can forward it to Mr. Whittington for his review. Jimmy doesn't believe this has to be run by the attorney; Tom liked the idea of the change, and he thinks it should be run by the attorney first; Curt liked the change and agreed with Tom; John also agreed with Tom. Bill state everyone agreed with the By Laws change. Charles indicated the delay engaging the attorney may delay getting this letter out. It was agreed that Bill will forward the letter to Mr. Whittington for his review and comments. This may preclude getting the letter out with the water bills. The Board will try to get the Nomination letter out to the Members by November 3. Cheryl indicated a special mailing would need to be scheduled a couple days in advance. The Board also discussed changing the date that the nomination form has to be returned to the Water Company. The Board agreed to move the date for the nomination forms to be returned from November 17, to November 23.

Bill stated that one problem we have is that ballots can go to renters instead of the homeowner. The Board also discussed putting a signature block on the Nomination Form to ensure that they are putting themselves on the ballot. Jimmy will add a signature block to the form. Cheryl indicated there is a way to determine that if the account holder is a renter. The renter account number would be higher than the prior property owner. We may want to re-visit the renter issue based on recent experiences.

Action Item: Jimmy to forward the draft of the by-law change memo to Bill.

Action Item: Bill to forward the memo to Bill Whittington regarding the change in the By-laws and get back to the Board for further action.

- b. **ACC Complaint** – Bill advised that there has been an ACC complaint, having to do with the \$75 Sanitary District User Fee. Bill advised the ACC that this is a Sanitary District fee, not a water user fee.
- c. **Website** – Curt advised that the website is up to date. He posts draft documents as he receives them. In practice, the changes are relatively minor.
- d. **Pending Actions** – Tom stated that he's done some research about our potential liabilities and problems with water adequacy. He found a book that shows how to use Geographical Information Systems (GIS) for possibly resolving these types of things. Using GIS, you may be able to determine whether the well and the aquifer are connected or impinge on each other.

Additional Item: Bill stated that November's meeting will be held the first week of December., the 6th.

Action Item: Curt to post the change in the November meeting date on the website.

9. Public Comments:

Charles O'Brien stated that if anybody is interested in hearing what happened this morning at the hearing regarding attorney's fees, he will let them know what happened.

Harvey Roberts stated that it sounds like the Board said that if you add something, you need a new depreciation account due to time added. The depreciation account is for the whole water system, which eventually is going to be used for rates. The thing that bothers Harvey is that the rate is going to go sky high. Jimmy answered that whenever we add anything to the infrastructure or anything to assets, we have to modify the depreciation schedule to account for those assets. The depreciation schedule is a dynamic thing, but each asset that is added has a start date for that asset and then it trickles on its own lifetime schedule and summed at the bottom. Jimmy added that the ACC says that you have to keep separate books for the two water systems.

Harvey also discussed the cash flow, stating that it's great. He wants to know if there is a reason why it's so much better than last year. Bill answered that we're generating as much extra cash as last year, but the difference is less expenses, \$62,000, last year.

Harvey stated that with regard to the Flowtronic training, he would compare how much the training costs vs. how much we're spending on the service. Jimmy stated that Harvey's point is well taken, which is why they want to get more information on the training. It's very expensive to the technical support which comes out of Tucson and we incur the travel and subsistence expense. Bill added that one problem with Flowtronics, is you might have to wait a month for them to get here, where aQuality is available at all times.

Harvey Roberts discussed the executive session regarding the agreement with Harvard. He wants to know if the Members will be given what that agreement is. Bill answered that they are working on it, and when it's done, they will disclose it.

Harvey Roberts added that he wishes the Sanitation Board was as open as the Water Company Board is. Jimmy stated that everyone on the Board feels transparency is paramount.

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

Meeting adjourned at 12:50 p.m.