

INSCRIPTION CANYON RANCH SANITARY DISTRICT

P.O. Box 215 Chino Valley, AZ 86323

Budget and Rate Hearing/ Public Meeting

June 21, 2018

Approved July 9, 2018

Date: Tuesday June 21, 2018

Time: 1:30 p.m.

Place: The meeting was held in the Board Room at the Chino Valley School District, 650 E Center Street, Chino Valley Az.

1. CALL TO ORDER.

The Governing Board for the Inscription Canyon Ranch Sanitary District convened into public session at 1:30 pm.

2. ROLL CALL.

Present were Dave Barreira, Board Chair, Bill Dickrell, Board Member, Stephen Polk, legal counsel, and Bob Busch, District Manager. Bill Whittington, legal counsel, and Robert Lynch, legal counsel attended via telephone conference. Members of the public present were: Bob Hilb, Clint Poteet, Dianne Miller and Andy Jolly.

Mr. Dickrell moved that the board 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) in regard to item 8B and 8C.

8B. Approval and adoption of Rates and Fees for 2018-19 fiscal year.

8C. Approval and adoption of District Budget for fiscal 2018-19 and setting and certifying the tax levy amount for fiscal 2018-19.

Mr. Barreira seconded the motion. The motion is passed unanimously without discussion.

During the Executive Session, the public was asked to leave the Board meeting room until the general session was re-convened

CONVENE into Executive Session at 1:35 p.m.

RECONVENE from Executive Session at approximately 2:03 p.m.

Mr. Dickrell moved to recess the public meeting. Mr. Barreira seconded. The motion passed without discussion.

BUDGET and RATE HEARING

Mr. Barreira opened the Hearing on the proposed 2018-19 budget and proposed rates and fees.

Mr. Barreira explained that the published notice for the Hearings listed the beginning time as 9:00 am, while the posted Notice and Agenda listed 1:30 pm as the start time. The 9:00 am meeting was called to order and then recessed it until 1:30 pm. He explained that it appears the published numbers are in need of change and the District will have to modify the proposed fees and budget, republish and hold another hearing to take public comments at that time. Given that situation, Mr. Barreira stated that the Board would take any comments at this time.

Mr. Hilb asked about the proposed Connect Fee of \$7,000. He wanted to know who that fee would apply to. The response was that the fee would apply to all lots not covered by contract, essentially it applies only to Inscription Canyon lots. Mr. Hilb then asked if ad valorem taxes would be increased with the revised budget. The response was "yes". Mr. Hilb commented that it seems there is a disparity between the %600 increase in Connection Fees, while lower taxes. He stated that increases should be spread between taxes and fees so everyone is treated fairly.

Dianne Miller read some questions. As of 12/31, there was there was over 1.5 million in assets and capital accounts. Why do you need to raise rates? Board Members explained that as of May 31, there is \$730,000 in the Reserved Capital Account and \$290,000 in the Unrestricted Capital Account, for a total of about. \$1,020,000.

Ms. Miller stated that the Board has collected 1.5 million in taxes over the last 4-5 years. What have you done with all the money? I understand that \$200,000 has been spent on lawyers instead of funding necessary improvements. The Board responded that as of June this year, about \$60,000 has been spent on legal fees.

Mr. Clint Poteet asked that when the District republish the budget, will you explain that the \$7,000 applies only ICR. The response was that the definition of the Connection Fee states that it applies to all lots not exempted by contract. Talking Rock and Whispering Canyon lots are exempt under contract.

Mr. Poteet also asked if the District was going to increase ad valorem tax to raise funds for a plant. The response was that the District is exploring that, in addition to establishing user fees.

There being no other comments from the public, Mr. Barreira entertained a motion to close the public hearings. ***Mr. Dickrell so moved. Mr. Barreira seconded. Motion passed.***

RECONVENE TO PUBLIC SESSION:

Mr. Barreira asked for a motion to reopen the recessed public meeting. ***Mr. Dickrell moved to reopen the public meeting. Mr. Barreira seconded. Motion passed.*** Meeting was reconvened at 2:15 pm.

3. CALL TO THE PUBLIC

Mr. Hilb commented that he felt the Board was not complying with the open meeting law. Meeting in executive session about the budget hearing is unheard of. He commented that the Board is meeting in executive session doing all these things- all can't be privileged. He stated that coming

out of executive session without stating anything about these subjects is keeping the public blind about what is happening and it is putting the Board in jeopardy of Open Meeting Law violations.

4. POSSIBLE 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. Possible approval changes to the District's posting policy regarding Notices and Agendas for Public meetings to provide for posting solely on the District's website: www.icrsd.net.
- B. Approval of a District Privacy Policy, and approval to post on the District's website.
- C. Possible approval of Instruction to Bond Counsel to call election for the purpose of obtaining voter approval of a loan of up to \$2,000,000 from WIFA (Water Infrastructure Finance Authority) for improvements and expansion of the wastewater treatment plant.
- D. Possible approval of an Intergovernmental Agreement for Election Services with Yavapai County for the 2018 elections.
- E. Legal advice on pending litigation with Talking Rock Land, LLC.
- F. Possible authorization of the District Manager to engage an engineering firm to provide services to the District, including, but not limited to a review documents, drawings, water quality report and technical data submitted to the District on Notice of Intent to Discharge forms, in connection with the development at Sterling Ranch at Talking Rock, and report results to the District.
- G. Discussion and possible action regarding missing executive session e-mails held by Isabel Yribe that she has declined to turn over despite repeated requests.

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

RECONVENE INTO PUBLIC SESSION-- 3:10 PM

5. REPORTS

Report from District Manager

Mr. Busch reported that effluent flows from the treatment plant for the last three months were:

March: Average flow- 47,103gpd: peak 59,500 on March 6

April: Average flow – 50,889 gpd: peak flows 61,300 on April 5th
62,400 on April 24th
67,600 on April 16th

May: Average flow – 46,822 gpd: peak flow of 64,900 on May 28th

Mr. Busch reported that as of mid-May, there were 605 connections to the system, with another 16 applications pending inspection.

He reported that all contacts for phase 1 improvements to the wwtp are in place. The Automatic Transfer Switch is scheduled to ship in mid July and the generator is scheduled to ship at the end of July. We can reuse the existing concreted slab for the generator, so demo of the existing slab and pouring a new one won't be necessary. The generator permit hasn't been issued yet, and we are hopeful it will be issued before the new generator arrives.

Mr. Busch reported the record request from Dawn Meidinger has been completed. He delivered either paper copies or electronic copies of documents of over 1,000 pages to legal counsel. He stated that another record request has been received from Arizona Open the Books. The request is for salary information. He commented that he responded requesting that an ICRSD Record Request form be returned, and has not gotten a reply.

Mr. Busch suggested that the Board consider issuing a Newsletter informing the public of all recent events.

He stated that the Board Packet includes an updated proposal from Sunrise engineering including costs to complete the design, and construction costs assuming the work is done under a WIFA loan, which must comply with Davis-Bacon law (labor rates). It also includes Sunrise's proposal for construction administration. The result is a cost estimate considerably above the last cost estimate.

Mr. Busch also reported that in the past two months approximately \$60,000 has been spent on legal fees.

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

Minutes of Meetings

Minutes of Public Meeting of April 23, 2018
Minutes of Public Meeting of May 24, 2018
Minutes of Public Meeting of June 5, 2018
Executive Session Minutes of March 30, 2018
Executive Session Minutes of March 30, 2018
Executive Session Minutes of April 3, 2018
Executive Session Minutes of April 16, 2018
Executive Session Minutes of April 23, 2018
Executive Session Minutes of May 1, 2018
Executive Session Minutes of May 8, 2018
Executive Session Minutes of May 24, 2018
Executive Session Minutes of June 5, 2018

Reimbursement to District Manager

Prescott Courier (Publication of Moratorium Hearing \$147.00)
Go-Daddy- ICRSD.Net Domain Name Renewal 12 months (\$19.33)

Mr. Barreira stated he would entertain a motion to approve the consent agenda with the removal of the duplicate listing for the Executive Session Minutes of March 30, 2018. ***Mr. Dickrell moved to approve the consent agenda with removal of one duplicate listing for Executive Session Minutes of March, 30, 2018. Mr. Barreira seconded. Motion passed without discussion.***

7. OLD BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

- A. Approval of a District Privacy Policy, and approval to post on the District's website.
Mr. Barreira deferred action on this item until a later date.
- B. Setting a time and place for future meetings of the District Board.

Mr. Barreira announced that the next meeting would be held tomorrow, June 23rd at 3:30 pm at the real estate office on Inscription Canyon Drive.

- C. Plant Capacity projections and consideration of plant expansion options and possible approval of an expansion plan.

Mr. Barreira announced that this item is deferred to possible action at a later date when more information is available.

8. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

- A. Approval of financial reports for March, April and May, 2018.

Mr. Busch referred the Board to tab 7 in the Board Packet. He reviewed the Budget vs Actual Report, mentioning items that were significant and higher than expected: Insurance, Operating Permits, Attorney Fees. He noted that on the Balance Sheet, Account 1800- Treatment Plant Upgrade in Progress shows \$139,282 for capital improvements in progress. It does not include and equipment (ie generator) or construction costs.

He referred the Board to a cash projection included with their packet. The projection shows the end of May balances, expected revenue, and expected expense between now and the end of November, when tax payments are anticipated. The projections showed that the cash balance at the end of November would be about \$100,000, so the District cash flow should be adequate until tax payments are received.

Mr. Dickrell moved to accept the financial reports for March, April and May.

Mr. Barreira Dickrell seconded. Motion passed unanimously.

- B. Approval and adoption of Rates and Fees for 2018-19 fiscal year.

Mr. Barreira stated that the District needed more funds that they are seeing now. He suggested that the District institute User Fees for residential and commercial connections. He suggested a residential user fee of \$35.00 per month and a commercial user fee of \$100.00 per month for low use commercial and \$150 per month for high use commercial customers. He suggested the Ranch House would be high use and the Maintenance Shop would be low use. Mr. Busch reviewed the 9 commercial connections and the Board agreed on high and low connections. User fees would generate about \$252,000 per year. Mr. Barreira requested that Mr. Busch make some projections as to what ad valorem tax increases would add. Mr. Busch commented that the budget appears to be at least \$250,000 less that necessary due to a necessary increase in legal fees. Mr. Busch commented that to cover the increase in expected expense, the ad valorem tax would have to be double the current proposed amount.

Mr. Dickrell commented that he would like to understand how much the District needs to raise and how soon. He would like to understand the underlying assumptions and requirements, and what we are trying to accomplish.

There was a discussion about how to raise capital funds within the budget. A combination of user fees and ad valorem tax could be used to generate capital funds. Bill Dickrell expressed concern about putting all the burden of raising capital on current connected properties.

There was a discussion about when the Board could review and consider a revised budget. There was a discussion about the possibility of using both ad valorem tax and user fees to form capital for expansion. If a new plant is required in two years, it would require

raising 1 million a year which is not practical. Bill Dickrell expressed concern about placing the burden of raising capital on current customers.

Mr. Dickrell suggested that the ad valorem tax be increased by 10% over the expense budget for capital formation.

Mr. Barreira instructed the District Manager to set a new meeting to set proposed budget and fees for 2018-19 as soon as possible.

C. Approval and adoption of District Budget for fiscal 2018-19 and setting and certifying the tax levy amount for fiscal 2018-19.

This item was discussed and included in the discussion of item B above.

D Transfer of funds from District Operating Account to the Unrestricted Capital Fund in the Yavapai County Accounts for capital reserve in the amount of \$46,600.

Mr. Dickrell mad a motion to transfer funds from the District Operating Account to the Unrestricted Capital Fund in the amount of \$46,600. Mr. Barreira seconded the motion. Motion passed unanimously.

E. Possible approval changes to the District's posting policy regarding Notices and Agendas for Public meetings to provide for posting solely on the District's website: www.icrsd.net

Mr. Barreira announced that no action would be taken on this item today.

F. Possible approval of Instruction to Bond Counsel to call election for the purpose of obtaining voter approval of a loan of up to \$2,000,000 from WIFA (Water Infrastructure Finance Authority) for improvements and expansion of the wastewater treatment plant.

Mr. Barreira arranged to connect Mr. Bill DeHaan, Bond Counsel on the conference call for discussion of this item. Mr. DeHaan explained the statutory requirements for a Bond Election. Mr. DeHaan explained that the District must announce a bond election at least 120 days prior to the election. Before the District can call for an election, the District must have an engineering survey meeting specific criteria, along with a public hearing on the matter. Although the District does have an engineering study done a few years ago, it lacks meeting some of the statutory requirements. Mr. Barreira stated that it seems the District cannot place the bond issue on the November 2018 election. Mr. DeHaan agreed. The next election date would be November, 2019. Mr. Barreira thanked Mr. DeHaan for discussing the matter with the District. ***Mr. Barreira stated that this item would be deferred for possible consideration at a later date***

G. Possible approval of an Intergovernmental Agreement for Election Services with Yavapai County for the 2018 elections.

Mr. Dickrell moved to approve the Intergovernmental Agreement for Election Services with Yavapai County for the 2018 elections. Mr. Barreira seconded. Motion passed without discussion.

H. Possible authorization of the District Manager to engage an engineering firm to provide services to the District, including, but not limited to a review documents, drawings, water quality report and technical data submitted to the District on Notice of Intent to Discharge

forms, in connection with the development at Sterling Ranch at Talking Rock, and report results to the District.

Mr. Barreira announced this item would be deferred to a future meeting because the District is waiting for a information.

- I. Discussion and possible action regarding missing executive session e-mails held by Isabel Yribe that she has declined to turn over despite repeated requests.

Mr. Dickrell moved to instruct legal counsel to contact Ms. Yribe to see if the situation can be resolved. Mr. Barreira seconded the motion. It passed without discussion.

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

9. ADJOURNMENT

the meeting was adjourned at approximately 3:35 p.m.

Date

Board Clerk