

INSCRIPTION CANYON RANCH SANITARY DISTRICT

P.O. Box 215 Chino Valley, AZ 86323

~ PUBLIC SESSION MINUTES~

June 27, 2018

Approved August 1, 2018

Date: Wednesday, June 27, 2018

Time: 4:00 p.m.

Place: The meeting was held in the Conference Room at Days Inn, 688 Fletcher Ct, Chino Valley, AZ

1. CALL TO ORDER.

The Governing Board for the Inscription Canyon Ranch Sanitary District convened into public session at 4:00 pm by Board Chair, Dave Barreira.

2. ROLL CALL.

Present were Dave Barreira, Board Chair; Bill Dickrell, Board Member; Al Poskanzer, Board Member; Stephen Cole, legal counsel; and Bob Busch, District Manager. Members of the public included: Alan Cocherell, John Terwilliger, Charles Leh, Stan Salzman, Ron Erps, Kathleen Barnett, Eileen McGowan, Bruce Eldredge, Jeanette Summers, Bob Summers, Sue Terwilliger, Sterling Johnson and Tim Emberlin.

3. CALL TO THE PUBLIC: (Individuals did not identify themselves, so names are not listed)

Question: There are rumors of a 2 million dollar loan being needed. What is the loan for and how will it be paid back?

Response: The District was going to apply for a loan to build a new, expanded plant. The District is not planning now to do that. The District is required to go to voters to get approval. To be on the ballot, we have to have an engineering study completed and hold a hearing on the study. The study has not been done, and we have missed the deadline to be on the November, 2018 election ballot. It could be done the following year, but there is no guarantee the public will approve, the District would be in a very bad position.

Question: Why am I being asked to subsidize the continued building it Talking Rock?

Response: The District is obligated under state law to serve all communities in the District. It has to raise funds to build treatment facilities. It is unfortunate that current connected properties has to participate in that funding. Fees are being proposed that will affect all subdivisions, along with ad valorem tax. It is unfortunate that the agreement we have with Talking Rock and Whispering Canyon does not allow us to collect enough capital funding, but were have no choice.

Question: Where will the new plant be constructed and what will happen to the current plant?

Response: The new plant will be constructed within the boundaries of the present ICR Sanitary District property. It will have a capacity of 125,000 gallons per day. The stated capacity of the current plant is 62,500 gallons per day. No additional land will be required. The present plant

would be decommissioned once the new plant is on line and salvageable components will be offered for sale. The District may have to make a short term expansion to the existing plant to increase capacity from the stated 62,500 gpd capacity to 90,000 gpd. That expansion is estimated to cost about \$300,000. The District has money to do that.

Question: What about a moratorium?

Response: The District is required to follow a statute enacted since the 2012 lawsuit in order to declare a moratorium. The District has taken the first step, which is to publish a notice or a hearing on the matter. A Public Hearing is scheduled for July 18th at this location to hear public comment and decide the issue.

Question: What is the present cost to ICR residents for a connection?

Response: The present fee is \$1,000. If approved, the new fee will be \$7,000.

Question: How do I get notice of meetings?

Response; Meeting notices are emailed to individuals who wished to be notified a few days before the meeting. If you wish to be put on the notification list, notify the District Manager: phn:713-0548.

Question: Who owns the ICR Sanitary District?

Response: The District is a sub entity of Yavapai County, as such it is a public entity, not a corporation or company. It has no “owners” or “shareholders”. The Board of Directors is elected by public election, and hold office for four-year terms. Any resident of the District can run for the office by filing paperwork with the County about 5 months before November elections.. The District is a Special District covered by Title 48 of the Arizona Revised Statutes.

Question: Is the Board paid?

Response: No. Board members unpaid volunteers and receive no gratuities.

Question; How did you decide to construct a this particular new plant

Response: Nearly two years ago, an RFP was submitted to a number of engineering design firms to submit proposals to increase capacity of the treatment plant to 125,000 gallons per day. The invitation included the firm that built the current plant. The Board evaluated those proposals and selected the lowest cost proposal and visited a plant of that type in the Sedona area. Sunrise Engineering was the firm selected. They are approximately 30% complete on those plans.

Question: What is the present lawsuit about? Who are the parties?

Response: Talking Rock Ranch, LLC has filed an Order to Show Cause with the Court, to force the District to sign Capacity Assurance Forms that would allow the development of Sterling Ranch to go forward. There was an initial Hearing, and an Evidentiary Hearing, at which the judge essentially directed the District have an engineer look at the information and decide whether or not to sign the forms by July 10th.

Question: Are ICR residents expected to pay the additional proposed fees and in addition, be responsible for raising \$2,000,000?

Response: The proposed fee structure (ad valorem tax and user fees) is expected to raise the \$2,000,000 in a few years. It is not in addition to another \$2,000,000.

Question: Why is the public excluded from Executive Sessions?

Response: Under the Arizona Open Meeting Law, a public entity like the ICR Sanitary District may go into executive sessions in certain situations to get legal advice.

Question: Why can't you have the Executive Session at the end of the meeting rather than at the beginning. The public is forced to stay around for an undetermined amount of time before the Board conducts the business on the agenda.

Response: Unfortunately, the Board often needs legal advice before considering the items on the public agenda. If the Executive Session were at the end of the meeting, the Board would have to defer those items to a future meeting. It is inconvenient for the public at times, but the Board is bound by the Open Meeting Law.

Question: In the original settlement agreement, Talking Rock was to pay for improvements, how and when did that change?

Response: The Amended and Restated Development Agreement provided that the Developers would pay 50% of the cost of improvements to the present wastewater treatment plant up to a maximum of \$150,000.

Note: There was considerable discussion, back and forth about user fees, connect fees and the applicability of those fees to individual homes in the various subdivisions. Some comments and questions were inaudible on the recording.

Following is a general response to those questions and concerns:

User fees: User fees are charged against all properties connected to the sanitary system. Properties in all 4 subdivisions in the District are subject to these charges.

Capacity Fees, Connections Fees, Hookup Fees: These are charged against all properties applying for a connection to the sanitary system—except where exempted by contract. A contract, signed in 2012, is currently in place, between the District and developers of Whispering Canyon and Talking Rock Land, LLC, exempting lots in those subdivisions from these fees. (Essentially, the fees apply only to lots in Inscription Canyon Ranch wanting to connect to the sanitary system.). The contract can be found on the District's website: www.icrsd.net.

Lot Fees: These are fees paid by the Developer when the developer sells a lot within the subdivision. These lot fees are presently paid by Whispering Canyon and Talking Rock according to the contract mentioned above. The fee is currently \$3,250 and escalates every 5 years. These fees can only be used for treatment plant expansion and construction.

Ad valorem tax: These costs are paid by all properties in the District, both improved and unimproved. These taxes are assessed by Yavapai County against all properties, based on the budget submitted to the County by the District.

Infrastructure costs: These costs are paid by the Developer, they include streets, and underground electric and water lines and sewer lines within the subdivision.

Wastewater treatment plant: Costs for constructing treatment plant facilities are not considered "infrastructure costs" and are not paid by developers. It is the District's responsibility to provide and pay for sewer treatment facilities.

4. OLD BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

A. Approval of a District Privacy Policy, and approval to post on the District's website.
Mr. Dickrell moved to approve the policy and post on the website. Mr. Poskanzer seconded. Motion carried unanimously without discussion.

B. Setting a date and time for future ICRSD Board Meeting(s)

The next meeting will be July 9, 2018 at 2pm at the Days Inn in Chino Valley.

5. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

A. Approval of proposed Rates and Fees and Definitions and approval to publish in advance of budget and rate hearing(s) for 2018-19 fiscal year and setting a date for the hearing(s).

Mr. Busch reviewed the proposed Rates and Fees Definition. He explained that they are the same as last year with a couple of exceptions. The Capacity Fee would go from the current amount of \$1,000 to \$7,000. The Inspection Fee would go to \$250 from the current \$225. User Fees would be new under the proposal. Residential User Fees would be \$35.00 per month. Commercial- high volume user at \$150 per month and low volume commercial at \$100 per month. In addition, an Availability Fee of \$17.00 per month is in the proposed definitions, however, it appears that nearly all lots are exempt by contract, so they may need to be removed

Mr. Barreira explained that all User Fees would go into the Restricted Capital Account.

Mr. Busch commented that he found some inconsistencies between the proposed fees and those described in Ordinance 2008-1. The Capacity Fee described in the proposal more closely fits the definition in the Ordinance and statute of a Hookup Fee. The Interest Rate description in the Ordinance is significantly different than the proposed interest rate, and the Ordinance calls for monthly billing. Mr. Busch stated that if the Board finally approves the proposed rates and fees and definitions, the Ordinance should probably be amended to make them consistent.

There was some discussion about the order in which the Ordinance should be changed. It was determined that today, the issue is approving the proposed fees and definitions. Final approval would be done at a Budget and Rate Hearing. The Ordinance could be amended at the July 9th meeting.

Mr. Dickrell moved to approve the proposed Rates and Fees and Definitions with the exception that the Capacity Fee be called Hookup Fee and the Availability Fee be removed. Mr. Poskanzer seconded. Motion passed unanimously.

B. Approval of proposed annual budget for fiscal year 2018-19 and approval to publish in advance of budget and rate hearing(s), and setting a date for the hearings(s).

Mr. Barreira explained that the proposed budget included Availability Fees, and cost for billing those fees. He stated that with the removal of the Availability Fees of \$183,600, Total Revenue is reduced to \$1,138,838. Mr. Busch stated that the billing expense, Account 7222 should be reduced to \$14,760.

Mr. Dickrell moved to approve the proposed annual budget with the changes made and approve the publication prior to the hearing. Mr. Barreira seconded.

Mr. Poskanzer commented that the budget included \$300,000 in legal fees to defend a lawsuit that he believes was unnecessary. He said he feels that there will be a much greater objection to the budget as word gets out. The solution is to settle the lawsuit, quickly, before the hearing. He said that he is convinced the lawsuit can be settled and thereby avoid the \$300,000 expense. He said he believes that if the District

signs the Capacity Forms in dispute, the lawsuit would go away. There followed some discussion of the matter, including the public.

Mr. Barreira reminded everyone that the discussion is supposed to be among the Board Members considering the motion. He called for a vote on the motion.

Mr. Barreira and Mr. Dickrell voted “aye” Mr. Poskanzer voted “nay”. The motion carried.

There being no further business, Mr. Barreira declared the meeting adjourned..

6. ADJOURNMENT

the meeting was adjourned at approximately 5:45 p.m.

Date

Board Clerk