

INSCRIPTION CANYON RANCH SANITARY DISTRICT

P.O. Box 215 Chino Valley, AZ 86323

~ PUBLIC SESSION MINUTES ~

June 4, 2019

Date: Tuesday, June 4, 2019

Time: 1:00 p.m.

Place: The meeting was held at the Granite Peak Unitarian Universalist Congregation, 882 Sunset Avenue in Prescott, AZ

1. CALL TO ORDER.

The Governing Board for the Inscription Canyon Ranch Sanitary District convened the Call to Order at 1:01 p.m.

Members of the Public: Tom Sullivan, Al Getts, G. L. Swanson, Jim Cooper, Allan Cocherell, Meline (Mel) Knevel, Martha Montemayer, E. M. Zimmerman, Kathy Segal, Hope Engle, Linda Davidson, John Terwilliger, Jerry DeSantis, Mark Armstrong, Derrill Fulkerson, Derrick Scott, Jeanette Summers, Eileen McGowan, Dean Humphrey, Ray Damesek, Chris Stoner, Jimmy Stoner, Roy Kneale, Craig Brown, Brian Bosati, Rebecca Arnold, Mark Arnold, Jeff Hunter, Al Poskanzer, Mike Butridal, Ted Durham, Wally Holdsworth, Jim Maughan, Ken Maffes, Clint Poteet and Rick Shroads.

Before the meeting was called to order, Mr. Summers read a statement regarding his reason for serving on the Board and the possible legal action regarding his membership. Mr. Summers also stated that he would limit his participation in today's proceedings due to the pending investigation by the Attorney General's office.

2. ROLL CALL OF BOARD MEMBERS

Present were Chairman Dave Barreira, Board Members, Bob Hilb and Bob Summers, Manager Bob Busch, Clerk, Jeannine Yeager, legal counsels Bill Whittington and Stephen Polk.

Mr. Barreira called the Rate Hearing to order at 1:01 pm and stated that they would discuss the proposed rates first.

HEARING- PROPOSED RATES:

Mr. Barreira stated that the proposed budget and the rates were published in the Daily Courier on May 10th. Then he read the proposed Schedule of Fees (2019-2020) and Mr. Hilb stated that these were the same as last year. Mr. Barreira stated that they would only implement the Users Fees if the District became short of funds and needed to start charging those fees. All other fees are the normal fees charged for services.

Mr. Dean Humphrey asked why there were no User Fees in the 2018-2019 posting and Mr. Barreira stated that that was an error and that if he went back through the minutes from last year's Rate Hearing, that these fee amounts were exactly the same. Mr. Hilb explained that the Users Fees would show as zero until they are implemented and that's why it isn't on the website for last year. Mr. Humphrey also asked for an introduction of the Board.

There being no other comments, the Chairman closed the Hearing on Rates & Fees.

PROPOSED BUDGET HEARING COMMENCED AT 1:06 p.m.

Mr. Barreira stated that he wanted to present the Board members with an alternative to the proposed budget. Mr. Barreira passed out copies of his proposal to the Board and the Legal Team and then went over some changes that he wanted to implement. Mr. Barreira wanted to decrease the Attorney's Fees portion of the new budget from \$50,000 to \$25,000 due to the Insurance Company providing their attorneys for the litigations. Also, he wanted to reduce the \$150,000 for Litigation Fees down to \$50,000 because of the Insurance Company having their own legal counsel to take care of litigations. Mr. Barreira also wanted to remove the \$50,000 under #7722 Contingency for Court Award because the legal issues with Talking Rock may not be settled for a couple of years and this amount may not be needed until the settlement phase of this issue. This will reduce the Ad Valorem tax from \$564,170 to \$389,700 which is about an 18% reduction.

Mr. Hilb wanted to discuss the Users Fees and a possible new category for \$15,000 for collecting User Fees if they are implemented. He also wanted to discuss how much money would be necessary for future expansions of the plant. He also wanted to discuss the possibility of having 1100 houses and he would like to see how those future houses would affect the revenue. Mr. Hilb took out some of the money that would go into the Capital Accounts for those future homes. Mr. Barreira and Mr. Hilb discussed going through each line item to get public input also.

Mr. Jim Maughan asked who had designed the original budget and Mr. Barreira stated that Mr. Bill Dickrell, a previous Board Member, took the proposed budget that was sent out to the Board members from Mr. Busch and then he made some revisions because they can reduce the budget during the budget hearing, but they cannot increase it.

Discussion ensued regarding lowering inspection fees to \$3500 from \$7500, keeping the Application/Transfer fees at \$3500, and other items would remain the same as last year. Mr. Hilb wants to change the Residential User Fees from \$254,100 which is based on 205 houses and they currently have 645 houses, so he wants to change that to an extra 10 houses this year which

would change the amount to \$270,900 which he feels is very conservative. New Total User Fee Revenue would be \$283,450. Operating expenses stayed the same as on the proposal. There was a discussion regarding a contingency section. Lady in the audience asked about "actual" budget expenses. Mr. Barreira stated that Mr. Busch could tell everyone what the actuals would be up until April.

Discussion about Ordinary Income/Expenses and Mr. Maughan asked about reducing expenses for billing by allowing the residents to make their payments online or at least polling the residents on who would be interested in doing that. Mr. Hilb stated that they could do a study to see which way would be more cost effective to have things stay the same or decide to do online payments.

The Insurance cost increased from \$18,000 to \$25,000 and Mr. Jeff Hunter asked if that was because of the attorneys fees for the attorneys that the Insurance Company hired. Mr. Barreira stated that it was because the premiums would be going up due to a couple of claims this year and that when they look for new insurance, those claims will come up which will increase their premiums even with new Insurance Companies.

Mr. Derrick Scott stated that the electricity bill will increase once the new blower is up and running and Mr. Barreira asked if it was up and running now and Mr. Scott stated that it would online when the new plant is built but that will not be during this fiscal year. Mr. Barreira asked Mr. Scott if the increase of \$2000 for chemicals for the plant was enough since the operator has to increase usage of the chemicals on occasion to keep the plant running efficiently. Mr. Scott stated that this should be sufficient for the plant operation.

Mr. Hilb suggested that they increase the Maintenance/Repairs amount \$22,000 instead of \$18,000 due to the age of the plant and increased possibility of things needed to be maintained or repaired. Mr. Hilb asked about the Generator Maintenance amount of \$4400 and since the new generator would have a warranty on it, the expense could be decreased back to last year's budget amount of \$3000. Mr. Hilb also asked to put a little bit more into the User Fee Contingency fund for increases in Attorney's Fees and Litigation Fees. Discussion ensued regarding the Engineering Fees and Capital Expenses and continuing studies to be done by Civiltec. Mr. Maughan asked about benchmarking against other sanitation districts and Mr. Barreira stated that they have not done any studies in that regard.

Under #7800 Other Expenses/Contingencies, the Board wants to transfer the \$13,000 out of #7222 Customer Billing and Mr. Hilb asked about putting about half of the \$50,000 for Litigation Fees into this Contingency account and using it for User Fees if those are implemented. So the total proposed Contingency about would be \$38,000. A lady in the audience asked about Capital Expenditures and depreciation. A discussion ensued regarding Capital Expenditures and Depreciation and Mr. Busch explained that as far as the age of the plant and that depreciation isn't necessary to be included in the budget.

Non-Operating Expenditures remained the same and Mr. Hilb asked about the Other Deposits to Capital Accts. Mr. Barreira asked Mr. Busch to explain the -\$190,770 in that category. Mr. Busch explained that it is the amounts that are effected by the capital expenditures: lot fees, capacity

fees minus Capital formation and reimbursement. Mr. Hilb asked about the \$190,000 needed for the new plant. Mr. Barreira asked Mr. Busch if his computer program would recalculate the figures and Mr. Busch stated that it would. Mr. Hilb asked to exclude the User Fees and the Contingency section out since it is an income and not an expense.

Mr. Ray Damasek asked if Open Meeting laws prohibited the Board from having a discussion meeting outside of this meeting and Mr. Barreira stated that they did prohibit the members from getting together to discuss this. Ad Valorem tax will be reduced by about \$100,000 or about 70% less from the 2018-19 budget.

Mr. Barreira adjourned the Rate Hearing at 2:31 p.m.

Mr. Barreira then convened the regular public meeting into session at 2:31 p.m.

Mr. Barreira made a motion to go into Executive Session and Mr. Polk asked if that would be for only Item 7H or all items under Item 7. Mr. Barreira stated that it would only be for Item 7H and that they could do a second Executive Session for the rest of the items later. Mr. Barreira made the motion and Mr. Hilb seconded and Mr. Summers abstained. Mr. Barreira and Mr. Hilb stated aye.

Public Session reconvened at 4:29 p.m.

3. CALL TO THE PUBLIC

Mr. Barreira asked if Mr. Humphrey was the only one who filled out a slip to speak. Mr. Humphrey read a statement about keeping the public waiting for several hours while the Board had their Executive Session meeting. He also asked about inconsistencies in the newsletters on the website and he stated that "enough is enough" as far as the lawsuits.

4. SPECIAL REPORTS AND POSSIBLE ACTION

Mr. Barreira state that since the Engineer for Civiltec has left the meeting, there is not enough information to make any votes on these items so the Board will have to defer these items to another meeting.

5. REPORTS

- *Mr. Busch reported the daily flows at the plant were 1.5 million gallons at the plant for May with no days exceeding 60,000 so no extra samples were needed. Daily flows averaged 48,400 per day.*
- *Phase 1 treatment plant which consisted of a new generator and A/C unit. Final bill should be around \$25,000 and he is waiting for that to arrive to close out that project.*
- *Newsletters were posted on the website and about 1300 were mailed out on May 23rd. About 90 were returned as undeliverable so they need to update mailing address for everyone.*
- *Also want to report that the District has finished their registration with ADEQ and lab results can now be sent directly to ADEQ.*

- *In May, Mr. Busch transferred \$18,643 from the Restricted account to the General Fund to pay an invoice for the Engineering Company for the plant upgrade.*

6. CONSENT AGENDA

Mr. Barreira made a motion to approve the Consent Agenda regarding the approval of the minutes from the Public Session and the Executive Session from May 1, 2019.

Also the Reimbursement to the District Manager for expenses. Mr. Hilb seconded the motion and Mr. Summers abstained. Mr. Barreira and Mr. Hilb stated aye.

7. POSSIBLE VOTE TO GO INTO EXECUTIVE SESSION

This item was not voted on because it was not desired to go into another Executive Session at this time.

8. OLD BUSINESS

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

Mr. Barreira instructed Mr. Busch to notify everyone when the next meeting would be held.

- B. Claim by Talking Rock Land, LLC

Nothing new to report.

- C. Communications with insurance company re: possible involvement in settlement efforts with Talking Rocking Land, LLC; appointment of Board negotiator.

Nothing new to report

- D. Possible actions concerning Paragraph 16(f) of the Amended and Restated Development Agreement

Nothing new to report

- E. Response to request for records from Al Poskanzer.

Mr. Busch stated that he has sent everything that has been requested to Mr. Poskanzer except an item that he received today.

- F. Develop/approve ethics rules for Board Members.

Mr. Hilb made a motion to approve the ethics rules and Mr. Barreira seconded, Mr. Summers abstained and Mr. Hilb and Mr. Barreira both stated aye.

- G. Status and possible action concerning Appeal of Court Ruling of March 1, 2019.

Nothing new to report on this item

- H. Items removed from the Consent Agenda.

Items removed from the Consent Agenda and there are no items to include in that.

9. NEW BUSINESS

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

Financial reports from March & April 2019: Mr. Barreira stated that there was a typographical error on this item on the agenda because it said "2018" instead of 2019. Mr. Busch reported \$687,000 in the Restricted Capital Account with \$43,000 in the Chase account that will fluctuate as they transfer money into the General Account. \$175,000 is the Phase 1 improvements for the treatment plant. Mr. Hilb made a motion to approve the financial

reports and Mr. Barreira seconded. Mr. Summers abstained and Mr. Barreira and Mr. Hilb stated aye.

- B. Approval and adoption of Rates and Fees for 2019-20 fiscal year.

Mr. Barreira made a motion to approve the rates and fees that were discussed at the Rate and Fees Hearing. Mr. Hilb seconded and Mr. Summers abstained. Mr. Barreira and Mr. Hilb both stated aye.

- C. Approval and adoption of District Budget for fiscal 2019-20 and setting and certifying the tax levy amount for fiscal 2019-20.

Mr. Barreira made a motion to approve the amended budget that was discussed earlier and Mr. Hilb seconded the motion. Mr. Summers abstained and Mr. Barreira and Mr. Hilb stated aye.

- 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.

No motion was made on this item at this time.

- E. Possible waiver of attorney client privilege to allow the release of memo from District legal counsel concerning whether a resigning board member may vote for the appointment of his/her successor.

Mr. Barreira made a motion to approve this item and Mr. Hilb seconded the motion and Mr. Summers abstained. Mr. Barreira and Mr. Hilb stated aye.

- F. Consideration and possible approval of long range planning services from Civiltec for analysis of future plant expansions alternatives.

This item was deferred until the Board had time to hear the report from Civiltec.

- G. Notification to ADEQ of closure strategy and cost estimate per ARS 49-243.N and details of financial arrangements to meet the closure strategy (R18-9-A203.B.2).

This item was deferred until the Board has time to read the information from ADEQ

- H. Possible response to AG's office relating to Board Member Poskanzer's status; related open meeting law concern

Mr. Hilb made a motion to accept the Open Meeting violation from the AG's office. No one seconded this motion. Mr. Hilb made a second motion to put the letters on the website, Mr. Barreira seconded that and Mr. Summers abstained. Mr. Hilb and Mr. Barreira both stated aye.

- I. Process for approving release of newsletters.

This item was deferred until the Board could discuss it in the next Executive Session.

Meeting was adjourned at 4:58 p.m

Board Clerk _____

Date: _____