

INSCRIPTION CANYON RANCH SANITARY DISTRICT

P.O. Box 215 Chino Valley, AZ 86323

**PUBLIC SESSION
~MINUTES~**

Approved 8/16/12

June 25, 2012

Date: Monday June 25, 2012

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

2. ROLL CALL.

Bob Hilb, Chairman; Brian Ray, Board Member Bill Whittington, Counsel; Bob Busch, District Manager; Isabel Yribe, District Clerk and the following audience members.

Charles O'Brien
Dick Tracey
Jimmy Stoner
Clint Poteet
Marless Taylor

John Freeman
Stan Steiner
Chris Stoner
Dayne Taylor
Harvey Roberts

Paula Green

Bob Hilb made a motion to recess the regular meeting and convene into the Rate and Budget Hearing Meeting. Brian Ray seconded the motion. There was no discussion and the motion passed unanimously.

3. RATE HEARING

After a brief comment by the Board Chairman about how questions and comments would be addressed the following discussions ensued.

- **Jimmy Stoner** shared his concerns regarding the 24 hour requirements for posting the agenda to the Rate and Budget Hearing meeting. *Bob Busch and Bob Hilb simultaneously stated that it was posted in the Courier, Prescott Realty Office, the District website and also the Guard Shack at Talking Rock Ranch.* Mr. Stoner reiterated his concern about the *agenda and not the notice.* Mr. Whittington gave a brief explanation regarding the posting requirements. Mr. Hilb stated that the agenda was posted and Mr. Whittington stated that the posted agenda would satisfy the requirements in the statute. Mr. Stoner publicly objected to this meeting.
- **Dayne Taylor** shared his concerns regarding the cost of effluent to Commercial accounts. *Mr. Hilb stated that this question had already been answered at a previous meeting.* Mr. Hilb stated that basically it was most likely illegal to charge

one class of customers a certain rate then charge another class of customers a different rate. He went on to state that previously there was no user fees for residential customers and user fees for commercial users, but that the District, could possibly be sued, so that has been done away with. Mr. Taylor asked if Mr. Hilb's response was an agenda item on the May 22, 2012 meeting. Mr. Hilb stated that he recalled that this was answered at a late December 2011 meeting. Mr. Hilb stated that Sanitary District's were governed under 48-2027 not the statute that Mr. Taylor quoted. He also went on to state that the District has already been sued and paid in excess of \$600,000 in legal fees and that the District would not engage in any practices that were questionable and risk getting sued again.

Mr. Hilb stated that if no one had anymore questions, he would conclude this meeting and convene into the Budget Meeting.

4. BUDGET HEARING

- **Charles O'Brien** asked for clarification on the process to voicing his concerns. *Mr. Hilb stated that questions had to be submitted in writing for the Board and then that individual would be called up to the microphone for a discussion about their concerns. Mr. O'Brien objected to this. Mr. Hilb then stated that the previous Board had done it this way and that it was the way the questions/ comments would be handled today.*

Mr. Hilb gave a brief introduction for the Budget Hearing. The county required less detailed information on the budget than the operating budget that would be discussed today. Mr. Hilb stated that there has been an updated version of the Budget had been posted Saturday and that if anyone's questions were affected by the update, Mr. Hilb would rationalize the references and make those known. Mr. Busch stated that the update only included the May 2012 financials but that the totals in Budget itself has not changed from what was posted in the Notice. Mr. Hilb stated that the major source of income to the District would be from taxes and there would be no user fees. He also went on to state that this year's taxes would be \$25,000 less than last year's taxes. Mr. Hilb stated that because of county the process, he could not predict how any individual's tax would be affected.

- **Dayne Taylor** shared his objections of the Budget regarding duplicate line items in incorrect categories. *Mr. Hilb stated that those items have been addressed and some of those categories had zeros in them and were removed. Mr. Hilb stated that some of the line items had monetary amounts in them for comparison purposes, but most had been removed. Mr. Taylor shared his objections about not having a YTD (year to date) column. Mr. Hilb stated that in fact there was a Year to Date column and that perhaps Mr. Taylor missed it. Mr. Taylor shared his objections with "projected" amounts for FY 2011/12 being less than what was actually spent already. Mr. Hilb stated that projections were made on known facts so that in some cases the budget items were greater in FY 2012/13 than they were for the previous year. Mr. Hilb stated that it was just part of the budget process. An objection from the floor disrupted Mr. Hilb.*

Mr. Taylor stated that Mr. Hilb was incorrect in that statement. *Mr. Hilb asked Mr. Taylor what he thought was incorrect to which Mr. Taylor responded to Line Item 7240. Mr. Hilb stated that in that Line Item there was no money spent in FY 2011/12. Mr. Taylor then asked if the Board was not meeting the ADEQ requirements to pay for a permit. Mr. Hilb stated that the permit in question was under a different Line Item. Mr. Taylor stated that it was Mr. Hilb's failure to explain the categories in detail that caused him to ask so many questions. Mr. Taylor also stated that Mr. Hilb has reported in public documents that the Board has spent monies and now states that no monies have been spent in the projected 12 month period. Mr. Taylor expressed his objections to the projected Plant Operation and Maintenance expenses of \$136,076. Mr. Hilb stated that the Board stood by its numbers. Mr. Taylor shared his objections to the current Board's anticipated sale of effluent to Talking Rock Ranch in the amount of \$49,500 (36% of the projected \$136,076 to cover Plant Operation and Maintenance). Mr. Hilb stated that it was part of the Settlement Agreement. Mr. Hilb also stated that the District was getting 4 times the going rate for effluent from Talking Rock Ranch. Mr. Taylor shared his objection regarding the loss/difference in the amount of \$86,576 (64%) that must be met by the property owners within the ICRSD. Mr. Hilb stated that that was part of the same question. Mr. Taylor shared his objection regarding that only Plant Operation, and not overhead, depreciation or other expenses are included in the cost of effluent. Mr. Hilb stated that income from effluent was a sale and was priced as any commodity. The price was, driven by market value and the agreement made between the District, and the Developer or to anyone else that the District sold it to was an agreed upon rate. Mr. Taylor shared his objection regarding that of the \$367,633 that is projected for 2012/13 expenses; only 13% is covered by the sale of effluent to Talking Rock Ranch. Mr. Hilb stated that this was the same question, with the same answer. Mr. Taylor shared his objection regarding Line Item 6140, Interest on Bank and Savings and not having a written explanation of what Interest on Bank and Savings includes. Mr. Hilb stated that the level detail given was more than what Yavapai County required. He also stated that it was a working budget and the District would keep that level of detail. Mr. Taylor's objection included to not having a written explanation for the reduction of 81% as proposed on the 2012/12 Budget. Mr. Hilb stated that the amount was due to the drop in interest rates and in the previous year the District had a lot less money in the operating budget. Mr. Hilb also stated that the District spent approximately \$600,000 in litigation costs therefore the District had less money earning less interest. Mr. Taylor shared his objection regarding Line Item 6148 regarding Effluent Sales and the lack of a written explanation on that item. Also, Mr. Taylor shared his objection to not having this information included on the proposed budget. Mr. Hilb stated that he would not read Mr. Taylor's questions that mentioned the level of detail in the rest of Mr. Taylor's questions as they are all the same and had been addressed already. Mr. Hilb stated that the information provided was more than Yavapai County required and should suffice. Mr. Taylor then asked Mr. Hilb if the meeting was a Public Hearing that the people had a right to know where their money was being spent. Another outburst from Mr. Taylor's spouse caused the meeting to be suspended and the police to be called in at approximately 9:33 a.m.*

The meeting was reconvened at approximately 10:10 a.m.

Upon return to the meeting, Mr. Hilb stated that the audience members could read the comments themselves or have him read their comments.

- **Dayne Taylor** reiterated his concerns regarding Line Item 6148 regarding Effluent Sales. *Mr. Hilb stated that he had already discussed in a previous question. Line Item 7120 regarding Capital Improvement and the alleged \$25,000 spent in this category. Mr. Hilb stated that he would address both Line Items 7120 and 7150 which regarded Infrastructure Repair at the same time. He went on to state that the \$10,000 and the \$25,000 under actuals for FY2011 were a misprint. Mr. Hilb stated that the present Board didn't know what, if anything, was spent on these items. He also stated that these figures were not an actual part of the Budget and were used for comparison purposes only. Mr. Taylor asked why the Board did not have any Infrastructure expenditures for Line Item 7150 in the budget. Mr. Hilb stated that it was an Operating Budget and any Infrastructure Improvements weren't being reported at this time. Mr. Hilb asked Mr. Busch to reference where Mr. Taylor could find repair and replacement costs. Mr. Busch answered that it was on Line item 7570 and 7580. Mr. Busch then stated that the District was trying to do away with those line items and the numbers were intended to show what was in the previous years' Budgets. Line Item 7221 regarding Annual Financial Reports and the zero dollar amount. Mr. Hilb stated that that Line Item is now included in Accounting Services. Line Item 7224 regarding Accounting Services. Mr. Hilb stated that the amount was for the District's monthly accounting fee. Mr. Taylor asked if the amount of \$4,805 would be \$5,100 in 2012/13. Mr. Hilb stated that some of the same expenses were combined into one Line Item and totaled for one billing process. Line Item 7308 regarding Managers Services. Mr. Hilb stated that the amount was a monthly fee for what the Manager was paid. Mr. Taylor stated that it was an amount that was duplicated. Mr. Hilb stated that the duplication had since been corrected. Line Item 7311 regarding Contract Fee. Mr. Hilb stated that that was the Operators monthly fee. Mr. Taylor also objected to the 8.7% increase when the contract was to remain the same in 2011/12. Mr. Hilb stated that the amount has stayed the same as the previous two years. He also went on to state that the actual amounts were lower and that one bill hasn't appeared yet. Mr. Busch stated that the history showed that there was no July payment for the previous fiscal year. He went on to state that to date there had only been 10 payments to the Operator rather than 11 payments and perhaps that's why that line item was lower. Line Item 7375 regarding Web Hosting. Mr. Hilb stated that the amount was for the monthly fee for the maintenance of the District website. Mr. Taylor asked if this service was operating without a Contract. Mr. Hilb stated that it was not necessary for a vendor that cost this much to operate with a written contract. The District had other vendors operating without a written contract for larger amounts than this one. Line Item 7520 regarding Chemicals and not having a breakdown of the amount of chemicals used. Mr. Hilb stated that the level of detail was sufficient. Mr. Bruce Eldredge then stated that the bill reflected credits for returned containers and did not have that enough detail from the vendor to give a lower level of detail. He stated that if the vendor provided a detailed list, he would in turn provide it to*

the District. Line Item 7580 Maintenance and Repairs. Mr. Hilb stated that the amount was for any repairs or maintenance to the Infrastructure. Mr. Hilb gave a few samples of what this included when asked for an elaboration by Mr. Taylor. Line Item 7581 General Maintenance of Talking Rock Ranch. Mr. Hilb stated that this line item was removed as it had no entries. Mr. Hilb stated there had been nothing in that Line Item for the last three years. Mr. Taylor asked for confirmation from Mr. Hilb about the amount of money spent at Talking Rock Ranch for repairs. Mr. Hilb then stated that there was money spent throughout the District and there would not be a breakdown of each area where monies were spent. Line Item 7590 regarding Generator Maintenance Repair. Mr. Hilb stated that monies were spent anywhere generators needed repair throughout the District. He also stated that one bill hadn't been posted yet. Mr. Busch then stated that it may have been misposted because it hadn't yet showed up in Actuals. Line Item 7640 regarding Plant Modifications. Mr. Hilb stated that the only reason this Line Item appeared was because there was \$1,500 from the 2011/12 Budget. He also stated that it was a non-operating budget item and that any Plant Modifications would come out of the Capital Improvement fund. Line Item 7740 Managers Services. Mr. Hilb stated that it has since been removed. Line Item 6140 Interest on Bank and Savings. Mr. Hilb restated that this was the amount collected from interest. Mr. Taylor asked if the Board was reporting the interest collected on the Escrow account. Mr. Hilb stated that the Escrow account was being moved to the County Capital Improvement Account and was collecting interest there. Mr. Hilb also stated that information on that account was available from the County to any member of the public. Mr. Taylor then stated that the Board was hiding this interest. Mr. Hilb stated that the Board was not hiding anything. He also stated that it was an Operating Budget they were trying to approve. Mr. Hilb stated that the Board wasn't looking to approve a Plant Modification Budget and that it would be reported separately if there was a decision made on modifications. Mr. Taylor stated that it was a Proposed Budget for the 2012/13 and did not see where it was exclusive of an Operating Budget. Mr. Hilb stated that the Board would approve any capital expenditures as part of the regular meeting process if they do any. Mr. Taylor asked how much the District was holding in a reserve account as of 6/25/2012. Mr. Hilb stated that it was approximately \$723,000. He also stated that it was spread out over two accounts. One being the Capital Improvement account at the County and the other the Escrow Account. Mr. Hilb stated that the District would not be transferring the Certificates of Deposit until they mature or the interest accumulated would be lost. He also stated that two CD's would mature over the next few weeks and one would mature at the end of the year. Mr. Hilb stated that there were also Deeds of Trust that are due at the end of the year as part of the Development Agreement. Mr. Hilb stated that there is also money that is owed by Pivotal that if not paid, the Developers would pay the District and in turn collect those monies from Pivotal. Mr. Taylor reiterated his concern about the knowledge to the public about where monies are and that the Board has stated that the reserve account was separate. Mr. Hilb stated that these are available to the public and were reported in the monthly financials. Mr. Taylor asked that this information be made available along with a definition of

what the Board means by Capital Improvements. *Mr. Hilb stated that it would be considered.*

- **Charles O'Brien** voiced his concerns regarding the many different categories for the fees paid to contractors, specifically Dwight Zemp, A Quality Water and Mr. Bob Busch. He also stated his concerns about the "year to date" column vs. the 11 months column. *Mr. Hilb stated that the "year to date" column was originally the 10 month column which was since updated to read the 11 month column. After an objection by Mr. O'Brien, Mr. Hilb stated that the document that Mr. O'Brien spoke of was for informational purposes only. Mr. Hilb stated that the \$24,000 in Line Item 7308 was the amount paid to Mr. Busch for Managerial Services. Mr. O'Brien asked if the \$77,914 in Line Item 7311 regarding A Quality Water included anything else. Hilb stated that A Quality received the check and may disperse monies for subcontractors as required. Mr. Hilb stated that the check was made payable to A Quality Water. Line Item 7740 regarding \$25,000 and who it was paid to. Mr. Hilb stated that it was the amount paid to Granite Basin. Mr. O'Brien stated his concerns regarding the significant raise in fees, at least 30%. Mr. Hilb stated that this company was called on an as needed basis. He also stated that there was another proposal later on in the meeting for which Granite Basin would be called upon for services. Mr. Hilb stated that the proposal was included in the projected Budget. Mr. O'Brien asked if there were any line item's that covered any payment made or projected to be made to Dwight Zemp or Act III. Mr. Hilb stated that at that moment there were none but perhaps the Engineering firm if needed, would contract either Dwight Zemp or Act III as a subcontractor. Mr. Hilb stated that presently there were no open contracts with either of these firms. Mr. O'Brien asked if the Board would break down the \$600,000 used for legal fees. Mr. Hilb stated that these figures were detailed in the Monthly Financial Reports. He went on to state that the Present Board has spent approximately \$100,000 for legal fees and the Previous Board had spent approximately \$500,000 in legal fees. Mr. Hilb also stated that the \$500,000 was not in the Previous Board's Budget so he wasn't sure where the money came from. Mr. Hilb speculated about where the money may have come from but wasn't entirely sure without doing a forensic investigation. Mr. Hilb stated that the money was gone and that hopefully some of it could be recovered through the Districts claim for reimbursement from the insurance company. Mr. Hilb stated that it was up to the attorneys if any forensic accounting investigation would occur.*
- **Harvey Roberts** shared his concerns regarding the Sanitary District and its added assets (WWTP) and future assets. Mr. Roberts wanted to know why the Budget had no provision for the depreciation of said assets. *Mr. Hilb stated that there would be a review of carryover funds in November after taxes were collected. If available, there would be a transfer of funds to the Capital Improvement fund as a reserve and contribution to depreciation. Mr. Roberts stated that the previous budget had an allowance of \$32,000. Mr. Hilb stated that the statement was correct. Mr. Hilb also stated that the County did not want that level of detail and that this was a working budget. Mr. Roberts asked again if the Board was putting aside monies in an account to cover the depreciation of those assets. Mr. Hilb stated that he has been conversing with the District Manager about having a reserve study done so as to*

not unfairly burden about 450 home owners when there was approximately 2500 homes that could share it in the future Mr. Busch stated that there was money in the Engineering column for a reserve study should it be needed. Mr. Roberts asked why the published budget didn't conform to the Adopted Budget for 2011/12. Mr. Roberts stated that back in July a budget was posted and the Adopted Budget was not corresponding. Mr. Hilb stated that the budget now had items that were no longer applicable and have combined items so as to simplify it. He also stated that there were line items that had no money in them for the last three years. Mr. Hilb again stated that the County didn't require such a high level of detail and that this budget was a Working Budget. Mr. Roberts asked if it was carelessness or oversight that the numbers didn't reflect what the posted budget on the website reflects. Mr. Hilb stated that the top level stayed the same, and what had changed were the details. Mr. Busch stated that it was difficult to work with previous budgets because there were some reimbursements that may have been put under categories not applicable at the time. He also stated that he used some discretion when trying to work on this budget. Mr. Roberts asked how the various iterations of the Budget formed. Mr. Hilb stated that Mr. Busch and Bruce Eldredge conferred and came up with a proposed budget and presented it at the last board meeting. The Board reviewed it and made some suggestions and has since been cleaned up. As today's meeting approached Bob Hilb met with Bob Busch and found more changes to be made. Mr. Roberts asked if the District was like a government in which they had to spend the monies in accounts for an allotted purpose. Mr. Hilb stated that the same question was asked on the budget in the previous year. He stated that the County wanted to be informed only when the top budget number or revenues changed.

- **Jimmy Stoner** objected about not having a fiscal year Balance sheet available for the Budget Hearing. He also stated his concerns about accurately representing all assets and accumulated depreciation and that it was difficult to evaluate the projected Budget without having an estimated Balance sheet. *Mr. Hilb stated that the County did not require it and that this was a Working Budget. He also stated that there was a place for depreciation in the working Budget. Mr. Hilb stated that the Escrow Account was actually being held by the County and they did not require it to be reported.* Mr. Stoner stated that it would have been easier to evaluate had this information was made available to the public. Mr. Stoner stated that he objected to the quality of the Budget. He also stated that some of the totals did not accurately represent the account items being summed. *Mr. Hilb stated that the latest version of the Budget should correctly reflect the line items now.* Mr. Stoner stated that some line items were not in order numerically. *Mr. Hilb stated that the number scheme had been inherited and had been rather difficult to work with as some of the line items belonged under different categories. Mr. Hilb stated that the Budget at hand had to reflect the numbers that the Accounting firm was using. Mr. Hilb also stated that the line item totals were correct and that the Budget format had to be worked on. Mr. Busch stated that he understood Mr. Stoner's concerns as it was also very difficult for him to work with the format of the Budget. Mr. Busch tried to deal with the Budget format the best that he could without having to start from scratch.* Mr. Stoner objected to no account for any contingency funds for any unanticipated expenditure. Mr. Stoner also stated that contingency funds were talked about during

the 5/22/2012 meeting but never made it to the Budget. *Mr. Hilb stated that it was not a level of detail that the County required but that it was accounted for in the monthly financials.* Mr. Stoner objected to Line Item 7230 being removed from the Budget while it was present with funds expended in the 2011/12 and prior year's budgets. Mr. Stoner stated that this was especially critical to the District constituents in light of the fact that in excess of \$300,000 had been collected to offset plant depreciation. The minutes of 5/22/12 indicated that these funds were no longer available. Mr. Stoner asked that a detailed explanation be given and how one may obtain a copy of the financial audit disclosing where these funds were used. *Mr. Hilb stated that the depreciation was not an item that was required to be reported to the County. He also stated that the depreciation was reported on a monthly basis and was posted on the website.* Mr. Stoner stated that if the Board was going to fund something on a regular basis the monies had to come from somewhere. *Mr. Hilb stated that monies were being set aside. Mr. Hilb also stated that the District wanted to conduct a Reserve Study.* Mr. Stoner went on to state that the Board should operate with more visibility to its constituents. Mr. Stoner publicly objected to the Board about not having a line item for Depreciation. Mr. Stoner objected that the Budget presented does not accurately represent the results of the budget discussions which took place during the 5/22/2012 board meeting. Mr. Stoner stated that he had reviewed all 30 pages of the "transcript", because he could not attend the meeting as it was scheduled on the same day as the Water Board meeting. Mr. Stoner objected that the appearance this budget was tailored to be less than last year's ad valorem tax vs. reasonably forecasting needed potential expenditures and more specifically replenishing the funding offset for accumulated depreciation of assets. He went on to state that the 5/22/12 minutes reflected this consensus. Mr. Stoner stated that Depreciation and Contingency should be funded specifically and it was his opinion that it was wrong. *Mr. Hilb stated that these items were funded and that \$100,000 would be transferred into the Capital Improvement fund out of the carryover from last year if there were not contingencies.* Mr. Stoner stated that it just wasn't visible to him and perhaps other constituents. Mr. Stoner objected to Mr. Hilb, as a resident and separate lot(s) owner, weighing in on preferring to raise taxes on houses and reduce taxes on land. He also stated that Mr. Robbins and member of the public Number 1, member of the public Number 2 and Number 3 also preferred the ad valorem tax increase over any user fees. These statements were gleaned from the 5/22/2012 tape transcript. *Mr. Hilb stated that it was a feedback from the community in general to do taxes and not user fees. Mr. Hilb went on to state that the District had a good Budget with a Contingency Fund with the Carryover from last year's even though it wasn't reflected in this Budget. Mr. Hilb stated that if the community wanted to go back to user fees in lieu of ad valorem taxes, it was not what the Board had gathered from that meeting.* Mr. Stoner stated that he did not see that this Budget covered anticipated expenditures. *Mr. Hilb disagreed and thanked Mr. Stoner for his comments.*

- **Marless Taylor** stated that although the County did not require a certain amount of detail, perhaps the constituents did need a more detailed account of the Budget. Mrs. Taylor stated that it was her opinion that the explanation line in the Budget be

brought back to the Budget. Mrs. Taylor also stated that a breakdown of the Chemical expenditure had been detailed in the past and was unsure of why it couldn't be broken down presently. *Mr. Hilb asked Mr. Eldredge if the Chemical billing showed a breakdown of the chemicals used by the District. Mr. Eldredge said yes. Mr. Hilb asked Mr. Eldredge if it would be difficult to ascertain costs from this breakdown. Mr. Eldredge said no. Mr. Hilb stated that it was his belief that this was not a budget item discussion but more of a monthly reporting item and would bring it back as an agenda item at a future board meeting and take it under consideration.* Mrs. Taylor voiced her concern regarding how this Budget had several different components. *Mr. Hilb stated that there was currently a study going on regarding the Capital Improvements and once that information was gathered it would be reviewed. Mr. Hilb also stated that there is a Working Budget and a Capital Improvement Budget.* Mrs. Taylor stated that the Present Board was in office for about a year now and was still referring back to the Previous Board at almost every meeting. Mrs. Taylor asked the Present Board to speak only of the facts and not speculate about things that were not factual. *Mr. Hilb stated that this was not a Budget meeting item and that could not be discussed.*

- **Dayne Taylor** asked what the Net Assessed Value was for the District. *Mr. Hilb stated that he did not have that figure at hand and also that it was not part of the Budget and could not be discussed at this time.* Mr. Taylor asked the Board if the County did not require the District to report Depreciation. *Mr. Hilb deferred to Mr. Busch. Mr. Busch stated that it was not a line item on the form the County provided to the District for reporting purposes.*

Mr. Hilb declared the Hearing concluded and adjourned at approximately 11:10 a.m.

The regular meeting returned from recess and reconvened at approximately 11:15 a. m.

5. CALL TO THE PUBLIC

- **Harvey Roberts** stated that the item 9d in the minutes to the 5/22/2012 meeting read the year as 1012. Mr. Roberts stated that the date was incorrect. *Mr. Hilb stated that the date would be changed if it hadn't already been done.* Mr. Roberts also stated his concerns regarding the Escrow account and why it was Bob Busch that signed it and not one of the Board members being that the amount was for approximately \$500,000. Mr. Roberts also stated that it was mentioned at a previous board meeting that emails and also Mr. O'Brien's ADA case were going to be discussed at the next board meeting and somehow didn't carry over into this meeting. Mr. Roberts stated that it was a contentious item and that Mr. O'Brien needed an answer. *Mr. Hilb stated that the Districts emails were on the agenda but as far as the others, they may have an oversight. Mr. Hilb asked Mr. Busch to make sure the ADA/O'Brien matter was on the next agenda. Mr. Hilb stated that the reimbursement for travel would be discussed during that item in the agenda later in the meeting.*
- **Jimmy Stoner** voiced his concerns in regards to items 6G and 9A. Mr. Stoner stated that these nondescript items have been carried in nearly every Agenda produced by this Board. Mr. Stoner wanted to know specifically which documents or "property" may be missing. Mr. Stoner also asked where he could obtain a copy

of this Board's demand letter to the prior board requesting specific items be produced. Mr. Stoner asked how many boxes of documents were turned over by the former attorney for the District, Mr. Doug Nelson. He also went on to ask how many file cabinet drawers of documents and tapes were turned over by the previous board. Mr. Stoner went on to state that continuing to publish this agenda item, in his opinion, was bordering on harassment of the prior Board for unsubstantiated assertions of "bad acts". Mr. Stoner asked the Present Board to substantiate this or take it off the agenda. *Mr. Hilb stated that these items would be discussed later on during the meeting.*

- **John Freeman** stated that there has been discussion and much confusion regarding effluent and how it affects the overall operation of the Sanitary District. Mr. Freeman stated that effluent was a by product of influent and had nothing to do with the overall functions of the District.

4. Bob Hilb made a motion to go in 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 has not been produced by the previous District Board members.
- B. Claims for reimbursement of attorney fees previously paid by the District.
- C. Effluent Line Easement Agreement to TRR for the line through District property (as set forth in the Amended and Restated Development Agreement)
- D. Placement of Liens on properties with unpaid user fees, late fees or interest.
- E. Record Retention and Requests for public records.
- F. Budget and Fee hearing discussions.
- G. Handling of email sent to District email account.

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

Executive session began at approximately 11:20 a.m.

5. RECONVENE INTO PUBLIC SESSION at approximately 1:25 p.m.

Counsel Whittington did not return to the Public Session.

6. REPORTS

Financial Report

Income Statement: Bruce Eldredge went over each line item in the income statement. Mr. Eldredge gave brief explanations on each category. There were no questions at its conclusion.

Balance Sheet Statement: Mr. Eldredge went over this report with the Board and the audience. Mr. Eldredge stated that the two new additions to the report were the Capital Improvement Fund/Restricted Account (that was only to be used for capital improvements) and the Treatment Plant Asset accounts. Mr. Roberts stated that he

needed clarification on the Capital Improvement Fund. *Mr. Hilb stated that questions would not be addressed at this moment. Mr. Busch stated that there might have to be a Liability Account for the amount that the District paid Talking Rock Ranch for past repairs against effluent charges.* Mr. Eldredge went on to state that the full amount for that expenditure would show up on the Expense Report.

Budget report: There were no significant changes to report as Mr. Eldredge went through each line item and its breakdown. *Mr. Busch stated that so far it had received \$108,000 from effluent sales to Talking Rock Ranch as part of the Settlement Agreement. He also stated that there was approximately \$120,000 from actual billing for effluent sales (including the \$108,000 from the settlement) that entered into the account. There were no questions at the conclusion of the report.*

Managers Report:

Status of Requests to review public records: Mr. Busch stated that since the last board meeting there has been four requests to review the public records. One request was for a recording of the last meeting. The other three requests were for a review of public records. Mr. Busch stated that the recording was provided and that the other three requests were being addressed by way of appointments.

Status of Punch List Items for Infrastructure Acceptance: Mr. Busch stated that the generator for Talking Rock had been ordered and it would take approximately six weeks for that item to be delivered and installed. Mr. Busch also stated that the items for Whispering Canyon, specifically a work order for three manhole covers, were being addressed at this time. He stated that water intrusion kits were needed for those manhole covers. Mr. Busch also stated that grinder pump sizing was needed for certain lots in Whispering Canyon and that the information was turned over to the Barnes Company by Granite Basin. Mr. Busch went on to state that Granite Basin conducted a complete analysis of Whispering Canyon pump sizing and that though not official, he did not think that any upsizing would be needed. Mr. Busch also stated that the District received a request from the Water Company on its average flows for the plant for planning purposes and if they Board did not object, he would provide that information to them. The Board did not object. Regarding the follow up to the Escrow Account, Mr. Busch stated that he provided the instructions to the Escrow Account as agreed upon between the Board and the Developers. As CD's mature the Escrow Account will be deposited into the Capital Improvement Fund with the County. The approximate value of that account will be about \$723,000 once the funds have been transferred. Mr. Busch reported on the Average Daily Flow from the Plant for this year, from January to May range from 33,032 gallons/day to 37,839 gallons/day. He also stated that the ADF for the month of May was 35,037 gallons/day. The district was ranging from 33,000 gallons/day to 35,000 gallons/day regularly. Mr. Busch stated that the Operator is continuing to flush system but have decided to do it on a slower pace so as not to upset the plant.

Handling of email sent to District email account: Mr. Busch stated that he has "unofficially" handled incoming emails to the District until the Communication Policy is in place. He has taken the initiative as the Board members are not allowed to do so. Mr. Busch stated that he may or may not reply depending on the nature of the email. *Mr. Busch stated that if an email requires Board input, it would have to be put on a future agenda and addressed at a future meeting.* There were no questions.

7. CONSENT AGENDA

Mr. Hilb stated that the Executive Session minutes would have to be removed from the consent agenda as there was input from the District's Counsel. Mr. Hilb stated that reimbursement was allowed for travel because the place of business was the Sewer Plant and travel was required for meetings or other District business. Bob Hilb made a motion to approve the consent agenda, with the exception of Executive Session Minutes. Brian Ray seconded the motion. There was no discussion and the motion passed unanimously.

8. OLD BUSINESS

A. Missing and unaccounted for records and documents, property of the District, that has not been produced by the previous District Board members. *No action is needed at this moment and specific details would not be discussed because of ongoing action.*

B. Claims for reimbursement of attorney fees previously paid by the District. *No action is needed at this time.*

C. Setting a time and place for future meetings of the District Board. *The next meeting was set for July 30, 2012 at the Days Inn Conference Room 1 in Chino Valley, Arizona.*

9. NEW BUSINESS

A. Approval of May 2012 Financial Reports. *This item will be deferred for approval at the next meeting. The Board will be posting it to the District website prior to the next meeting as the State is considering 24 hours release prior to approval and the Board wants to be proactive.*

B. Approval and Adoption of District Fees. *Bob Hilb made a motion to approve the adoption of District Fees as published and presented at the Fee Hearing meeting. Brian Ray seconded the motion. There was no discussion and the motion passed unanimously.*

C. Approval and Adoption of District Budget for fiscal year 2012/13 and setting and certifying the tax lien amount for fiscal year 2012/13. *Bob Hilb made a motion to approve and adopt the Budget for fiscal year 2012/13 as presented at the Fee Hearing meeting and setting and certifying the tax lien amount of \$303,911. Brian Ray seconded the motion and the motion passed unanimously.*

D. Effluent Line Easement Agreement to TRR for the line through District property (as set forth in the Amended and Restated Development Agreement). *Bob Hilb made a motion to approve and adopt the agreement with the changes as recommended by Counsel and those changes would be sent back to Harvard to make the changes since they were the author of the agreement. The first change being on page 3 of the Agreement under number 7 "Assignment" as follows; the last sentence to read "Grantee of its liabilities and obligations under this Agreement which accrue prior to such assignment, but Grantee shall not incur liabilities or obligations under this Agreement arising after the execution and recording of such assignment". And the second change on page 4 of the Agreement on number 12 "Rights Reserved by Grantor/ Relocation Right" and the word "action" to replace "utility easements and structures constructed. Brian Ray seconded the motion. There was no discussion and the motion passed unanimously.*

E. Change order to the contract with Granite Basin Engineering in the amount of \$3,000. The proposed change order covers the additional cost of meetings with and coordination with ADEQ to establish concise guidelines for permitting of recommended plant upgrades and enhancements. *Bob Hilb made a motion to approve work order number 101 Contract*

Amendment and that District Manager, Bob Busch is approved to sign and execute this order. Brian Ray seconded the motion. There was no discussion and the motion passed unanimously.

F. Approval of placement of Liens on properties with unpaid user fees, late fees and interest. Bob Hilb made a motion to place a lien on the lot at 12325 El Capitan Way in the amount of \$122.33 for unpaid user fees, late fees and interest. Brian Ray seconded the motion. There was no discussion and the motion passed unanimously.

G. Record Retention and Requests for Public Records. No action is needed at this time as District Counsel is still reviewing this item. Mr. Hilb stated that approval of the draft policy was expected.

H. Handling of email sent to District email account. As previously stated by Mr. Hilb, Bob Busch will still answer applicable emails in an unofficial capacity. Any email that requires a policy change will have to be addressed in public at a future meeting. No action is needed on this item at this time. The following discussion ensued:

- **Dick Tracey** asked if Mr. Busch would sign his name to the emails he answers. *Mr. Busch stated that there was no issue with this as he was the only one allowed to answer emails.*

10. ADJOURNMENT

Therefore the meeting was adjourned at 2:10 p.m.

Date

Board Clerk