

INSCRIPTION CANYON RANCH SANITARY DISTRICT

P.O. Box 215 Chino Valley, AZ 86323

~PUBLIC SESSION MINUTES~

May 15, 2013

APPROVED: June 24, 2013

Date: Wednesday May 15, 2013

Time: 8:30 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 8:30 a.m.

2. ROLL CALL.

Present were Bob Hilb, Chairman; John Freeman, Board Member, Brian Ray, Board Member; Bill Whittington, Counsel; Jeff Coughlin, Counsel (during Executive Session); Bob Busch, District Manager; Isabel Yribe, District Clerk, Bruce Eldredge, Accountant, and the following audience members.

Dayne Taylor Eileen McGowan Stan Steiner Tim Emberlin

3. CALL TO THE PUBLIC

- **Dayne Taylor** had concerns regarding placing items on future agendas. He stated that on several occasions he's asked to put things on an agenda to no avail. *Bob Hilb stated that it was the discretion of the board to put items on the agenda.* Mr. Taylor asked how the Board could revise a budget that has already been approved. Mr. Taylor also stated that someone should critique the Policies and Procedures. He stated that it was inconsistent in nature. Mr. Taylor stated his concerns regarding the paperwork that was sent by the District to ADEQ. He wanted a public discussion on how many pages were sent. Mr. Taylor also wanted to know the cost of delivering a letter to the public in April. Mr. Taylor also stated that he had concerns regarding the minutes of the February 28, 2013 Public meeting. He stated that the contents of the minutes were contrary to what happened in the meeting. *Mr. Hilb stated that the budget was on the agenda and so that would be discussed at that point in the meeting. Mr. Hilb asked that Mr. Busch look into the Index of the Policies and Procedures. Mr. Hilb also stated that the minutes and the correspondence Mr. Taylor had concerns about would be discussed during the Consent Agenda part of the meeting.*

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. Revision to District Bylaws, Article II, Section 18, Quorum.
- B. Claims for reimbursement of attorney fees previously paid by the District.
- C. Complaint against the District Board Members for Open Meeting Law violation(s) filed with the Office of Attorney General.
- D. Letter of Engagement for preparation of District annual financial report; Alyx Cohan, CPA.
- E. Definitions of rates and fees for the District.
- F. Revisions to approved budget and requirements for 2013-2014 budget.
- G. Missing and unaccounted for records and documents, property of the District, that have not been produced by the previous District Board members.

Brian Ray seconded the motion. The motion passed unanimously without discussion.

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 at approximately 8:35 a.m.

5. RECONVENE INTO PUBLIC SESSION at approximately 11:15 a.m

6. REPORTS:

Report from District Manager

- Deed of Trust Payments *Mr. Busch stated that there were 16 deeds of trust in the escrow account when the District settled the lawsuit. Of those 16 deeds of trust, 8 were paid off (\$2,417.00 each). Three have been foreclosed on and 3 were more than likely headed in the same direction to foreclosure. Mr. Busch also stated that Harvard has offered to assign the remaining deeds of trust to the District. Mr. Busch stated that he saw no benefit to the District in having Harvard do so at this time. Mr. Hilb asked that Mr. Busch make a note that these would have to be paid by the new owners when the time came. Mr. Hilb also asked that Mr. Busch get something in writing from Harvard specifying that these properties are not covered by the Agreement and are not entitled to exemption.*
- Status of APP Application submittal. *Mr. Busch stated that refiling APP for the Santec plant has not been a simple as first thought. The first APP application, submitted in October or November of 2001, was poorly done and there was a lot of information missing that had to be submitted later. ADEQ sent a number of requests for information, and fifty-some odd documents later, the permit was issued. Mr. Hilb asked why we didn't submit what ADEQ asked for (resubmittal of the original APP applications). If it got approved, that would be good, if it didn't get approved, the District could move from that point. Mr. Busch stated that ADEQ wants updated information on the Plant. He said drawings had to be updated to reflect what is actually in place, and that the District should submit a coherent APP application package. Mr. Busch stated that he was close to submittal; perhaps by June 1st. Mr. Busch also stated that ADEQ plan review fees would have to be paid as well as soil*

sample costs. Mr. Busch stated that the total submittal would be somewhere in the neighborhood of \$15K- 20K total cost. Mr. Hilb stated that it was his recollection after talking with ADEQ that this would not be a “new” permit. Mr. Hilb asked Mr. Busch to talk to ADEQ and ask them for an idea of what the cost would be. It was also his understanding that the core samples for the closure of the SBR plant would be submitted with the application. Mr. Hilb stated that Mr. Busch should carefully coordinate this matter so as not to incur unnecessary costs to the District.

- *Plant Operations & Repairs. Mr. Busch stated that plant has been operating well, and the only unusual occurrence has been the amount of sludge hauled during the last few weeks, two loads per week vs. one. Mr. Busch stated that Pat Carpenter mentioned that it was expected during the spring months due to the temperature change and would settle once the spring season was over. Mr. Hilb asked Mr. Busch if the situation happened historically. Mr. Busch stated that according to Mr. Carpenter, it was. Mr. Busch stated that there was a water leak inside the control building. He stated that the plumber fixed it and it wasn't necessary to break the concrete slab to do so. Mr. Busch also stated that there was a broken connection, at a home under construction, in Talking Rock. He stated that it was on a cul-de-sac near a house that was being constructed. Mr. Busch indicated that initially, Clint Poteet would try to get the contractor to pay for repairs, but changed his mind. Mr. Busch indicated that it would cost approximately \$700 to repair. Mr. Hilb stated that he would talk to them about it.*

Report from Accountant

- *Review of Financial Report for February, March and April, 2013*
 - *After being asked for copies by the audience, Mr. Hilb stated that there were no copies posted for the public for the February and March report as there were some mistakes on it that the Board wasn't comfortable with posting them. Mr. Taylor asked when it would be on the website. Mr. Hilb stated they would be on the website once they were ready.*
 - *Mr. Eldredge went through the financial report (Income Statement and Balance Sheet) for February, answering any questions the board members had or clarifying items if asked to do so. There were a few discrepancies to the February report which Mr. Eldredge said he'd look into.*
 - *He reviewed the March Income Statement and Balance Sheet and responded to questions from Board members and District Manager. There were some items Mr. Eldredge said he would check into.*
 - *He reviewed the April Income Statement, Balance Sheet and Budget Report. There was a discussion about the booking of lot sales and deeds of trust. Mr. Eldredge stated that due to how Alyx Cohan wanted him to categorize items, it might not translate into the way the board wanted to see things categorized but that he was working on a method on how to satisfy all parties. Mr. Freeman also stated that he wasn't so much concerned about the amounts, but instead concerned about the way the reports were presented. Mr. Eldredge stated that his questions would be*

answered in April budget statement review. Because of so many items to be researched and the number of correction, Mr. Hilb stated that this item would have to be worked on some more and approved at the next meeting. Mr. Freeman suggested putting smaller amount line items as sub-items in a larger category would be easier to manage. Mr. Freeman also presented a sample of some reports by QuickBooks. Mr. Eldredge stated that he had recently purchased the same program to implement for next fiscal year to simplify the reports. The budget line items were discussed individually and input was given by the board members and the District manager. By way of consensus Mr. Hilb asked that John Freeman, Bruce Eldredge and Bob Busch work on this matter in greater detail and report back to the Board.

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

As per Mr. Whittington's recommendation, Mr. Hilb asked that the Executive Minutes for April 18th meeting be removed from the consent agenda.

1. Minutes of prior meeting
 - Public Meeting Minutes of February 28, 2013, (Revised March 11, 2013)
 - Public Meeting Minutes of April 18, 2013
 - Executive Session Minutes of February 28, 2013
2. Reimbursement to Robert Busch, District Manager in the amount of \$ 125.94 for:
 - ADEQ-Copies of Public Records (\$6.77)
 - Sir Speedy- record destruction (\$48.00)
 - Staples – Board packet supplies (\$28.41)
 - Wal-Mart – Board packet supplies & copy paper (\$32.84)
 - Vista Print – “confidential” stamp (\$9.92)

Mr. Hilb made a motion to approve the remaining consent agenda. In response to Mr. Taylor's inquiry regarding the \$6.77, Mr. Busch stated that about a dozen documents were acquired from ADEQ and the money was for copy fees. Mr. Freeman seconded the motion. The motion passed unanimously without discussion.

8. OLD BUSINESS

- A. Claims for reimbursement of attorney fees previously paid by the District. *There is nothing to report on this matter at this time.*
- B. Complaint against the District Board Members for Open Meeting Law violation(s) filed with the Office of Attorney General. *There is nothing to report on this matter at this time.*
- C. Set time and place for Budget Hearing, Rate Hearing and next Public Meeting. *The next Public Session meeting is tentatively set for June 21, 2013 at 9:00 a.m. at the Days Inn Conference room in Chino Valley.*
- D. Missing and unaccounted for records and documents, property of the District, that have not been produced by the previous District Board members. *There is no action on this item at this time.*

9. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE;

- A. Actions required concerning revisions to approved budget. *This item requires no action at this time.*

- B. Approval of Financial Reports for February and March and April 2013. *This item will be deferred till the next meeting.*
- C. Approval of revision to District Bylaws, Rules and Policies, Section 18 as follows:

ARTICLE II, SECTION 18. QUORUM

At all meetings of the Board of the District, a majority of the Board shall constitute a quorum for the purpose of transacting business. The act of a majority of the quorum of the Board shall be deemed an official act of the Board.

~~*At all meetings of the Board of the District, a majority of the Board shall constitute a quorum for the purpose of transacting business.*~~

Mr. Hilb made a motion to approve the changes to the District Bylaws, Rules and Policies, Section 18 as shown in the agenda, (and above). Mr. Ray seconded the motion. The motion passed unanimously without discussion.

- D. Letter of Engagement with Alyx Cohan, CPA for preparation of annual financial report. *Mr. Hilb made a motion to vote for the approval of the Letter of Engagement with Alyx Cohan, CPA for the preparation of the annual financial report. Mr. Freeman seconded the motion. The motion passed unanimously without discussion. Dayne Taylor asked what the amount of that contract was. Mr. Busch stated that it would be between \$2,800 and \$3,200.*
- E. Consideration of an Alternate Budget Plan for fiscal 2013-14, utilizing user fees as a source of revenue. *Mr. Hilb stated that this item was for board member discussion and questions and comments from the board could be made at the Budget Hearing Meeting at a later date. Mr. Busch stated that he gathered information that would provide a different approach to District funding. He stated that as of now, it is all based on property taxes. He stated that partial funding, that for plant operating costs would come from user fees. Other costs, such as administrative costs and insurance would be funded by property taxes. Mr. Busch provided informational sheets on this item to the Board utilizing a sample draft budget. Mr. Freeman asked where Mr. Busch got the numbers. Mr. Busch clarified for Mr. Freeman. Mr. Hilb brought up whether or not Contingency figures should be included; he didn't think it should be included as it was not money that was "planned" on being used in a specific category. Mr. Freeman stated that there should be a standard to establish the amounts for administrative and plant cost allocations for tax and user fee billing. Mr. Busch stated that he did not believe there is a standard at this time. Mr. Freeman asked if there were additional costs associated with the proposed alternative budget. Mr. Busch and Mr. Eldredge stated that there would be additional costs for billing of the user fees. Mr. Freeman suggested polling the public about how they felt about the alternative funding method. He also suggested that the District should take at least 6 months to review the proposal. Mr. Freeman suggested that a study be done and an analysis made to see what amount each specific property owner/resident would be paying with the changes in comparison to what they are paying now. Mr. Hilb stated that the District should take the 6 months recommended by Mr. Freeman to prepare for the 2014/15 Budget. By way of consensus the Board directed that the District Manager work on a detailed analysis and have that information ready by December 2013.*

- F. Approval to publish proposed annual budget and proposed rates and fees for 2013-14 in advance of budget and rate hearing(s). *The board members went through each line item of the proposed budget. Line items were discussed in detail and after discussion Bob Hilb made a motion to approve the proposed annual Budget for publication that includes 392K for District Operating expenses, 20K in Unrestricted Capital Fund Reserve that Mr. Busch and Mr. Hilb would later determine. Mr. Hilb withdrew the motion. Mr. Hilb then made a motion to approve a proposed annual budget for publication that includes 392K for District Operating Expenses, 20K for Unrestricted Capital Fund Reserve, and 12K for a Testing Kit be placed in a line item in the budget by Mr. Busch and Mr. Hilb after further research on the correct line item. Mr. Ray seconded the motion. The motion passed unanimously without discussion. Mr. Busch asked if the Board would need a resolution for this matter. Mr. Hilb stated that they wouldn't.*
- G. Approval of Rates and Fees Definitions for 2013-14 fiscal year. *Mr. Hilb directed Mr. Busch to refine the Fee Definitions with Mr. Whittington and to propose a corresponding change to the Policies and Procedures. Mr. Busch recommended that the board approve the fees that they want published and the definitions he's submitted, so he can move forward with publication notice. There was a brief discussion regarding User Fees, and Interest Rates. Mr. Hilb made a motion to approve the Rates and Fees Definition for publication as presented with the changes made as follows:*

- *Removal of "user" in the "Interest Rate" definition*
- *Deletion of "User Fee" completely.*

Mr. Ray seconded the motion. The motion passed unanimously without discussion. Mr. Hilb reminded Mr. Busch to work with Mr. Whittington on fee definitions and bring them back on a future agenda.

4. ADJOURNMENT

Therefore the meeting was adjourned at 1:30 p.m.

Date

Board Clerk