

RIM TRAIL DOMESTIC WATER IMPROVEMENT DISTRICT

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Minutes of Special Meeting of the Board of Directors on 12/13/2012

The Board of Directors of the Rim Trail Domestic Water Improvement District met in special session on Thursday, December 13, 2012. 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 call to order was made by Chairman Rice at 11:15 AM. Board members present were Chairman Buddy Rice and Board Members Ray Tanner and Don Nelder. A quorum was confirmed.

Also present were RTDWID Manager Harry Jones and Jay Tenison, a new resident of Rim Trail. Neil Whittle, circuit rider for our area representing the Rural Water Association of Arizona, (RWAA) had been invited by the Board and was also in attendance.

Don Nelder read the minutes of the previous meeting held on 6/16/12. The minutes were approved as read by a unanimous vote.

Don Nelder presented an abbreviated Treasurers' report through November 2012 with information provided by District Manager Jones. The District's cash position at the end of November was \$48336.71. Ray Tanner moved to accept the Treasurer's report as read, seconded by Chairman Rice. The motion passed unanimously.

In addition to the Treasurers report above Don Nelder also included a brief history of actions of the Board that resulted in the District's improved current cash position and positive cash flow.

- The Board has worked together to reduce expenses, streamline our financial records and has eliminated all but essential operating costs for the district.
- In 2012 RTDWID has received \$65,000 in property taxes and assessments from district water users.
- Currently, Chairman Rice and District Manager Jones review all invoices and cosign outgoing checks.
- The Board continues to look for ways to ensure RTDWID financial stability with the goal of avoiding the reoccurring cycle of periodic district property tax assessments and levies such as have been necessary during the past decade.

Don Nelder then continued to present the brief financial history referred to above along with the November 30th 2012 Financial Report

“We have good news for the members of RDTWID. Our district has continued to build our cash reserves over last year. Since your current board arrived there have been multiple positive changes in how we approach our accounting and revenue/expense management. The increase in cash reserves is a direct result of administrative improvements, along with the tax levy and assessment made at the direction of your board some of which were carried out by Chairman Rice working directly with the RTDWID District

Manager.

When the 2011 – 2012 budget was introduced and passed by Ray Tanner and Don Nelder, the only two board members at the time, we owed more money than we had coming in from water usage fees

This led to the painful but necessary action of implementing another assessment and/or property levy. Ray Tanner and Don Nelder worked on providing a reasonable flexible solution to solve the problem. The result was a budget that enacted a \$65,000 assessment plus a onetime property tax levy of a \$40,000. Ray Tanner proposed that the \$65,000 assessment be broken into two pieces. The first piece of \$30,000 was to be implemented immediately and the remaining \$35,000 to be enacted in January of 2012 if necessary. This was done to allow the district time to get a better feel for our finances after implementation of the new Quick Books accounting program. As you all now know Ray's foresight was confirmed when the board did not need to implement the collection of the remaining \$35,000 at that time from the original \$65,000 assessment. During that 2011 - 2012 budget meeting in July 2011 Ray Tanner and Don Nelder also called for a volunteer to the board to fill the recently vacated former position of chairman by Harry Jones

At that time Buddy Rice accepted the position of chairman and became an active member of the board. It was the opinion of the Ray Tanner and Don Nelder that it was imperative to have a full time resident of Rim Trail to fill the board vacancy to be available to work with the district manager. We appreciated Buddy's willingness to come on the board and accept the chairmanship simultaneously.

Some of the changes that have been implemented by the board before Buddy Rice came on board and after his presence as Chairman, that significantly and positively impacted the budget, include the following:

Before Buddy Rice joined the board:

- 1 - Purchase and implementation of the new Quick Books accounting system.
- 2 - Development and passage of the financial recovery budget of 2011.
- 3 - Elimination of ALL consulting activities by HDJ and the subsequent billings to RTDWID.
- 4 - The assessment of \$30,000 and the one time property tax levy of \$40,000.
- 5 - Two signatures on all checks issued out of the checking account of RTDWID. One of those signatures is to be a designated board member. Don Nelder filled that role until Buddy Rice joined the board.

After Buddy Rice joined the board:

- 6 – Rice reviews all checks issued from the RTDWID account and cosigns them with the district manager.
- 7 - Money is now properly and clearly labeled. For example; The board of directors item now clearly states that category refers to D& O insurance as well as General Liability Insurance. In addition, money is now labeled as assessments if that is what it is and income as income when it is related to the water fees from water usage etc.

All of this is to say that your board is encouraged to report that we are now in much better financial condition than less than one and one half years ago. When the November 2012 financial report is compared to the December 31, 2011 report we have an increase in cash of \$21,220.56 over the end of last year. Our cash balance is \$48,336.71 as opposed to \$27,116.45 on December 31, 2011.

We thank the district manager for his cooperation with the board in restoring the district to financial health. We feel that we are better prepared to engage in the decisions about how we will approach the challenges ahead such as the Payson pipeline involvement, water tank maintenance, and the replacement of our underground piping distribution system.”

Ray Tanner introduced Neil Whittle and outlined the board's desire to receive assistance and/or information on a number of items facing the board now as well as in the future. Ray's list of items was not intended to be exhaustive but rather a starting point as we determine where and how the RWAA may be of help to the board now and in the future.

Neil responded with a brief outline of some of the type of items that the RWAA could help small rural water districts use.

- He said the RWAA is a member of the National and International Rural Water Users Association. This gives them access to a wide range of information that can be relevant to districts like ours.
- He refers to himself as a Chlorine Specialist and a State of Arizona water quality appointee and class 3 licensed water and wastewater operator.
- In the past he ran the Utility Authority for the White Mountain Apache Tribe.
- He explained that the RWAA operates as a “think tank”, helping design systems, helping analyze blue prints, organizing training, helping implement certification classes, identifying and training future operations managers, providing training for water board members and assisting districts in keeping up with water quality rules and regulations.
- RWAA directs the training of new operators through Gateway Community College who also conducts the exams for certification. Neil continued telling us about a few of the very recent changes in operating rules that have been handed down by the government. He added that our district is a Grade 3 district that requires that our operators have a class three certification and that we have two available. Don Nelder asked if we needed to hire an additional operator and Neil replied that we did not because being a member of the RWAA qualified us as having a second Grade 3 three operator through their assistance

Don Nelder then asked is it was necessary to have the District Manager certified as well. Harry Jones had confirmed that he is currently not certified. Neil confirmed that our District Manager Jones did not need to be certified and added that all that was required by ADEQ was that the actual operations of the plant to be maintained and run by a Grade 3 certified operator. We do have two Grade 3 three operators through Quality Water Maintenance who on a day-to-day basis operate the wells, water treatment plant, tanks and take meter readings. They also take all water samples and file all reports required.

Neil went on to explain that RTDWID is a grade three plant because we get our water from surface water (the river) as well as our two wells.

Ray Tanner asked Neil Whittle how he might help our district with defining our approach to the Town of Payson on the impending pipeline construction through our community. Much discussion followed regarding identifying our current waterline locations, how to more accurately identify where our existing pipes are now, what attorney we might use, if needed, and who should be the representative for the district to interact with Buzz Walker or his designee before and during construction of the pipe line. Sunrise Engineering was mentioned as one possibility. It was mentioned that Sunrise engineered the Payson pipeline down to the treatment plant at Mesa del Caballo. Neil suggested a construction/engineering firm called Henkle and McCoy might be appropriate. Harry Jones mentioned we have our own District Engineer appointed as required by law and he should be considered even though he has not been engaged for any specific projects to date. Neil mentioned that there were ways of acquiring that pipeline very inexpensively by acquiring surface pipe line from another community that no longer needs it. There was discussion of various ideas regarding the integration of our own internal pipeline distribution system and the Payson-Cragin Water Pipeline prior to construction commencing.

Whittle made a suggestion to use the referral attorney from RWAA whose name is Steve Wene of Moyes, Sellers, and Hendricks, Ltd., who specializes in water issues. Ray tanner mentioned that he previously talked with Wene on the issue of expanding the number of board members from three to five as well as alternate methods of raising revenues for RTDWID.

- Briefly discussed was the issue of our bylaws that were previously reviewed but not actually

approved by the Gila County Board of Supervisors. Chairman Rice mentioned that the BOS has no jurisdiction or approval authority over our bylaws.

- Discussion followed in pursuit of alternate ways of having all district members share equally in the cost of operating and maintaining our water district. This had been previously discussed at open board meetings.
- There was general agreement that RTDWID needs to have discussion with Buzz Walker who is directing the pipeline construction for City of Payson. Chairman Rice suggested that we needed to hire an attorney to review any documents that are executed between RTDWID and Payson.
- Discussion continued among the Board to determine who is the best candidate to interface between RTDWID and Payson before and during construction and who might be the best person from the RTDWID board to initiate negotiations with Buzz Walker/Payson for items to be identified and agreed to regarding the pipeline construction in our community. Neil suggested that in situations where there is construction in communities like Rim Trail that most contracts will call for the contractor to leave the community's assets such as our water distribution system pipeline in the same or better condition than existed prior to the commencement of the construction.
- At this point in the discussion Ray Tanner moved that the board nominate Chairman Rice as the Board and District Representative to contact Buzz Walker, Director of Payson water works and to enter into discussions regarding pipeline issues as they affect RIDWID systems and our community. The motion was seconded by Don Nelder. The motion passed unanimously. It is important to note that Rice has some experience with pipeline construction in his past work history.
- Ray asked Neil about possible assistance in mapping out our current water line locations. Neil said that the most accurate way to do that is to hire a company that does that as their sole business. He suggested that we contact Arizona Pothole Excavation Company. Neil said that in his opinion these folks have the equipment necessary to identify our pipe locations whether the pipe is plastic, metal or any other type of material. He explained that they use a form of sonar to identify the underground pipe locations. Harry Jones said that he has a map showing water line locations based on 1977 mapping efforts and on data collected from various repairs made in the past. He added that Judy Bailey had composed a binder showing all owner easements in the district. There was discussion about the accuracy of the map. Harry says that it is not complete but only reflects what was learned in 1977 and at the point of the actual breaks. Neil asked Harry if the district had marked every line and elbow etc. at the time of the breaks so that future identification would be easier by using a metal trace. Harry indicated that he was not aware of the use of tracer lines and what was done on the map was done by the operators who did not institute burying tracer wires marking the locations on the maps. Neil explained that the purpose of the tracer line concept was to make it easier to identify water pipes by using a metal detector.
- Ray Tanner asked Neil if WIFA loan would be available for us if we needed it to rebuild a portion of or all of our water distribution system. Neil replied that WIFA has lots of money right now and they want to lend it out. He explained that RWAA can help us initiate the process and then WIFA will walk us through the process. He added it is not hard to get a WIFA loan if you go about it the way he suggested. He said that if we apply for a large loan by breaking it down into smaller (he used an example of every 90 days apply for each increment) loans it is possible to get most if not all of the loan forgiven.

Neil remarked that if you know the process, then you could maximize the benefits. Don Nelder asked Neil if it was necessary to hire a consultant to apply for the WIFA loan. Neil said no. He responded "that would be a waste of your money". He then went on to describe how a 65-year-old woman with no prior experience and with a little help from Neil organized her neighborhood into an improvement district and then successfully applied for a WIFA loan. He said that WIFA would

walk you through it to get it done.

- Ray Tanner asked Neil about how we can determine how well we are handling our expenses verses income. Neil replied to go to the WIFA web site and look for the link that will access a comparative study along with information from other water districts. on that topic. Harry clarified the comments with Neil that what Neil was referring to was a simple comparison of rates, not a comparison of line item expenses and revenues that Ray was asking about. Neil commented that our rate structure was healthy and that the fact that we actually have cash reserves was exceptional. By being financially strong we are in a strong position to get a WIFA loan on very favorable terms at this time. Neil continued by saying that one way to keep up with increased costs is to implement a small annual increase in rates such as 1% per year. This would protect our rate structure in the future and help to keep income verses expenses in balance, an idea that Chairman Rice had previously offered to the Board.
- Ray asked Neil about the idea of whether or not it made sense to consider buying additional water rights from the SRP and the Cragin Reservoir project. Neil replied that you could never have to many water rights. On the other hand, he said the purpose of buying more water rights would be to give us an alternate plan to provide water to our members. He said, "you already have an alternate plan with your wells as a backup supply to the stream" so the decision is simply one of how you feel about where you are now.

Chairman Rice temporarily adjourned the meeting at 12:30 PM to allow time for all present to accompany Neil Whittle on a tour of the RTDWID Water facilities.

The meeting was once again called to order at 1:35Pm at the Whispering Pines Fire Department.

Neil Whittle provided his closing remarks by saying that he, in a very long time, had not seen a rural water District as well organized and in such good financial condition as RTDWID. He congratulated the board for having a clean record with no violations on record and for having such a solid financial report. He added that he thought that District was well on it's way to continued financial health and operating efficiency. He indicated that he is available to us when we need him.

- The next agenda item was the topic of RTDWD considering providing a dedicated water supply to the Whispering Pines Fire Department for the new Belluzzi Blvd location. Don Nelder asked the board to consider the item by providing information he received from the Fire Chief Ron Sattelmaier. The Chief says the ISO requires a dedicated volume of water of 30,000 gallons accompanied by a fire hydrant or a 4"(ID) stand pipe that delivers water at 500 gallons per minute.
- General discussion followed revealing an agreement that had been made by the district several years ago agreeing to supply up to 75% of our water on an emergency basis and 100% of it if the need was inside of Rim Trail proper. These percentages came from District Manager Harry Jones. After additional discussion the idea was incorporated into the items that Chairman Rice will include in his contact talks with Buzz Walker.

Agenda item IX was discussed with regard to getting in touch with legal counsel on the item of increasing the size of the board as well as evaluating the possibility of applying an availability charge on all lots in Rim Trial. The dialogue centered on the timing of the levy with regard to the item of the availability charge on all lots in Rim Trail. There was general agreement among the board members that this approach can be a step in the right direction to equalize, to some extent, the burden of funding the costs of running RTDWID. However, the amount of the levy and the timing of this action could not be agreed upon at this time so the discussion was tabled, to be considered in a future meeting. The item of expanding the board from 3 to 5 members was discussed with no agreement being reached at this time. The motion to table these items for future consideration was made by Chairman Rice and seconded by Don Nelder. The motion passed with Rice and Nelder in favor. Ray Tanner abstained from the vote.

Don Nelder moved to adjourn, seconded by Ray Tanner. Motion passed unanimously.

Meeting adjourned at 5PM.

Minutes respectively submitted by:

Treasurer and Acting Secretary Board Member Don Nelder