

INSCRIPTION CANYON RANCH SANITARY DISTRICT

P.O. Box 215 Chino Valley, AZ 86323

PUBLIC SESSION

MINUTES

Revised

Approved August 12, 2013

June 24, 2013

Date: Monday June 24, 2013

Time: 9:00 a.m.

Place: Days Inn Conference Room 1, 688 Fletcher Court, Chino Valley, AZ 86323

1. CALL TO ORDER.

The Governing Board for the Inscription Canyon Ranch Sanitary District convened into public session at approximately 9:00 a.m.

2. ROLL CALL.

Present were Bob Hilb, Chairman; John Freeman, Board Member; Brian Ray, Board Member; William Whittington, legal counsel; Bob Busch, District Manager; Isabel Yribe, District Clerk; Bruce Eldredge, Accountant, and the following audience members.

Dayne Taylor Eileen McGowan
Harvey Roberts Davin Brenner (after Executive session)

3. RATE HEARING. Bob Hilb made a motion to convene into the Rate and Budget hearing. Brian Ray seconded the motion. There was no discussion and the motion passed unanimously. Mr. Hilb began with the Rate Hearing first.

- **Harvey Roberts** stated his concerns regarding the amounts having commas instead of decimal points on the printout of the rate hearing. He also mentioned that the \$ sign should be before the decimal point on the copy fee. *Mr. Hilb acknowledged those errors.*
- **Eileen McGowan** questioned whether the District had an escrow account. *Mr. Hilb stated that these were just the fees that the District charges the residents. He also stated the escrow account was something that was associated with Santec. Mr. Hilb stated that that account had been cancelled and transferred to the County Restricted account.* Ms. McGowan asked whether that monetary amount had to be disclosed to the public as part of the budget. *Mr. Hilb stated that the total is shown on the balance sheet and that Ms. McGowan could also go to the County Offices at anytime and look at the balance.*
- **Dayne Taylor** asked for a definition of the term “capacity fee”. *Mr. Hilb read the following: Capacity Fee- All fees are payable at the time of application for the Joint Use and Connection permits. These fees apply toward repair or replacement or expansion of the Sewage System of the District, or other unusual costs as approved by the Board.* Mr. Taylor asked if this definition was in step with statute and with the District’s Revised Restated Development Agreement. Mr. Taylor’s stated that he believed that this was in contradiction with the agreement with Talking Rock. *Mr. Hilb stated that the definition of*

Capacity Fee was paraphrased from the statute. Mr. Hilb went on to state that for the lots in Talking Rock and Whispering Canyon, and half the lots in the Preserve, the Developer agreed to pay the \$3000 up front, which is more than the District would receive from the property owner once the lot was sold and the owner applied for connection. Mr. Hilb also stated that, the definition was in step with the statute and that District's Counsel had reviewed it. Mr. Whittington advised that the statute permits fees were broader than what the specific definition provides in the statute. Mr. Taylor asked if all the connections were going to be paying the \$1000 plus paying the \$3000. Mr. Hilb stated that if the capacity fee hadn't been paid for the lot before, the District would. Mr. Taylor stated that the District had a waste treatment capacity on the record. Mr. Hilb advised that the District didn't have enough for all those houses. Mr. Taylor stated that he wanted it on record that the people in ICR had a treatment facility meeting all of the requirements by ADEQ of 120,000 gallons. Mr. Hilb stated that that was incorrect and that he wasn't going to discuss the issue any further as it was outside of the scope. Mr. Busch stated that the fee was going to be charged to every hookup where it wasn't prohibited by contract. Mr. Hilb reiterated that it would be charged to those who haven't paid before. Mr. Taylor then directed his concerns at Mr. Whittington, stating that this was segregation and the District couldn't pick and choose which residents in the service area paid certain fees. Mr. Hilb stated that everyone had to pay this fee, whether it was at the beginning as a small group of Inscription Canyon residents that the capacity was originally built for at the time, or when the lot was bought, or at the time of hook up. Mr. Taylor stated that it was all about Capacity Fees.

- **Eileen McGowan** asked about the \$170,000 listed for contingencies. *Mr. Hilb stated that the matter would be discussed during the Budget portion of the meeting.*

Mr. Hilb adjourned the Rate Hearing.

4. BUDGET HEARING. Mr. Hilb then made a motion to convene into the Budget Hearing. Brian Ray seconded the motion. The motion passed unanimously without discussion. *The Budget hearing convened at approximately 9:10 a.m.*

- **Eileen McGowan** stated her concerns regarding the lack of description as to what the \$170,000 listed for contingencies would be used for. *Mr. Freeman stated that it was the reason they were called "contingencies." Mr. Hilb stated that it was to be used for several things. For instance, the District didn't get enough money from taxes to cover expenses from July 1st to November 1st when taxes were due. Mr. Hilb then stated another reason was for unforeseen legal fees. Mr. Hilb stated that the District didn't expect anything to come up in that regard, but these were examples of possible uses for the contingency fund. Mr. Hilb also stated that any monies not used by the end of the year would (with Board approval) be transferred into the Unrestricted Capital Account in whole or in part.*

Dayne Taylor stated that the Restricted Capital Account was not disclosed in any part of today's Budget so that the public could see and understand what the accounts are for, what is in the accounts and what the money is used for. *Mr. Hilb stated that this was explained at the last meeting. Mr. Hilb stated that the money that was collected for all the lots in Talking Rock and Whisperin^g Canyon were put into an escrow account that was*

held jointly by Santec and the District. Mr. Hilb then stated that the escrow account had since been closed out and moved into an account held strictly by the District at the County. Mr. Taylor stated that he believed the money wasn't held jointly with Santec but with Harvard Investments. Mr. Taylor suggested that Mr. Hilb read the agreement so that he understood it fully. Mr. Hilb stated that he had read it a number of times and didn't come to the same conclusion as Mr. Taylor. Mr. Busch asked that Mr. Taylor look at page 5 of 6 on the proposed budget so that he could see where the \$104,000 came from. Mr. Taylor stated that the information Mr. Busch gave him was a different subject. Mr. Taylor also voiced his concerns regarding depreciation. He stated that \$5 million in assets have been accepted and the District is collecting \$20,000 for depreciation. Mr. Hilb stated that the money (\$20,000) was going into the Unrestricted Account. Mr. Hilb also stated that as the treatment plant equipment aged and needed to be replaced, the money to fix it would come out of the Restricted Capital Account. The Unrestricted Capital Account monies would be used for replacing pipes and pumps which are not part of the treatment plant. Mr. Hilb stated that this wouldn't happen for a number of years but that the District had to start building that fund. Mr. Hilb stated that the District could start collecting that money now and gradually increase it so that the people living here now wouldn't be paying the full amount and giving those who bought later a "free ride" on those fees. Mr. Hilb went on to state that that amount what was reasonably estimated should be collected for just the pipes in the ground and uplift stations assuming, they had a life of 20 or 30 years. Mr. Taylor asked if the Board had verified this procedure with the CPA. Mr. Hilb stated that this was done last year and that there was no objection from the CPA. Mr. Taylor stated that it might not be enough to report now, but the previous year's financial summary showed money in that account and wanted to know what amount was in that account as of today. Mr. Hilb stated that last year there was approximately \$250,000 of contingency funds available. He advised that it was planned to put any excess funds into the Unrestricted Capital Account as funds for replacements. Mr. Hilb stated that because of unexpected litigation costs, there were no excess monies put into that account. Mr. Hilb also stated that this was the reason why \$20,000 was now planned to be put into the Unrestricted Capital Account this fiscal year. Mr. Taylor asked if it would be prudent to put those monies into a dedicated Restricted Depreciation Fund instead. He further stated that the District's approach resembled the Social Security System in which money was borrowed from that account, but never put back in. Mr. Hilb stated that the Restricted Capital Fund is to be used for expansion and replacement and because the time those things would be needed is unknown, the District could not break it down. Mr. Hilb then stated that there was \$717,000 for future expansion and replacement of the treatment plant. He stated that the District needed a fund to replace other assets (pipes, pumps and lift stations). Mr. Hilb said that perhaps Mr. Taylor was confused as to what depreciation is and what the accounts are used for; to ultimately replace the infrastructure. He stated that is why the Unrestricted Capital Fund has to be built up.

- **Harvey Roberts** stated that it was his belief that depreciation is based on the life of the equipment. Mr. Roberts stated that the total cost of depreciation, if calculated correctly, would be to take the cost of the item and depreciate it every year over the life. He stated that he believed that was not what the District was doing. He said if the District was taking depreciation, it would be much larger than the \$20,000 amount being presented. *Mr. Hilb stated that the accountant figures the depreciation each year and puts it into the*

books. Mr. Roberts then stated that he believed that what the Board was calling depreciation on the Budget overview wasn't really depreciation but monies being put into a certain account used for repairs and replacement. *Mr. Busch stated that he agreed with Mr. Roberts that the amount shown for depreciation was incorrect. He then said that the specific line item was not actually part of the budget, but for information. Mr. Busch stated that if one looked at depreciation to date, the District was booking about \$2,700 per month and he didn't believe that to be correct. He also stated that on the \$6 million the District had for assets on the books, and if the assets were a 50 year plant, depreciation would come to about \$120,000 a year. Mr. Eldredge stated that it was a 50 year depreciation. Mr. Taylor stated that some parts were only a 7 year depreciation. Mr. Busch stated that most of it was a 50 year depreciation. Mr. Hilb stated that the conversation was getting away from the budget. Mr. Hilb then stated that perhaps this item shouldn't have been posted as it was not part of the budget and is informational only. Mr. Roberts stated that the Board should just change what they call "depreciation" on the budget. Mr. Hilb stated that the reserve for replacement funds goes into the Unrestricted Capital account and lot fees go into the Restricted Capital Account.*

- **Dayne Taylor** had a concern about the Historical Data on page 4 of 6 of the Budget for 2013-2014 regarding the Operator Contract for 2010-2011 in the amount of \$196,000. Mr. Taylor asked the source of those amounts. Also, he would like to know the definition of "reviewed" in the "2011 & 2012 columns. *Mr. Busch stated that "review" referred to the official audited reports for the year. Mr. Taylor asked about the District's insurance in the amount of \$16,000 for 2013-2014. Mr. Taylor inquired about insurance coverage for the effluent line that runs from Williamson Valley Rd. to the Waste Treatment Plant. He stated that this was on the land that belongs to the escrow company. He wanted to know if there was a specific insurance policy for that line. Mr. Hilb stated that he would have to look that information up but that it was his belief that Harvard was responsible for that line. Mr. Hilb also stated that the insurance coverage would be discussed further during the insurance part of the budget. Mr. Taylor stated that the Board neglected to include a lift station in its list of assets. Mr. Hilb stated that he would look into that matter. Mr. Taylor suggested that it might be prudent to use the same terminology as used in the Revised Restated Development Agreement. Mr. Taylor asked why the \$717,000 was being held at the County instead of a different financial institution. Mr. Hilb stated that by law, it was being held at the County. Mr. Taylor disagreed and looked to Mr. Whittington for an explanation. Mr. Whittington advised that he would not opine to that matter in public session but would elaborate in executive session. Mr. Ray stated that he was unsure of where he heard this, but right after the Agreement was signed, the state passed a law stating that a district such as this one would be better off holding their money at the County. Mr. Taylor asked Mr. Ray to cite the statute. Mr. Ray did not recall what statute spoke to this effect. Mr. Taylor stated that he recently read the statutes and that he knew the monies could be held outside the County. Mr. Hilb stated that although it might not be the law, he had spoken with the County, and they strongly recommend that the funds be held with the County. Mr. Taylor voiced his concerns regarding operating expenses being \$180,000 per year. He stated that the Board showed no projection of increase in operating expenses. Mr. Taylor also stated that the amount that Talking Rock was going to pay for effluent was \$49,500 and was less than 20% of what it cost to operate. Mr. Taylor stated that he didn't understand the proposed budget of \$4,800 for hookup fees. Mr. Freeman*

asked Mr. Taylor if it was his suggestion to charge Talking Rock Ranch an effluent fee for what it cost to operate the plant. Mr. Taylor answered that he didn't say that, but just that the District charge a more proportionate amount for the product. Mr. Freeman then stated that the District was not in the business of processing effluent as a product. The District was in the business of processing influent. Mr. Freeman also stated that effluent was a byproduct of that process. Mr. Freeman then stated that anything short of that was hypocritical. Mr. Taylor stated that perhaps the District should find a business to make a return on effluent. Mr. Hilb stated that this has been explained many times before. He advised that a market survey was conducted to find out what effluent was costing so that they could charge Talking Rock Ranch accordingly. Mr. Hilb went on to state that the District was in no position to negotiate because of all the lawsuits. Mr. Taylor asked for a copy of the survey conducted. Mr. Hilb asked for Mr. Busch to locate the survey documentation. Mr. Hilb stated that he wasn't sure if those documents were available, as they were part of the negotiations during litigation. Mr. Taylor also asked if there was going to be an explanation sheet available to the public regarding the budget. Mr. Busch stated that there was one available on the website. Mr. Taylor stated that it was hard to understand. Mr. Hilb stated that there was an agenda item later on in this meeting regarding categorization and that this issue would be worked on. He also stated that the definitions would be revised to match the line items in the budget. Mr. Taylor stated that the agenda did not have a year date, only a month and a day. Eileen McGowan and Harvey Roberts both replied to Mr. Taylor that their agendas did have a year date.

Mr. Hilb adjourned the Budget Hearing.

CONVENE BACK INTO PUBLIC SESSION

5. CALL TO THE PUBLIC.

- **Eileen McGowan** asked why the meeting was changed from **June 21, 2013, a Friday, to June 24, 2013, a Monday**. *Mr. Hilb stated that the date was tentative as Mr. Whittington, District Counsel had to check his schedule. Subsequently, Mr. Whittington was not available and the meeting was changed. Mr. Hilb also stated that the date was posted weeks in advance. Ms. McGowan stated that she has other commitments and would like a specific monthly date so that she could plan accordingly. Mr. Hilb stated that this item would be discussed during that part of the agenda. Ms. McGowan stated that she felt the flowers for Mr. Ray's passing relative shouldn't be paid for by taxpayer dollars. She stated that it was her belief it was illegal. Mr. Hilb stated that he would look into that.*
- **Harvey Roberts** asked a question regarding the purchase of an Equalization Tank. Mr. Roberts asked how the \$50,000 purchase would save the District money. Mr. Roberts mentioned to Ms. Yribe that the watermark on the draft minutes was too dark. Mr. Roberts stated that he noticed that the District was considering a user fee in the future. He stated that instead of a user fee, he'd rather have a tax. *Mr. Hilb stated that he would review that with Mr. Roberts during that agenda item.*
- **Dayne Taylor** voiced his concerns regarding the Consent Agenda and the Executive Minutes that were pending approval. It was his belief that those had to be ratified instead

of revised. Mr. Taylor also stated concerns regarding approval of financial reports. He stated that he didn't understand why this was under "new business" when it was discussed last month. Mr. Taylor stated that under Agenda item "E" (Authorization to the District Manager to approve invoices for Sludge Hauling services in excess of budget line item) he couldn't find the amount of dollars and he'd like to know that amount. Mr. Taylor stated he would like to know why there was a need to purchase an Equalization Tank. He also stated that he would like to know the permitting process for that matter.

- 6. VOTE TO GO INTO EXECUTIVE SESSION.** Bob Hilb made a motion to VOTE TO GO INTO EXECUTIVE SESSION FOR: discussion or consultation for legal advice with the attorneys of the Inscription Canyon Ranch Sanitary District pursuant to A.R.S. Section 38-431.03.(A)(3) and discussion or consultation with the attorneys of the Inscription Canyon Ranch Sanitary District in order to consider its position and instruct its attorneys regarding the District's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation pursuant to A.R.S. Section 38431.03(A)(4) re:
- A. Missing and unaccounted for records and documents, property of the District, that have not been produced by the previous District Board members.
 - B. Claims for reimbursement of attorney fees previously paid by the District.
 - C. Proposed AG settlement on the complaint against the District Board Members for Open Meeting Law violation(s) filed with the Office of Attorney General.
 - D. Amendment to the District Bylaws, Policies & Procedures, Article III, Section 6, FEES AND CHARGES
 - E. Authorization to the District Manager to approve invoices for Sludge Hauling services in excess of budget line item amount.
 - F. Budget and Fee Hearing discussions

Brian Ray seconded the motion. The motion passed unanimously without discussion. Bob Busch was asked to stay for Items D, E and F.

Executive session began at approximately 9:50 a.m.

RECONVENE INTO PUBLIC SESSION at approximately 11:05 a.m

7. REPORTS.

Report from the accountant Bruce Eldredge.

Bruce Eldredge of MDI Financial Services went through the District's financial reports for the months of February 2013 through May 2013. He passed out copies of May financials with year to date amounts shown. Bob Hilb asked about the Hookup Fees and whether they were going into the Capital Account. Mr. Eldredge stated that the account in question had not been set up yet. There was discussion about the Hookup Fees and Lot Fees and the accounts they should be placed in. Mr. Eldredge went through the May report and answered questions any of the Board members had or needed explanations on. One of the questions was in regards to the question raised previously by Mr. Taylor and depreciation. Mr. Eldredge stated that he would be in contact with Alyx Cohan and ask whether the assets had a 7 year depreciation or a 50 year depreciation. Mr. Eldredge stated that at year end he would have a depreciation amount that would

be correct for the year. Mr. Busch noted that the Sludge Hauling figure represented about a \$25,000 per year run rate, and that he would have more to report on that later.

Report from the Engineer Davin Benner.

Mr. Benner advised the Board that he has had discussions with the plant operator and Dwight Zemp of the Santec Corporation regarding plant upgrades to improve efficiency and operating costs. He stated that the proposed work would not require a permit with ADEQ. Mr. Benner then advised that the FEQ (flow equalization) capacity would be increased by adding an additional tank to allow more uniform process flows to the plant. He said he had a quote from Santec and has been doing research to see the most cost effective way to add the tank. Mr. Benner then reported that the RFQ would need to be modified slightly to account for the proposed tank addition. Mr. Benner stated that a decision would have to be made as to whether to file an APP amendment application based on the existing plant, plus the new tank now, or wait until after decisions are made based on results from the RFQ. Mr. Hilb stated that he believed the agreement with ADEQ was to file the APP for what was in the ground, before we did any improvements, and he asked if Mr. Brenner talked to ADEQ to get their agreement to change that. Mr. Benner stated that he had not talked to ADEQ about that but that he would. Mr. Hilb summarized Mr. Benner's report stating that the 50,000 gallon tank would increase capacity and somewhat reduce operating cost and a permit would not be required. He stated that cost reductions had not specifically been calculated. Mr. Benner stated that the goal was to improve the operating capability of the plant so that the operators had some flexibility in running the plant. Mr. Busch stated that they (Busch, Benner, Zemp and the operators) had looked at a lot of operating data for the last year and in order to operate the plant effectively, the cycle times for the lift stations had to be set very short, in some cases, less than a minute to allow for a constant flow to the plant. Mr. Busch stated that short cycle times would eventually shorten the life of the pumps. Mr. Busch also stated that adding to the FEQ capacity was a fairly inexpensive way to improve the efficiency of the plant, allowing the operators flexibility in setting lift station cycle times and hopefully add capacity to the plant by removing any limitation caused by the small existing FEQ tank. Mr. Freeman stated that the upgrade would be partially funded as per the Development Agreement. Mr. Freeman also stated that he saw this as a "discounted" upgrade. Mr. Brian stated that this would also prevent expenses related to the wear and tear of the pumps.

Report from the District Manager Bob Busch.

Status of Plant Operations. Mr. Busch stated that the average flows were as follows:

March 35,091 gallons per day.
April 35,356 gallons per day.
May 35,516 gallons per day.

Mr. Busch stated that the average daily flows were consistent. He did however state that sludge hauling had increased during the month of May. He indicated that the sludge amount was 8000 gallons, which was an all time high and that during the months of January to May of 2013 sludge hauling was 6991 gallons per month. He stated that the amount of sludge hauled in the same period of time for 2012 was 5,413 gallons per month. Mr. Busch reported an increase in sludge hauling by 29% from the previous period. Mr. Busch also stated that the inflow to the plant has

increased by 6% from last year from the same time period. Mr. Busch stated that it was unclear to him and the plant operator why there were increases, as there was no way to monitor what was coming into the plant.

Report on Budget line item expenditures.

Mr. Busch stated that there was still \$309.43 in the escrow account that should have been closed. He also stated that he has given direction for that amount to be moved into the Restricted Capital Account at the County and close that joint escrow account. Mr. Busch stated that looking at the Restated Development Agreement he was unsure about the repayment schedule for the Infrastructure. He advised that Repayment is based on a calendar year, and the District operates on a fiscal year. Mr. Busch stated that he was told by the County that he could pick up a report that was based on a calendar year. Mr. Busch stated that the plant operator had discovered an unauthorized connection to the sewer system on Double Adobe. He stated that it wasn't on a particular lot but on a common area. Mr. Busch stated that he asked the operator to shut that connection off and place a notice on the door. Mr. Busch advised that according to AQuality water, there was no water service to that property. Mr. Busch advised that approval of the MDI contract was on the agenda later in the meeting. He stated that since MDI had been providing services without a contract, he obtained cost proposals from two other firms as a comparison. Mr. Busch stated that MDI was lower priced. Mr. Busch stated that he put together a draft of a construction contract and suggested that this be used when hiring construction vendors. Mr. Busch also stated that this template would be given to Mr. Whittington for review.

8. CONSENT AGENDA. (Routine items that may be approved by one motion)

As per Mr. Whittington's recommendation, Mr. Hilb asked that the following Executive Minutes be EXCLUDED from the Consent Agenda.

- Executive Session Minutes of August 16, 2012(revised)
- Executive Session Minutes of September 7, 2012(revised)
- Executive Session Minutes of September 21, 2012(revised)
- Executive Session Minutes of May 15, 2013
- Executive Session Minutes of April 18, 2013

Mr. Hilb stated that the reimbursement to District Manager for publication of Notice of Rate and Budget Hearing Notice in the Prescott Newspaper (\$117.60) would be taken off the Consent agenda and put it on the regular agenda.

Bob Hilb made a motion to approve the Consent agenda with only the Public Meeting Minutes of May 15, 2013. John Freeman seconded the motion. The motion passed unanimously.

Mr. Hilb stated that the Prescott Flower Shop (\$86.45)- Bereavement gift to Board Member Brian Ray would be removed and made a motion to reimburse the District Manager for publication of the Notice of Rate and Budget Hearing Notice in the Prescott Newspaper (\$117.60). Brian Ray seconded the motion. The motion passed unanimously with no discussion.

9. OLD BUSINESS.

- A. **Missing and unaccounted for records and documents, property of the District, that have not been produced by the previous District Board members.** *Mr. Hilb stated that there was nothing to report at this time.*
- B. **Claims for reimbursement of attorney fees previously paid by the District** *Mr. Hilb stated that there was nothing to report at this time.*
- C. **Proposed AG settlement on the complaint against the District Board Members for Open Meeting Law violation(s) filed with the Office of Attorney General.** *Mr. Hilb stated that due to some errors, this document was given back to Counsel for review.*
- D. **Setting a time and place for future meetings of the District Board.** *Mr. Hilb made a motion to have the next board meeting tentatively set to July 25, 2013 at 9:00 a.m. at the Days Inn in Chino Valley. John Freeman seconded the motion. The motion passed unanimously without discussion.*

10. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

- A. **Approval of Financial Reports- February 2013 through May 2013.** *Mr. Hilb made a motion to approve the reports as specified. Mr. Freeman seconded the motion. The motion passed unanimously without discussion.*
- B. **Approval and Adoption of District Fees** *Mr. Hilb made a motion to approve the adoption of District Fees as specified in the Rate Hearing. Brian Ray seconded the motion. A discussion was had regarding using decimal points instead of commas. The motion passed unanimously.*
- C. **Approval and Adoption of District Budget for fiscal 2013-14 and setting and certifying the tax lien amount for fiscal 2013-14.** *Mr. Hilb had a few minor corrections to make. Mr. Hilb stated that under "maintenance reimbursement" that should be changed to Whispering Canyon/TRR on page 3, first line item. On page 5 of 6, Mr. Hilb stated that "hook up fees" from Unrestricted Capital Account should be removed as there is no need for the zero amounts to be there. Mr. Hilb stated that "testing kit" be removed from under "Unrestricted Capital Account." Mr. Hilb stated that on page 6 of 6 a "d" be added to fun so that it reads "fund". Mr. Hilb made a motion to approve the District Budget for 2013-2014 and Tax Lien amount as specified in the package and use the County format and the same be certified to the County. Harvey Roberts asked that changes be made to the incorrect dates on page six under "estimated balance". Mr. Hilb amended his motion to include these changes. Mr. Freeman seconded the motion. The motion passed unanimously.*
- D. **Amendment to the District Bylaws, Policies & Procedures, Article III, Section 6, FEES AND CHARGES.** *Mr. Hilb stated that this item would be deferred to a later date.*
- E. **Authorization to the District Manager to approve invoices for Sludge hauling services in excess of budget line item amount.** *Mr. Hilb made a motion to authorize Bob Busch to approve the invoices for sludge hauling. Mr. Ray seconded the motion. The motion passed unanimously.*
- F. **Approval to add an auxiliary flow equalization tank at the WWTP to increase efficiency and reduce operating costs. Cost of the addition will be approximately \$55,000, and will be subject to the terms of the Amended & Restated Development Agreement, with the Developers paying 50% of the cost.** *Bob Hilb reported that the proposed tank is 25,000 gallons, and would be added to the existing tank of 15,000 gallons. He stated that the tanks are essentially holding tanks, allowing the plant*

processing to be set at a continuous rate over a 24 hour period. The proposed tank will be adequate for the next capacity increase needed at the plant. After a brief discussion regarding, tank sizes and cost effectiveness and plant efficacy by all the Board Members and the District Manager, Mr. Hilb stated that it was in the best overall interest of the plant and the District to make the addition now.

- **Dayne Taylor** asked why the District wouldn't use the existing tank in the SBR.

Mr. Hilb stated that the SBR tank is an open tank and it is better for the District to use a closed tank instead of an open tank. Mr. Hilb also stated that the SBR tank in question is there in case of overflow. Mr. Freeman stated that the District would get a discounted price as part of the Development Agreement to add the underground tank. Mr. Busch stated that residents wouldn't want an open tank. Mr. Ray stated that a few months ago there were complaints about odors emanating from the sewer and that this would further cause complaints.

Bob Hilb made a motion for Bob Busch to work with the Engineer to add the 50ft long 25,000 gallon capacity tank and find the best deal. Mr. Ray seconded the motion. The motion passed unanimously without further discussion.

- G. Reconsideration of previous approvals to re-apply for Aquifer Protection Permit Amendment for the Santec WWPT and closure of the SBR plant and to issue an RFQ for plant upgrades.** *Mr. Busch stated that he had concerns about this not having any limits or parameters in the RFQ and vendors not knowing what the bidding parameters were. Mr. Hilb suggested that ADEQ be contacted by Mr. Busch to discuss the possible filing of one permit instead of two permits. Mr. Hilb suggested this item be deferred until the next meeting.*

- H. Approval of Work Order #104 to the contract with Granite Basin Engineering in the amount of \$20,000.** *The proposed work order covers the cost of issuing the RFQ, completion of the APP application and coordination with ADEQ in obtaining the permit amendment for the WWPT, the upgrades and SBR Plant closure. Mr. Hilb made a motion to approve Work Order #104. Brian Ray seconded the motion. The motion passed unanimously.*

- I. Approval to execute contract with MDI Taxes & Accounting for bookkeeping and accounting services.** *Mr. Hilb made a motion to approve and execute the contract with MDI Taxes & Accounting. Mr. Hilb withdrew the motion. Mr. Hilb made a motion to approve and authorize himself, the Chairman to sign and execute the contract with MDI Taxes & Accounting. Mr. Eldredge asked that the contract start July 1, 2013. Mr. Hilb withdrew that motion. Mr. Hilb made a motion to approve and authorize himself, the Chairman to sign and execute the contract with MDI Taxes & Accounting Services for bookkeeping and accounting services. Brian Ray seconds the motion. The following discussion ensued.*

- **John Freeman** asked that the contract be contingent upon upgrading to a more efficient reporting program. He also stated that the reporting methods to date by MDI are substandard by today's standards. Mr. Freeman stated that the District shouldn't have to wait until the three years were up to see changes. Mr. Freeman also stated that the way that line items were categorized was difficult to understand and he wanted to see more functionality. Mr. Eldredge stated that he has been working with Mr. Busch and this method of reporting was given to him by the District. Mr. Eldredge also stated that he's operated for two years without a contract

as a sign of good faith, and was adamant about having a contract for 3 years. Mr. Eldredge stated that he wasn't even given the chance to adjust for cost of living increases because he was operating without a contract. Mr. Hilb asked Mr. Busch if the Auditor General's format was going to be something that was implemented in the District. Mr. Busch confirmed that this was direction he and Mr. Eldredge were aiming for. Mr. Hilb asked that the record to reflect that Mr. Eldredge was in agreement with the language specifying that on January 1, 2014 there would be an evaluation of services. Mr. Busch stated that there were a few typos in the contract. The motion passed unanimously with no further discussion.

11. ADJOURNMENT.

Thereafter, the Board Chairman adjourned the meeting at approximately 12:30 p.m.

Date

Board Clerk