Inscription Canyon Water Company

Board of Directors Meeting

May 7, 2024

DRAFT Minutes

Attendees:

Randy Joly – Secretary

Giles Howard – Treasurer

Mike Hubbard – VP Operations

Mark Armstrong - President

Cheryl Ibbotson – Business Office

Pat Carpenter – Operations (AQuality)

Derek Scott – Operations (AQuality)

Absent – Dan Cancelleri - Director

Mark Armstrong called the meeting to order at 9am

Attendance was taken and the board was able to confirm quorum.

Mark Armstrong asked if there were any comments or changes to the Draft minutes of the company Annual meeting. There were none so he made a motion to ratify Minutes to Company Annual Meeting held March 25th, 2024. The motion was seconded by Randy Joly and passed.

Finance Report

 YTD Revenue Performance and Variances

Giles Howard presented a first quarter cash P&L (see links posted with these minutes), as well as a cash analysis and an update on the expense tracking for the TRR well #5 replacement project.

There were no major variances other than water testing costs, due to some of the annual testing being required in Q1.

Cash Position/trajectory

Cash on hand, with approximately 2/3 of the well replacement paid for is $289K. Cash is projected to rebound to be $417K by the end of the year. A close watch will need to be taken on further cash expenditures for the balance of 2024 and all non-essential projects are on HOLD.

 TRR Well#5 Project tracking

Invoices paid to date totaled $176K with pending expenditures for completion and commissioning of the well planned at $98K. This should bring the project to completion at around $290K, which is $15K below budget.

Operations Report

 Well #5 status report

Test pumping will commence the week of May 13th. Water testing will be done at the same time to expedite the time for approval from ADEQ.

* Project timeline -Estimate to complete

Mike Hubbard reviewed the engineering schedule for the well replacement project. He stated that we were currently about 3-4 weeks behind the original timeline due to some logistical delays, and the current date for putting the well online in approved production was August.

* Estimated Well #1 downtime prior to #5 production

The group discussed the need to minimize the time that well #1 would be unavailable during the switchover from well #1 to well #5. Drilltech said they were willing to loan us their test pump and motor to develop well #5 prior to production so that we could maintain capacity with Well #1 until it was decommissioned. The board agreed to have Pat Carpenter coordinate this.

* New solar for WC tank instrumentation

The solar power equipment (panels and batteries) for the telemetry system on the Whispering Canyon tank is failing from age. It is causing manual intervention to avoid the tank going empty. AQuality obtained a quote from our controls vendor to replace this equipment with new panels and batteries for the cost of $3500.00. Mike Hubbard made a motion that the board approve this expenditure as a “must do”. Mark Armstrong seconded the motion and it passed.

* Golf course water usage and current allotment

The golf course is taking its full planned allotment of 420gpm for 21 hrs/day. There has been some evidence that their valve is not closing properly for the last 2 days. Mark Armstrong will bring it to the attention of John Noyes.

* Summer wellfield hydrology testing

The board agreed that, in addition to verifying the capacity of the new TRR well #5, this summer’s hydrology testing should focus on ICR well #1. Randy Joly will coordinate with the Hydrologist.

* ICR Well electrical issues

There appears to be an issue with CL2 vapor in the ICR#1 well structure causing corrosion in the switchgear for ICR well #1. Pat Carpenter recommended an exterior cabinet for the chemical storage. The board authorized Derek Scott to purchase and install the cabinet.

Other Business:

* TRR Phase 12 letter – note re ADWR

ICWC was recently asked to provide a “will service” letter to Granite Basin Engineering for a filing by Symmetry Companies to develop phase 12 in Talking Rock. This is the change in planned plat that prompted the AZ Department of Water Resources to request an updated water sufficiency study from the developer. ICWC signed the intent to serve letter with a note regarding the ADWR request, and limitations it may place on the developer’s ability to represent that there was water adequacy for 100 years.

* Verizon Cell Tower inquiry

Mark Armstrong and Randy Joly apprised the board of the results of a contract review of the proposal presented to ICWC by DW Towers LLC on behalf of Verizon Communications. After reviewing other similar contracts and discussions with some contacts in the industry, the board agreed to several changes that would be proposed to the tower company. Mark Armstrong agreed to present those negotiating points to the potential lessor this week. The final board decision to execute the option/lease agreement will depend on the final negotiated terms.

* Dan Cancelleri ride along plan – Steve Bigelow

There was a plan to introduce a member named Steve Bigelow, who has recently joined our community, and expressed interest in future company activities, to Dan Cancelleri, who will be leaving our community. Unfortunately, Dan was not able to attend the meeting today.

* Contracting part-time Manager vs Recruiting/training Board candidates for future boards

This board has discussed the recruiting and participation situation for company management for 4 years. The same group of people have been the board of directors in one configuration or another for almost 7 years. There has been little participation in public board or annual meetings for the last 5 years. There have been no new nominees for the board elections in the last 2 elections. One deterrent for participation, based on discussions with targeted recruits, has been the time commitment. The current structure of the board is an operational one. Board members manage operational work on a day to day basis and it takes a non-trivial amount of volunteer time. One alternative that has been selected by others in this situation is to contract with a manager to take operational responsibilities, and restructure board member roles to be oversight vs operations. This is how our sanitary district is managed. One of the eventualities that everyone agrees needs to be avoided, is to have to turn management of our water over to a State government agency.

Based on this thinking, the board agreed that a part-time contract manager would be something to try, especially in anticipation of the terms ending with elections approaching this fall, and the pending departure of a board member due to relocation.

The board agreed that hiring someone with no knowledge of our communities or systems would be a step backwards, and that it would introduce another unknown into the process.

Mark Armstrong volunteered to be the test company manager for an introductory term at a modest hourly rate. The board liked the concept. This would facilitate continuity, an easier recruiting message, and require less training and spin up time for new participants.

Mark agreed to research the requirements in the bylaws and to investigate items such as insurance and continued board membership. He agreed to have a basic contract drafted for review by the rest of the board. Giles Howard made a motion to pursue this option. It was seconded by Mike Hubbard and passed.

The board agreed, that if this were to be implemented, that a clear delineation of duties, contacts and communications protocols would need to be developed and communicated.

This will be reviewed at a future meeting.

* Adjournment

As there was no other business presented, Mark Armstrong made a motion to adjourn the meeting. The motion was seconded by Giles Howard and the meeting was adjourned at 10:17am.