

April 7, 2011

Dear Resident of Talking Rock Ranch, The Preserve at The Ranch, Whispering Canyon, and Inscription Canyon:

The issues between our communities and the Inscription Canyon Sanitary District (ICRSD) continue to escalate. The Sewer Board continues to assert that the existing sewer plant has reached its capacity and that a new facility is immediately needed. Neither assertion is correct. We remain prepared to upgrade this facility when it is time. Until then, we are handling their imposed moratorium on new hook-ups through the appropriate legal channels. Other misinformation is also swirling around, and we cannot continue to allow the Board to supply you with mistruths. We thought it was time to write again to set the record straight in response to recently published communications by the Board. Here are the actual facts:

- **THE PLANT HAS NOT REACHED CAPACITY.** ICRSD's filed reports with ADEQ indicated that the existing plant processes flow in an amount that is approximately 50% of its available capacity of 62,500 gpd. The remaining capacity will accommodate the connection of several hundred additional homes. Industry standard is to commence design of an expansion of a facility when it reaches 80% of its actual capacity. At 90% of capacity, construction begins. The original permit approving the plant recognizes this and sets forth plant expansions based on flows. A new facility is not needed at this time based on actual and projected flows and the known rate of growth. There is over ten years of baseline data on flow and growth in our communities to support this fact.
- **THERE IS NO LEGAL SUPPORT FOR BOARD'S POSITION.** The Board has manufactured an emergency relying on ever changing justifications. Most recently, the Board claims it has an obligation to have 200 gpd of capacity available at all times for every lot sold in the District. Using this fuzzy logic, the existing plant has been "over capacity" since the first year of its operation in 2003 when over 443 lots were sold which by the Board's logic would have required a plant of 88,600 gpd. At that time the plant had an average of 15,000 gpd of flow. There is no legal support for the Board's position. The fact remains that the existing plant was approved by ADEQ and is designed to be constructed in phases based on actual flow rates achieving 80% of available capacity of any given phase.
- **THERE IS NO "EMERGENCY".** The emergency the Board contends exists could be easily addressed by expanding the capacity of the existing plant. The cost of upgrading the current facility from 62,500 gpd to 100,000 gpd is approximately \$250,000. The developers have offered to pay to expand the existing plant even though it is not needed to resolve this matter. The Board has declined to accept that solution. Instead, the Board insists on a multi-million dollar plant with an initial capacity of 250,000 gpd. If built, over 85% of the capacity would remain unused for years to come.
- **FUNDING ALREADY EXISTS.** The Board has stated they are continuing to explore alternative funding solutions for the new plant they seek. This is despite the fact the resources to expand the existing plant and solve the problem are in their hands. The initial developers of Inscription Canyon Ranch established a system to collect a fee upon the sale of every lot to help fund sewer treatment facilities in the District. We assume those collected funds were used for the initial SBR plant but are not certain and have never seen an accounting from the District. When the existing plant was constructed in 2002, the District agreed to allow the company that permitted and oversaw construction and operation of the plant (Pivotal) to collect the per lot fees upon sale. This arrangement continued through 2006 until the Board fired Pivotal and an escrow account was established. The current balance in the escrow account is over \$550,000. The

amount of the fee per lot has varied over the years. Currently, each time a lot is sold within the District \$3,000 is deposited in the escrow. At completion of sales in the District, the escrow account will have received over \$4,000,000 and interest earned is likely to increase the funds in the escrow account for a total of over \$5,000,000.

- **ICRSD HAS MISUSED TAXPAYERS' MONEY.** To date, ICRSD has spent over \$300,000 in legal fees to defend this illegal sewer moratorium. These legal costs are growing at the rate of over \$15,000 per month and they have just retained an additional law firm. They have substantially increased all of our property taxes to pay these legal fees instead of accepting our offer to upgrade the existing facility.
- **ICRSD'S OBLIGATION TO NEGOTIATE.** ICRSD has told you that Talking Rock has stopped paying for a portion of the operating expenses for the existing plant. This is true. However, our agreement with ICRSD did not require Talking Rock to pay any portion of operating expenses. Instead, the agreement required the ICRSD to negotiate a fair rate for the effluent. They have refused to do so for over 10 years. In good faith, Talking Rock voluntarily agreed to pay an interim effluent fee that was far above normal industry standards, and the fees subsidized approximately 50% of the cost of the operation of the plant. The subsidy was so high in fact that the Board stopped charging monthly sewer fees for residents. Obviously, when the District illegally passed a moratorium for the second time, Talking Rock no longer was willing to make the voluntary payments. Once a resolution of all of the disagreements has been obtained, Talking Rock will pay a fair price for the effluent.
- **RECALL ELECTION.** The current Board members have put us, and you, in this difficult position. Please take the time to learn more about the true facts surrounding this dispute and the improper acts and behaviors of Charles Turney, Gene Leasure and Dayne Taylor. A recall election has been certified and on April 25, 2011, the County will be mailing to you a mail-in ballot. Please watch for it and vote for the candidates who will represent all of the members of the District, not just their own interests.

The developers of your communities are committed to expanding the sewer treatment facility as soon as it is warranted. It is not in anyone's best interest to invest resources for something that is not predicted to be necessary for seven to nine years. We already have invested \$6 million in infrastructure improvements related to wastewater facilities and would never place ourselves in a position to harm that investment.

If you would like more facts about the issue between the ICRSD and the communities it impacts, please don't hesitate to contact us.

Sincerely,



Craig Krumwiede
Talking Rock



Cole Johnson
Whispering Canyon