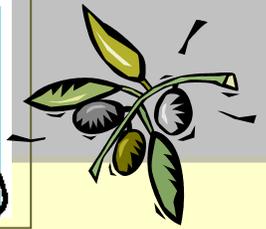
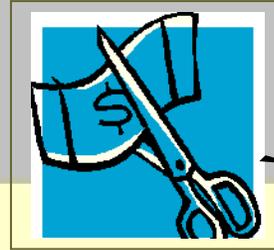


ICR SANITARY DISTRICT NEWSLETTER



PO Box 215 Chino Valley, AZ 86323 237-9347
www.icrsd.net

September, 2012

The Year in Retrospect

A lot has happened since the beginning of the 2011-12 fiscal year. A completely new, three-member Governing Board took office on June 8, 2011 after being elected in a recall election. The new Board's first task was to set a budget for the 2011-12 fiscal year that started July 1, 2011. Next was the adoption of user fees for the first time since 2007, to supplement tax revenues and help the District recover from the significant cash reduction resulting from payment of over \$400,000 in legal fees. From late August through the end of December, user fees were billed to all properties connected to the sanitary system. At the same time, the Board entered into negotiations with the developers who had filed a lawsuit against the District in 2010. After months of negotiations, an agreement was reached settling the lawsuit, which included a Memorandum of Understanding between the District and developers. In the spring of 2012, formal agreements were signed between the District and The Preserve at the Ranch and between the District and developers of Whispering Canyon and Talking Rock. (Details can be found in a previous newsletter or in the Agreement. Both can be found at www.icrsd.net) The District then filed a claim with the District's insurance company for amounts the District paid to its legal counsel in connection with the dispute with developers. (That claim is still pending.) In the spring of 2012, the District engaged Granite Basin Engineering to prepare a report on infrastructure set for acceptance by the District and to evaluate possible improvements to the wastewater treatment plant (WWTP). Subsequently, a Bill of Sale for the treatment plant transferring ownership to the District was signed by the parties. Under terms of the new agreement, ICRSD is to receive matching funds of up to \$150,000 for upgrades and improvements made to the plant.

Report from System Operator:

The treatment process is functioning well within the requirements that we are reporting on the APP permit. All equipment is functioning correctly at this time, with no issues present or anticipated in the near future. Equipment is serviced and maintained on a routine basis and effluent quality is very good and daily on-site laboratory analyses indicate a healthy biological process. On occasion we have had some problems due to inflow issues, introduction of toxins and process upsets due to line flushing. These are usually short lived and the treatment process corrects them readily.

The flushing program is ongoing with all subdivisions on a year round schedule. This has some effect on the process at the plant and we have modified the flushing to minimize these issues. All lift stations are maintained on a regular schedule. The collection systems are functioning as designed.

Flows increased some in July but have stabilized in August. Overall the systems are operating fine and we do not anticipate any major issues in the near future.

Pat Carpenter
A Quality Water Co.



ICR Sanitary District Plans Optimization of Existing Sewer Plant

For the past six months the ICRSD has been working on a strategy for future plant capacity. The core element is NEED, but the components of expansion have brought numerous other points of interest into play. The existing plant has a capacity of 62,500 gallons per day and has been operating at a steady rate of approximately 35,000 gallons per day, or 56 percent of capacity. The Arizona State agency for environmental quality, ADEQ, requires that ICRSD begin construction on expansion of its plant when the average usage reaches 85 percent of plant capacity. While we do not foresee reaching the 85 percent range for several years, it is imperative and businesslike to have a plan in place.

The engineering firm contracted by the ICRSD Board is looking at a host of conditions that would optimize the existing plant. Enhancement possibilities for accomplishing this improvement could come from increasing the existing plant's capacity to approximately 90,000 gallons-per-day, adding sludge bagging or sludge press and incorporating UV processing to achieve A+ effluent quality, along with other process components. Developers will assist in funding the upgrade, matching ICRSD costs up to \$150,000.

Decorum at public meetings.

In an effort to conduct orderly public meetings and reduce dialog from the audience during the business meeting, the Board has placed time limits on public comment and limited questions and comments from the floor during public meetings. The Open Meeting Law mandates that all actions of the Board be taken in public meetings. Board members need to discuss business matters with other Board members without interruption. Members of the audience are only entitled listen to the proceedings, but may make comments if permitted by the chair, either at the call to the public, or when a particular item on the agenda comes up for consideration. This is consistent with the conduct of meetings of county boards of supervisors and city councils.

District Takes Ownership of Treatment Plant

As of May 1, 2012, the District owns the wastewater treatment plant. The plant, known as the "Santec Plant", was transferred to the District via a Bill of Sale in the amount of \$790,997.29. Under terms of the Amended and Restated Development Agreement, the District will begin repaying developers for the cost of the plant in 2014 at a rate of 10% of gross revenue (less effluent sales) for a 20 year period, or until 50% of the cost of the plant is repaid, whichever comes first.

District Responds to Record Requests

Under Arizona Law, the public is entitled to view and obtain copies of public records. Since June of this year, the District has received five such requests. Three of the requests were to review a few specific documents and were easily satisfied. The remaining two were requests to a review of a significant number of records, including contracts, correspondence and related emails from Board members, District Manager, District Clerk and some vendors. Responding to those requests has required dozens of hours to assemble over 1,200 records including documents and emails. In addition, the District had to consult with legal counsel regarding some aspects of the requests. The law does not permit charging the requestor for time required to assemble or copy records. It only provides for a charge for copies given to the requestor. The District charges \$.25 per page for paper copies.

Tax Levy lower this year

The District has filed the requested tax levy with Yavapai County that sets the amount that will be collected from District property owners through property taxes during fiscal 2012-13. The levy was set at \$303,911 for the upcoming year, which is less than the \$328,735 for last year and the lowest amount since 2009. However, that doesn't necessarily translate to a lower tax bill this year for property owners. The county sets the tax rate based on the total assessed value of all property in the District (both vacant land and improved property). Land values have generally deflated more than improved property, so it is quite possible that homeowners could see their tax bill for the sanitary district increase. The total valuation for property within the District has gone from \$49,917,848 in 2010 to \$33,696,482 in 2011 to \$23,442,865 this year, so assuming a constant request, the tax rate has more than doubled since 2010. The District has no control over the tax rate or the tax bill. To view how assessment affects tax bills go to <http://www.yavapai.us/assessor/files/2012/03/PropertyValuationBooklet.pdf> (copy and paste the link into your web browser)

New Account Holds Funds for Plant Expansion

We have begun the transition from a joint District/Developer Escrow account to a District only Capital Improvement Account (as required by the state and county). All of the cash has already been transferred. Funds that are in CDs are being transferred as the CDs mature to avoid early withdrawal penalties. As part of that process we have done a reconciliation of all lot fees that have been collected by Pivotal and the District. All lot fees have been accounted for. When all transfers from the joint escrow account are complete, the Capital Account will have approximately \$730K which will include approximately \$113K from Pivotal and \$39K from deeds of trust.

Approved 2012-13 District Budget

REVENUES	
Taxes	\$303,911
Licenses & Permits	\$3,500
Interest on Investments	\$300
Effluent Sales	\$49,500
TOTAL REVENUES	\$357,211
EXPENDITURES	
Salaries & Wages	\$27,168
Administration	\$20,192
Professional Services	\$102,500
Utilities & Communications	\$19,620
Insurance	\$5,500
Plant Operations and Maintenance	\$132,676
Repairs	\$14,500
Other Expenditures	\$35,056
TOTAL EXPENDITURES	\$357,211

To view the complete, detailed approved budget, go to District's website: www.icrsd.net and select "Documents/Reports" then "Budget

District Policy, Procedures, Rules and Regulations

Director, Scott Robbins has taken the lead on this project, working with District Manager, Bob Busch and two district members with experience in policy creation or revision. Scott visited Camp Verde's District a few months ago and learned that they had recently revised their entire documentation. Over the past few months Scott and Bob have prepared a draft, merging much of what was contained in the Camp Verde documents and information provided by District Legal Counsel on bylaws and Open Meeting Laws. At its August Meeting, the Board requested legal counsel incorporate board member comments into a draft to be considered for action at a future meeting. The District has been largely operating under a document called the District "Ordinance" for several years. The new document, if adopted, is intended to replace that ordinance.

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