

**INSCRIPTION CANYON RANCH SANITARY DISTRICT**

**P.O. Box 215 Chino Valley, AZ 86323**

**~PUBLIC SESSION MINUTES~**

**Approved April 10, 2014**

**February 3, 2014**

**Date:** Monday February 3, 2014

**Time:** 9:00 a.m.

**Place:** Chino Valley Unified School District Board Room, 650 E. Center St. Chino Valley, Arizona 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; Bill Whittington, District Counsel; Bob Busch, District Manager; Isabel Yribe, District Clerk and the following audience members.

Dayne Taylor      Bruce Eldredge      Davin Benner  
Jim Stoner      Eileen McGowan

**3. CALL TO THE PUBLIC**

- **Eileen McGowan** asked what item was going to be amended in the Restated Development Agreement. Ms. McGowan stated that she checked on the District's website for specifics to no avail.
- **Dayne Taylor** asked what the exact dollar amount the District would be seeking in the "reimbursement for the attorney fees" lawsuit. Mr. Taylor also asked for the exact amount of money it cost the District to pursue previously failed lawsuits. Mr. Taylor also stated that he wanted a detailed explanation of the fees charged in the District. He also wanted a hard copy of that information and asked why this matter was not addressed at the Rate Hearing. Mr. Taylor asked for the status of plant operations. Mr. Taylor also voiced his concerns about the lack of documents available on the District's website. *Mr. Hilb asked Mr. Taylor which specific documents he was talking about and Mr. Taylor answered "numerous". Mr. Hilb stated that Mr. Busch would speak on the plant's operations during the appropriate part of the meeting.*

*Mr. Hilb also stated that Mr. Busch would elaborate on which documents were on the website and if Mr. Busch planned to put anymore documents on the website. Mr. Taylor also stated that November's Budget Report was not on the website. Also, Mr. Taylor asked about the exact cost of the FEQ tank. Mr. Taylor mentioned that there was no roll-up of the December Budget Report and would like an explanation of that. Mr. Taylor asked why the SBR concrete basins were not used instead of a new tank.. Mr. Taylor wanted an explanation on why the*

filters that were purchased for the tank weren't put on a purchase order or were a part of the purchase package when the tank was bought. Mr. Taylor asked why the District was approving the extension of the contract for three years with A Quality Water at the same rate when services in that contract were no longer being utilized by the District. Regarding the Alternate Funding Plan, Mr. Taylor asked for a detailed collection process of what the District was going to do if it had residents that didn't pay. Mr. Taylor asked why the District had in its possession election records that were(should be)being held at the County and State level. Lastly, Mr. Taylor stated that the agenda had a different posting date than what was required. *Mr. Hilb and Mr. Busch stated that the posting date was January 31, 2014. Mr. Hilb stated that he personally posted the agenda on January 31, 2014 at 3:00 p.m. at the guard shack at Talking Rock Ranch and also at Prescott Realty as those are the two official posting sites for the District. Mr. Busch stated that it was also posted on the District website at 5:30 a.m. on Saturday morning.*

4. 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 38-431.03. (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. Possible amendment to the Amended and Restated Development Agreement
  - C. Attorney fees previously paid by the District in the Developer Lawsuit and possible action for reimbursement.
  - D. Possible Expansion of the Governing Board from three to five members

*During the Executive Session, the public will be asked to leave the Board meeting room until the public session is re-convened*

**Executive session began 9:15 a.m.**

**RECONVENE INTO PUBLIC SESSION 9:55 a.m.**

## **5. REPORTS:**

### **Report from Bruce Eldredge**

Mr. Eldredge began his reports stating that he had made the name changes to some of the line items the Board requested him to change as well as added some categories to better clarify the budget. Mr. Eldredge went through the line items and clarified any questions the board members had. There was a brief discussion between Mr. Eldredge and Mr. Freeman regarding the specifics of what Mr. Freeman wanted under "Consulting Fee's" in the budget. Mr. Eldredge was to break down each of the attorney's fees per matter so that the District could track the amount of money it spent

on each claim brought against the District or the amount of money it took for the District's attorneys to research a matter. As Mr. Eldredge proceeded with his report there was a question about what level of detail Mr. Busch would publish on the District's website. By matter of consensus, Mr. Busch would continue to post the Budget Report. Mr. Hilb brought to Mr. Eldredge's attention that there was a discrepancy regarding \$6000 under "lot fees". Mr. Eldredge stated he would look into further. There were also different opinions amongst the Board members about which account a reimbursement check that was paid, or to be paid to the District by developers would be deposited into. A brief discussion ensued and ultimately it was left up to Mr. Eldredge and Mr. Busch to contact Alyx Cohen and ask for guidance in that matter. Mr. Hilb allowed Mr. Jim Stoner, in the public audience, to opine in the matter. Mr. Stoner stated that the Board should ask if it is an AIAC or a CIAC and then treat it as such. Mr. Eldredge confirmed that he was not to include the lot fees in the details of the report that were submitted to the County. Mr. Busch stated that perhaps a percentage amount of the budget amounts be posted next to each line item so the District could gauge itself. Mr. Eldredge stated that it was feasible for him to do that.

### **Report from Bill Weber**

#### **Insurance**

Mr. Weber stated that the District should have a "clean state" and return to lower rates for insurance by next year. He explained that this years higher rates were do to the claims submitted to the insurance company in recent months. Mr. Weber stated that the total for the District's insurance coverage would be \$11,936 for the Directors and Officers package and \$3,904 for the Property Package. He also stated that the Workers Compensation package for two employees was somewhere in the amount of \$507, but would research that further as one of the amounts of the employees wages was erroneous. He stated he would report back to the Board or its manager with the final amount of the Workers Compensation package. Mr. Weber stated that he needed a check today as the documents were due by February 7, 2014. Mr. Weber stated that the Directors and Officers Package would drop down to approximately \$1000 from \$11,000 at the next term and he would like to consider purchasing an umbrella coverage for the District with the savings as the District does not currently own an umbrella coverage plan due to the previous legal matters..

### **Report from John Freeman**

Mr. Freeman took a few moments to clarify the Budget vs. Statement Line Items. Mr. Freeman further explained that he would like a detailed amount of what each matter the District's attorney has to research costs the District. Part of the reason Mr. Freeman wants this detailed information is so that should the public question the amounts, there is a place on the financial reports to refer back to. Mr. Eldredge was in agreement with the explanation that Mr. Freeman gave.

### **Report from the District Manager Bob Busch**

#### **Plant Statistics/Repairs**

- **Status of Plant Operations**

Mr. Busch reported that the average flows were as follows, based on effluent sales:

November 42,320 gallons per day

December 39,349 gallons per day

Mr. Busch stated that there were 454 connections to the sewer system as of December 31<sup>st</sup>. He also stated that there were 32 connections “in progress” but that he would double check that figure as it seemed high.

- **Plant Statistics/Repairs/website/insurance audit/taped minutes**

Mr. Busch stated that the plant is operating well. He also stated that the operator is making adjustments for the FEQ tank so as not to upset the plant. Mr. Busch stated that the plant underwent repairs in the amount of \$989 for an electric motor and that the spare was installed in its place. Regarding the website, Mr. Busch stated that the account explanations have been on the website for a couple of months and that he would update the document with changes discussed today. He also mentioned that there are pictures on the website of the FEQ tank and its installation. Mr. Busch stated that Travellers Insurance conducted an audit and he provided requested information, including Federal 941 reports. Regarding the boxes of cassette tapes of Public Meetings where no copies of Meeting Minutes are in file, Mr. Busch stated that he transferred that information onto compact discs at no cost to the district other than the cost of the compact discs.

- **Status of addition of FEQ tank**

Mr. Busch stated that the installation of the FEQ tank was complete. Mr. Busch went on to state that the tank cost the District \$42,577 plus \$41,710.80 for installation. Mr. Busch also stated that so far the engineering costs were \$2500. Mr. Busch stated that carbon filters are to be installed on the lids of the FEQ tank for odor relief. Those filters cost approximately 456.13. Mr. Busch also stated that it would cost an additional \$500 to install the units.. Mr. Hilb asked why the filters weren't part of the package price of the FEQ tank. Mr. Busch stated that it wasn't considered at the time. He also went on to say that he did obtain an estimate of the cost for a new stand alone unit as requested at the last meeting. It would have cost approximately \$5000 for the unit, plus an estimated \$2500 for installation. Mr. Busch stated that the plant operator suggested that the District put filters on top of the tanks instead of spending about \$7500. Mr. Busch stated that the filters were due to be delivered by last Friday and he has not yet confirmed their arrival. Mr. Busch speculated that the project should be wrapped up by the end of February. Mr. Busch stated that the entire FEQ project will cost approximately \$90,000, with the developers paying ½ the cost.

- Mr. Busch asked that the Board members take note that Peshnik & Kotalik Law Firm have taken payment for their last two invoices from the trust account established when the firm was engaged. The trust account balance is now at \$1,830.

- **Repayment due to developers**

Mr. Busch reviewed the calculations made to determine the repayment amount due to developers. He stated that the amount due to the Developers was \$ a total of \$35,483.62 going 80% to Harvard and 20% to Old Capitol Investments.

- **Record Management Training Webinars**

Mr. Busch stated that he participated in a webinar on handling of email records. The training emphasized that it was the individual's responsibility to retain email records according to the content. Mr. Busch stated that perhaps all the emails going through the District's server would make retrieving documents easier, should the District need to.

- **Jimmy Stoner** asked about the RFQ status

Mr. Busch stated that by the due date, the District received only one letter from a firm declining to provide a proposal..

- Mr. Hilb stated that the fee schedule was posted on the District's website home page. He also went on to state that the reuse of the "old tank" had already been discussed in a prior meeting and would not discuss it any further.

RECESS at 11:20 a.m. for a break

RECONVENE from break at 11:30 a.m.

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

- Public Meeting Minutes of December 6, 2013
- Executive Session Minutes of December 6, 2013
- Public Meeting Minutes of December 18, 2013
- Reimbursement to District Manager for total of \$471.72 Board packet supplies (Binders, paper, dividers, etc) for meetings from September, 2013 thru December 2013 (\$15.59), and for carbon canister filters for FEQ tanks (\$456.13)

*Mr. Hilb made a motion to accept the Consent Agenda Mr. Dickrell seconded the motion. The motion passed unanimously without discussion.*

**7. 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.**

There was nothing to report at this time.

**B. Setting a time and place for future meetings of the District Board.** By way of consensus, the board tentatively set a meeting for Monday March 24, 2014 at 9:00 a.m. with the location to be determined later.

**8. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE;**

**A. Approval of Financial Reports, November & December, 2013.** *Mr. Hilb made a motion to approve the November and December financial reports with the changes as mentioned. Mr. Freeman seconded the motion. The motion passed unanimously without discussion.*

**B. Forum and Format for Public Comment at Public Meetings** *Mr. Freeman asked that the Board members consider requiring the public to submit questions/requests to the Board in writing. Mr. Freeman stated that during a previous meeting, Dayne Taylor alleged that the Board members were being negligent in management of some \$400,000. When Mr. Taylor was asked for specifics, he refused to elaborate. So the statement has absolutely no value to the District. Mr. Freeman suggested that the public put their questions/comments in writing and the District can determine if there is any legal ramifications which subsequently be given to District*

*counsel to research. The District has no way to deal with or respond to frivolous allegations. Mr. Hilb asked for Mr. Whittington to opine on the matter. Mr. Whittington stated that it was up to the Board as the Call to the Public was not a requirement. Mr. Hilb stated that perhaps asking the public to submit questions, comments via the District website would alleviate the situation. By way of consensus, Mr. Hilb asked Mr. Busch to add an item to the agenda under the “rules” for Call to the Public indicating that the Chairman may request that the comment be submitted in writing for consideration of a response by the District.*

**C. Attorney fees previously paid by the District in the Developer Lawsuit and possible action for reimbursement.** *There was nothing to report at this time. Mr. Hilb stated that the amount in question was approximately \$600,000.*

**D. Possible Expansion of the Governing Board from three to five members.** *There is nothing to report at this time.*

**E. Possible newsletter** *Mr. Busch stated that a posted notice responding to rumors of an assessment by the District was vandalized and removed. Mr. Hilb stated that a newsletter could contain a culmination of the erroneous allegations being talked about in emails being circulated throughout the District and rebuffed with facts. Mr. Hilb stated that the District had a right to defend itself. By way of consensus, Mr. Hilb asked Mr. Busch to put together a newsletter and send it to the board members. The board members in turn, would add to it if needed and send it back to Mr. Busch.*

**F. Approval of Insurance Coverage Proposal.** *Mr. Hilb made a motion to accept the insurance proposal made by Bill Weber of Weber Insurance for District coverage as presented and for Bob Hilb to execute the contract. Mr. Freeman seconded the motion. The motion passed unanimously without discussion.*

**G. Approval of the extension of the Operator Contract with A Quality Water Co. for three years at the same rate.** *Mr. Busch stated that the contract in question expires at the end of February and includes a provision to automatically extend for one year. Mr. Busch recommended that the District renew the contract for three years at the same rate. Mr. Busch did state that the contract was the same except for the “Sudan” clause. Mr. Busch stated that there is a termination clause in the contract and that the District is not charged for services that are not being used or performed.*

*Mr. Hilb made a motion to extend the contract at the same rate for 3 years and that Mr. Hilb also be authorized to execute the contract. Mr. Dickrell seconded the motion. The motion passed unanimously without discussion.*

**H. Possible amendment to the Amended and Restated Development Agreement.** *There was nothing to report at this time. Mr. Hilb did however state that the reason for the amendment was include a bill of sale for a lift station previously overlooked, and to clarify language about fees and deal with a few lots for which a lot fee was not collected. Mr. Hilb stated that other items were being researched for inclusion the possible amendment.*

**I. Consideration of an Alternate Funding Plan for District Operations, to include ad valorem taxes AND user fees.** *Mr. Busch presented a study of the taxes paid to the District by types of property owners. He discussed how the amounts would change should the District adopt a plan to charge user fees. Some of the items that were discussed were the benefits of lowered taxes by 40% for everyone in the District, population growth, rate of growth and caveats to the Development*

*Agreement. By way of consensus, Mr. Hilb asked that Mr. Busch further research this matter and propose a rationale and a formula and bring it back during a future board meeting.*

**J. Approval to issue Records Destruction Certificate for Election Records from 2011.** *Mr. Busch stated that there were three small boxes at the plant that were outdated and could be disposed of within the rules of record retention. Mr. Busch proposed that the District go ahead and destroy them. Mr. Hilb made a motion to approve that Mr. Busch execute the certificate of destruction on election results for 2011. Mr. Dickrell seconded the motion. The motion passed unanimously.*

**K. Discussion of RFQ responses and possible course of action for plant upgrades and expansion.** *Mr. Busch stated that the deadline for submittal of responses was January 20, 2014 and the District only received one letter of declination. There was a brief discussion regarding the amount of capacity the District was projected to need within the next five years. There was also discussion about whether or no the District would be required to submit an APP amendment to ADEQ by January 2015. Mr. Hilb directed Mr. Busch and Mr. Benner to verify whether or not it is at requirement. There was also a brief discussion about the need to resubmit a new plan should the District not meet the date requirements. Mr. Benner mentioned that the ADEQ expected that when the District reached 80% of its capacity, it would need to have a plan. He did however state that the 80% benchmark was not written in stone and many factors played into account in this matter. Price, capacity, real estate, population growth, permitting and design were a few of the topics discussed during this agenda item. Mr. Hilb acknowledged Mr. Dayne Taylor and his opinion on the matter. Mr. Taylor stated that perhaps subscribing to an industry magazine or attending trade shows would help in contacting firms that could help in the possible upgrades and expansions.*

*By way of consensus, Mr. Hilb asked that Mr. Busch subscribe to an industry publication and research the permitting requirements by the next board meeting.*

**L. Approval of payment to developers in accordance with terms of the Amended & Restated Development Agreement.** *Mr. Hilb made a motion to authorize Mr. Busch to pay the amounts of \$28,386.90 to Harvard and \$7,096.72 to Old Capital Investments totaling \$35,483.62. Mr. Dickrell seconded the motion. The motion passed unanimously without discussion.*

## **9. ADJOURNMENT**

Therefore the meeting was adjourned at 1:00 p.m.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board Clerk