

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
September 22, 2009 Meeting Minutes

Approved

Those Present:

Board Members

Hugh Pryor, President
 Hal Lobaugh, Vice President
 Bill Meyer, Treasurer
 Jimmy Stoner, Secretary
 Shirley Lilien, Director

Contract Staff

Bob Busch - Manager
 Chris Williamson – Water System Operator

Member Guests

Dayne Taylor	Marless Taylor	Gene Leasure	Shirley Leasure
Peggy Stair	Eileen McGowan	Chuck O'Brien	John Payne
Russ Hubbard	Leo Sullivan	Lee Gibson	Chris Stoner

1. **Call to Order** - The meeting of the ICRWUA was called to order at 9:05 A.M. by Hugh Pryor.
2. **Review Minutes of the August 25, 2009 Board Meeting.**

Motion: Bill moved to waive reading of the August 25, 2009 minutes, Shirley seconded; motion carried.

Motion: Jimmy moved to accept Version 4 of the Minutes of the August 25, 2009 meeting as presented; Hal seconded; motion carried.

Motion: Shirley moved to waive reading of the public comments of the meeting of August 25, 2009; Jimmy seconded; motion carried.

Motion: Jimmy moved to accept Version 4 of the public comments of the meeting of August 25, 2009; Bill seconded; motion carried.

3. Reports

a. **MDIFS Report** - Dee was not in attendance, so Bob Busch reported on her items.

- **Delinquency & Shut Off Notices** – 7 Notices of Delinquency were sent out last month. There was one Notice of Termination sent out.
- **Handheld** – Bob advised that MDI has received the flash disc back from RVS, and they were able to load the information into the handheld. One of the two handhelds does not hold a charge properly, so Dee is recommending that it be sent for servicing. Dee recommends that both new handhelds be sent for servicing, but Bob recommended that the one that is working is a reliable spare and that we sit tight, not send any in for servicing at this time, until we have a failure.
- **National Bank vs. Summit Bank** – Dee opened a checking account at Summit Bank, and autopay is working at this time. As soon as all checks have cleared, she will close the account at National Bank.
- **Certificate of Deposit** – Dee opened an 18 month CD at Summit Bank. The CD has an interest rate of 2.0%, with a bump up option, which Bill advised is a one time option to “bump up” to a higher interest rate, if interest rates rise within the 18 month period.
- **Member List** – Dee has received the parcel numbers from Bob and she will start working on entering these parcel numbers into the customer database and member list.

b. Operator's Report

Chris advised that he has two proposals for the generator project – one for \$12,800 and one for \$5,800. He also advised that the cooler for the boost station by the front gate failed. He got an estimate for \$1,231 through Flotronics, but will attempt to get more estimates. He thinks the Water Co. can wait one month while he gets more estimates. In regard to the Molly Way project, the chip that was to be reprogrammed is still in engineering in the Texas plant, and the two Arizona repairmen haven't heard when it will be back. One skid has been turned off at the Molly Way Pump Station because it was over-pressuring the system. Chris does not know when the chip will be repaired, but he is keeping on top of it. Chris suggested buying an annual package from AGM in Cottonwood for an annual service package for the emergency generators, including load testing.

Action Item: Bob to get pricing for annual service package on both generators from AGM and Gentec in the Valley. Bob is to attempt to get the fuel bill included in the proposal.

Action: Chris to get more estimates for the cooler for the boost station by the front gate.

c. Financial Reports (July and August)

Bill reviewed the July and August 2009 financial reports. Regarding the July 31, 2009 financial report, Bill advised that revenues for July were \$48,675.34; expenses were \$36,657.82, with a net income of \$12,017.52. For year to date through 7/31/09, total revenues were \$217,187.56; expenses were \$335,086.04, with a net loss of \$117,898.48. The breakdown for the two systems is:

ICR System: For month ending 7/31/09 - \$18,347.62 in revenues, \$3,954.62 in expenses; net income of \$14,393. For year ending 7/31/09 - \$85,828.26 in revenues; \$81,427.80 in expenses; for a net income of \$4,400.46.

TRR: For month ending 7/31/09 – \$30,306.88; \$32,507.89 in expenses; for a total net loss of \$2,201.01. For year ending 7/31/09 - \$131,217.77 in revenues; \$253,462.93 in expenses; for a net loss of \$122,245.16.

Regarding the August 31, 2009 financial report, Bill advised that revenues for August were \$58,573.91 in revenues; \$45,398.11 in expenses; for a net income of \$13,175.80. For year to date through 8/31/09, total revenues were \$275,761.47; expenses were \$380,484.15; with a net loss of \$104,722.68. The breakdown of the two systems is:

ICR System: For month ending 8/31/09 - \$19,545.50 in revenues; \$12,901.32; for a net income of \$6,644.18. For year to date ending 8/31/09 - \$105,373.76; \$94,329.12; for a net income of \$11,044.64.

TRR: For month ending 8/31/09 – \$38,968.38 in total revenues; \$32,496.79 in expenses; for a net income of \$6,471.59. For year to date ending 8/31/09 - \$170,186.15 in revenues; \$285,959.72; for a net loss of \$115,773.57.

Cash flow for the month of August: Our checking account as of July 31 was \$81,000. Our checking account balance for June 30 was \$87,981, for a decrease of \$6,100. .

Additional Item: Hugh advised that he, Shirley, and Bob spent a couple of hours with MDI regarding Bill's concerns about the billings. He advised that when MDI was first contracted, they had reports for a single company. In the spring of 2009, MDI began reporting on three separate companies – the Water

Co. as a whole, the TRR system, and the ICR system. The added costs of MDI were for setting up the three separate systems and for meeting ACC requirements. He also reminded the Board that the Water Co. added \$7,000,000 of infrastructure to the books, and getting the books compliant with the ACC requirements. Hugh advised that these extra charges were probably a one time thing, and running the reports going forward would really not cost that much. Shirley advised the Board that the next time they get a transfer of assets in, MDI will have to recalculate the depreciation overall, which is also a one time thing.

Bob added that there were three things that hit during the early part of 2009 that were different from things that happened before.

The first was the Commission's requirement to use a depreciation schedule, which had not been done previously.

Second was that the Company went from a Class D water company to a Class C water company, and that requires a more expanded list of accounts than does a Class D.

Third, MDI created a database of 800+ individual asset items that needed to be individually depreciated in about 15 accounts with different start dates.

Additionally, the billing for these items was delayed due to the tax season activity at MDI at that time.

Bill doesn't agree with some of the reports that MDI prepared and cannot recommend approval of the reports. He suggested that the Board meet regarding MDI's added costs, including a charge by MDI for a meeting that Bill had with MDI to discuss his dissatisfaction in getting reports that he cannot recommend for approval.

Jimmy then commented that the whispering between Board members during the meeting should cease, and suggested that if anyone has something to say, it should be said to everyone.

Bill stated that he believes the Water Co.'s costs from MDI should be approximately \$1,650 per month. The actual costs from MDI were \$3,569 in January, \$3,080 in February, \$3,145 in March, \$3,756 for April, \$2,216 for May, \$3,004 in June, \$5,209 in July, \$3,882 in August. The Water Co. is paying MDI essentially twice what their contract calls for. He also stated that he cannot get MDI to communicate with him, and the contract calls for communication between the Treasurer and MDI. Bob stated that the monthly costs referred to by Bill include Bob's salary, but Bill stated that he kept Bob's salary separate. Jimmy believes a meeting should be held to go over MDI's charges. Shirley suggested that MDI show a breakdown of accounts "621, 632, 632-1." Bill has a concern that when MDI meets with the Board regarding the Board's dissatisfaction, they charge for the meeting, and he doesn't think they should. We also need to reconcile MDI meeting attendance requirements in proposal vs the contract.

Motion: Bill moved that we conditionally accept the July and August 2009 financial reports based on the following conditions: that MDI will provide backup information for the year to date for their charges for account expenses, office expenses, and accounting extras, Nos. 621, 632, and 632-1 for ICR and TRR, and that the Board not be charged for this backup data; Shirley seconded; motion carried.

d. Manager's Report

Bob reviewed the following items:

System Operations: The August report shows the TRR system with a 1.5% difference between water pumped and sold; ICR system had a 4.2% difference between pumped and sold. However, there is only a 7,000 gallon difference between the distribution pump number and the amount sold on the ICR system. The major unaccounted for water appears to be between the ICR well site and the distribution pump house. (The Fire Co. uses water for training purposes and we should discuss their monthly use estimate.)

Bills of Sale:

Talking Rock: The Bill of Sale for Molly Way has not been executed.

Whispering Canyon: The Bills of Sale have not been executed for Molly Way and Whispering Canyon, but an assignment of the license agreement to use the power line easement to WAPA has been forwarded for their consent.

ICR Power Line Utility Easement – An Assignment Agreement has been executed by ICRWUA and the developer of Whispering Canyon for the license agreement to use the power line easement. Once WAPA consent is received, ICRWUA will have the right to maintain water lines located in the utility easement from the well site through the ICR subdivision.

2009 True-Up – Harvard has paid the \$9,021.37 due under the final true-up under the Well Agreement.

Handheld – see above

Pest Extermination – The work has been completed.

TRR Building Insulation – Bob has received two bids for the insulation of all five buildings (4 well site buildings and the Cooper Morgan Boost station). They are between \$5,000 and \$7,000. The bids are for batt insulation and OSB. A discussion took place regarding whether these five buildings ever had building permits from the County. Bob stated he was under the impression Harvard had permitted all the buildings. We have the county's approval to operate the facilities and believe this includes the buildings. Jimmy will raise the buildings permit issue with the Asset Committee. Bob will check whether permits were required on these buildings.

Action Item: Jimmy will raise the five buildings permit issue with the asset committee.

Action Item: Bob to check with the County on whether permits are required to do the current work on these buildings.

TRR Well Field Transfer – A deed for the well field property was executed and recorded with Yavapai County on Sept. 8, along with the agreement for easements and well restrictions on the TRR property. A compliance document with the deed attached was also filed with the ACC on August 27. Approximately one acre has been deeded to ICRWUA.

ACC Compliance - Compliance letters have been received from the ACC for the tariff filing and for the transfer of Well No. 1. An ACC staff recommendation to extend the deadline for completing the transfer of TRR infrastructure was received. The ALJ and Commission have still to act on the recommendation.

Site Cleanup - The ICR well site was mowed recently to keep weeds down outside the fence.

Website – Bob discussed the number of hits and page uploads that the ICRWUA website had. Bob will send these reports to the Board members.

Additional Item: Bob wanted to confirm with the Board the policy regarding water leaks and billing customers. He had a customer with a substantial water leak, who got a \$400 water bill. The customer is asking for some relief. Bob advised him that if the leak is on the customer side, it is the customer's responsibility. The Board agreed that if the leak is on the customer side, it is the customer's responsibility. Bob will notify the customer that the Water Co. will not relieve the bill.

Action Item: Bob to inform the customer that it is his responsibility to pay the water bill since the leak was on the customer's side.

e. Committee Reports

- Asset Transfers - See above. A meeting will be set up to discuss various issues that Bill has identified regarding the assets.
- Operations Committee – Bill advised that the new pump has been installed in TR Well 2, and everything is operating properly. Chris W. and Bill will be looking at the way the wells are prioritized. A date will be scheduled for an air test. Bill believes the test should be run this month. Bill advised that Craig Krumweide has stated that Harvard should be ready to fill the lake in December or January. Bill advised that he and Chris ran an air test shortly after the new pump was installed in Well No. 2. The results were very favorable. We plan to run a test shortly to while we are still in high water demand. We'll advise when it's scheduled. The committee will be putting together a recommendation on how to cycle the well use.
- ARC Resolution – Bill advised that the Board met with the ARC on September 3. They discussed ways to assure both the Board and the ARC that they were working within the CC&R's and By-laws for Lots 1-180 in ICR. They established a sub-committee of 2 people from the Board (Jimmy and Bill) and two people from ARC. The sub-committee will try to meet next week, and hope to accomplish everything by the December Board meeting.
- Board Policies - Jimmy reported that he and Dayne met a couple of times, and they came up with a merged draft book, that has merged the ACC requirements with the sections from the draft policy book. Jimmy has asked that each policy committee member take a section and attempt to merge the requirements and procedures. It appears there is no need to immediately change anything, with one exception: service application that house plans be reviewed by ARC. He believes that needs to stay on the application. The committee members should have their input to Jimmy this week. Jimmy estimates that the draft Board Policies should be completed in about three weeks.
- WSA Implementation, ACC Order Compliance – See above. Hugh advised that he has not gotten feedback from the Commission on the Best Management Practices that were submitted, and he has not received relief on the date for acceptance of the infrastructure. The Staff have agreed and have given the Company more time that it asked for.
- Lake Construction - Hugh advised that the lake construction started two weeks ago, with a completion date for the end of November.

4. Old Business

a. Review Action Items – Bob reviewed the action items. All action items are complete, except the following:

1. Chris to have fire department come out and check hydrants.
2. Contact Cole Johnson regarding clarification of cost detail, verify access easements, and traceable ownership and proper access easements for ICR.
3. Bob still working on getting well registration.
4. Call Empire regarding estimates for an open purchase order. Bob has completed he credit application and ready to be forwarded to Empire.

Jimmy asked Bob about contacting Cole Johnson for clarification on cost details. Bob advised that he has not contacted Cole yet. Hugh stated that we might end up having to contact contractors to get that kind of input. Jimmy stated that the Company claims it has all the cost data for what it took the infrastructure in the ground, but it's not clear that the data includes the actual installation.

b. Policy Book – See above

c. Draft Board Meeting Documents – Jimmy discussed having draft Board meeting documents for member owners who come to participate in the meetings. Hugh believes the Minutes should be available on the website at least one week prior to the following month’s Board meeting. Jimmy and Hugh discussed how to get the Minutes to the people more quickly. Hugh suggested that after Gloria sends the Minutes to Jimmy, that he forward them to the Board. After that, Jimmy can go through the recording and make his corrections. Jimmy commented that this would not enhance the process. As it stands, when the draft minutes are distributed they are complete and reasonably accurate. The Board also discussed having the financials posted to the website the Friday before the Tuesday morning Board meeting. It is clear the financials should be coordinated between Bob and Bill before they are posted as draft statements. It was agreed we would strive to get material posted by the Friday before the Tuesday meeting.

d. Member List Update – See above. Bob advised that they’ve identified less than 20 residents who are not property owners, and they are trying to confirm this. MDI will produce a member list, showing who are renters. Bob interprets the By-laws as stating that if the meter is in the renter’s name, then the ballot does not go to the property owner or the renter. Shirley believes that the owner of the meter should get the ballot. Jimmy suggested that this issue be discussed at the MDI meeting. The Board agreed that it needs to be documented as to who will get the ballots.

5. New Business

a. TRR Building Insulation – see above. It was agreed that Bob will get one more bid. Bob to get bids for ½” OSB. After the bids are received, he is to pick the lowest bid and hire that company to do the work.

Action Item: Bob to get bids for ½”OSB, take the lowest bid, and hire the company.

Motion: Bill moved that Bob and Chris reach agreement on which contractor to use after receipt of the bids; Shirley seconded; motion carried.

b. 2009 Election of Directors – Hugh suggested that a meeting be held to talk about assets, MDI, and the election. Bob suggested that at the end of October, announcements be made for candidates. Bob to set up the meeting of the whole.

Action Item: Bob to schedule a meeting of the whole to discuss assets, MDI, and the election.

c. TRR Talking Green Participation in Oct. – Hugh believes that the Water Co. should participate in the Talking Green event in October. He suggested having pamphlets, etc. to inform people of water conservation. Hugh will look into purchasing a sign for the event. The Board is to look into getting information pamphlets that can be handed out to people. Hugh suggested that a summary of things that the Water Co. has accomplished in the last year be provided to people. Jimmy suggested that a list of Best Management Practices also be provided. This event will be discussed further at the upcoming meeting of the whole.

Action Item: Hal to look into purchasing a sign for the event.

Adjourn

Motion: Hal moved to adjourn; Shirley seconded; motion carried.

Adjourn at 11:08 a.m.