

RIM TRAIL DOMESTIC WATER  
IMPROVEMENT DISTRICT  
240 E. Box Elder Lane  
Payson, AZ 85541  
(928) 472-7585

Draft Minutes for the Board of Directors Meeting on July 5, 2013

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The Board of Directors of the Rim Trail Domestic Water Improvement District met in special session on Friday, July 5, 2013. The meeting was held at Station 71 of the Whispering Pines Fire Department located at 10603 N. Houston Mesa Rd. in the community of Whispering Pines, north of Payson, Arizona.

The chairman called the meeting to order at 1:05 pm and noted that all the directors were present. Dick Johns and Ray Tanner were at the meeting in person, and Don Nelder attended by speaker phone. Also present were the District Manager Harry Jones, and property owners Chris Oberg, Beth McElhany, Christine Hatch, Mel Bramley, and Chuck Pfeiffer.

First, the chairman apologized for calling the meeting on such short notice especially over a holiday weekend. Unfortunately, this was the only time all three directors could meet before the deadline for submitting budget information to the county.

The chairman asked if there were any corrections to the minutes of the Board meeting on June 22, 2013. There being none, the minutes were approved.

The next, and only, agenda item was a discussion of the budget for Fiscal Year 2013-2014.

Ray Tanner made a motion to approve the same budget that was proposed at the June 22 Public Hearing, including a property tax and four conditions for certain expenditures. A copy is attached. Don Nelder seconded the motion.

Ray noted that the primary dispute over the proposed budget is the proposed property tax, and said that we need to proceed with the tax for several reasons:

1. To provide a broader base for sharing the cost of District operations among all property owners.
2. To avoid the need for special assessments every 2 or 3 years as was done in the past.
3. To assure that we have enough in reserve for unexpected expenses, and enough to cover potential costs such as repairing water storage tanks, replacing portions of the delivery system, and determining where all the pipelines are physically located.

He also stated that if and when major portions of the delivery system are replaced, we should be able to reduce expenses for repairs, which will benefit all property owners.

Dick Johns then made a motion to amend Ray's motion as follows:

1. to remove the expense item for a "Water Holiday Refund" and replace it with a "Property Tax Refund" in the same amount as the property tax revenue of \$14,000; and
2. that any refund of property tax, if approved by the Board, will be paid proportionately to the property owners who originally paid the tax.

Don Nelder seconded the motion for an amendment, and it was approved by a unanimous vote.

Ray then added that we are not necessarily in need of tax money now, but it is also important to establish the right to levy a flat tax so we can do so in the future when money is in fact needed.

Dick Johns stated that he cannot approve a tax that is not actually needed for either a reserve fund or for some identifiable expense.

Ray responded that it is better to establish a precedent now for a flat tax, than to wait until funding is needed in the future.

The chairman opened the floor to members of the public. He noted that the directors had recently received two emails objecting to a property tax. One was from Chris Oberg, and one was from Fred Wolfe. Since the directors had already read these emails, they were not read aloud in the meeting.

Chris Oberg stated that he opposes the property tax, and asked whether the district had the legal authority to tax. Dick Johns responded yes, there is a specific statute that says general obligations of the district will be paid through a property tax. However, there is no statutory authority for a flat tax such as the one in the proposed budget.

Ray Tanner noted that a flat tax has been allowed in Yavapai County, and the Board is trying to establish this in Gila County. He also added that the district has the authority to simply send out bills for funds that are needed, but a flat tax is more fair. In effect, it would be like an "availability fee" that wastewater districts can assess against all property owners, not just the current users of the system.

Beth McElhany asked what the district's water delivery capabilities are, and whether funds are needed to expand these capabilities. Ray responded that we are currently delivering about one million gallons per year, and have the existing capability to produce two or three times as much. Therefore, additional funds are not needed to support the delivery of water at this time. Beth indicated that she thought it was not necessary, then, to impose a tax.

It was suggested that the District's expenses could be cut instead of raising taxes. For example, the proposed cost of providing a special water line to the Fire District should be paid by the Fire Department, not the Water District. There was general agreement by the members of the public on this. (Later in the meeting, Don Nelder said that he had been reviewing the minutes of previous meetings on the question of whether the fire district should pay for a special water line to the fire station. It appears that the fire district may be prevented by law from paying for the water line, so the law should be checked before proceeding with that issue.)

The question was asked whether the flat tax would be a one-time tax and then go away. Ray said that he does not necessarily see this tax going away, because there will be continuing expenses that need to be paid, and rather than relying solely on water rates, a flat tax would be a better way to cover these costs.

Christine Hatch said that the current reserves of \$55,000 should be adequate for unexpected

expenses, and that if additional funds are needed they could be obtained by using a line of credit. She opposed the use of a property tax at this time. Instead, she suggested that the district should work with Gila County before funds are needed, to establish a process for assessing future taxes at appropriate rates and amounts when the money is actually needed.

Christine also asked whether the \$79 minimum water rate would go down if a tax is imposed. Ray responded that he cannot say at this time whether rates can be lowered.

Beth McElhany said that the Board had previously promised there would be no more taxes, but is now already proposing another tax, and that this is not right. She explained the different amounts of money she has had to pay for various assessments over the last several years, which has been several thousand dollars, and stated that she is opposed to another tax. Several other members of the public said they also remembered that the Board stated it would not levy another tax, and they agreed with Beth.

Ray responded that such a statement may have been made by the previous chairman, Buddy Rice, but it was not a commitment on the part of the entire Board.

Chuck Pfeiffer noted that taxes on second homes will also be going up due to a change in the law, which could be another several hundred dollars, and this will affect a large percentage of property owners.

Dick Johns stated that he agreed with all the concerns raised by the members of the public, and with their objections to a tax, and that he intends to vote against the tax.

Mel Bramley stated that if a tax is imposed, he agrees that it should be a flat tax instead of being based on property values. There was general agreement by everyone at the meeting.

It was then suggested that the proposed tax should be lowered to perhaps \$50 per parcel. Ray expressed concern that if the tax is too low the county would question the need for it, and would not go along with it.

There was a question about whether or not the county would approve a flat tax in general, and Ray explained that the District's attorney, Steve Wene, has talked to several county officials about this, and their responses were favorable. However, we will not know whether the county will approve a flat tax until we actually submit it in the budget.

There being no further discussion, the motion made by Ray Tanner to approve the budget with the tax and other conditions, was put to a vote. Ray Tanner and Don Nelder voted "yes" to approve the motion. Dick Johns voted "no". The motion was therefore approved by a majority of the directors.

The chairman asked if there was any other business. Since there was none, the meeting was adjourned at 4:55 pm.