

# RIM TRAIL DOMESTIC WATER IMPROVEMENT DISTRICT

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## Minutes of Regular Meeting of the Board of Directors on 3-23-11

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The Board of Directors of the Rim Trail Domestic Water Improvement District met in regular session on Wednesday **March 23rd, 2011 at 12:03 p.m.** Due to travel and availability issues with Board members living in three locations, the meeting was held at Dunns Arena, 7653 N. Sarival, Litchfield Park, AZ.

I. *Call to Order:* The meeting was called to order at 12:03 p.m. The telephonic connection available to the public had been activated at 11:55 a.m. It was checked to see if anyone had called in to join the meeting telephonically, and no one was on the line. Also, Mr. Jones checked the 928-595-1111 call-in number to see if anyone had notified the Board they wanted to be connected to the conference line after the executive session was completed and there were no such calls or messages. No member of the public attended the meeting in person.

II. *Roll Call and Determination of a Quorum of Members Present:* Harry Jones, Chairman; Ray Tanner, Clerk-Secretary; and Don Nelder, Treasurer, being all the Board members of the District were in attendance. Harry D. Jones of HDJ Management, LLC attended as the contracted District Manager. A quorum was in attendance. Because of the expected length of the meeting, Mr. Jones asked all Board members, if possible, to help take notes of the meetings, especially related to any motions made and votes taken.

III. *Motion to go into Executive session:* Tanner made a motion to recess into executive session. It was seconded by Nelder. After the need for an executive session was briefly discussed (per the statute citations at the top of the publically posted agenda), the motion passed unanimously and all Board members confirmed that such sessions were confidential and not open to the public. The Board acknowledged they were going into executive session pursuant to (a) A. R. S. § 38-431.03(A) (1) for discussion of personnel matters, (b) A. R. S. § 38-431.03(A) (3) for discussion of legal issues, and (c) A.R.S. § 38-431.03(A) (7) on matters relating to the purchase, sale or lease of real property, as set forth in the agenda items. At this point the open telephone line for the public to call in was checked and again no one was there, so it was announced that the line was being disconnected to be able to open the executive session.

IV. *A motion to open executive session* was made by Tanner and seconded by Nelder and approved unanimously. The executive session was held until 6:15 p.m. Minutes of the executive session meeting are not open to the public and it was discussed that they would be filed in a separate location from the regular minutes to avoid accidental disclosure to unauthorized parties.

V. *A motion to return to regular session* occurred at 6:15 p.m. It was made by Nelder, seconded by Tanner, and it passed unanimously.

VI. *Approval of minutes of prior meetings:* The minutes of the October 2, 2010 meeting were reviewed and Tanner move to accept them as presented. Seconded by Jones. Motion passed 2-0, with Nelder abstaining since he was not a Board member at the time the meeting was held.

VII. *Reports:*

A. *Chairman's report:* The Chairman reported that numerous issues would need to be considered by the Board over the next few months, and that the agenda outlined what needed to be discussed in executive session and in the public portion of the meeting. The Chairman mentioned that there may be numerous items on the agenda where he may abstain from the discussion or the vote on the matter due to a possible conflict of interest since his wife had been participating in the activities necessary to support operations with the resignation of Chris Bailey and the desire for less active involvement by Dave McKibben.

B. *Treasurer's report:* The financial statements for FYE 12-31-09 and 12-31-10, as prepared by McKibben and included in the Board materials were discussed and evaluated by the Board. Also, the necessity of having the District's CPA use the in-house statements as a basis for a CPA compilation report was discussed.

Cash positions were reported as follows:

|                           | 12-31-09    | 12-31-10   |
|---------------------------|-------------|------------|
| Chase General Checking    | \$2,423.05  | 2,193.01   |
| Chase Savings #4590       | 13,859.48   | 12.39      |
| COMM Ckg-PF 4599 Inactive | 89.85       |            |
| Chase WIFA Chk #1278      | 3,638.55    | 2,651.16   |
| Chase Savings #4599       |             | 50.98      |
| Total                     | \$20,010.93 | \$4,907.54 |

Jones reported the major difference in cash positions resulted from additional expenses incurred during 2010 that were necessary to complete the modernization of the filtration plant including upgrading well # 2 that allowed the filter plant to be shut down to make the upgrades in the equipment and processes, adding a leach field for backwash water from the plant, building a storage building to house parts and materials previously stored inside the plant, making major repairs to the pump house-river diversion building damaged in the Jan. 2010 flooding, and the addition of a bag filter in the water treatment plant.

Additionally noted on the financial statement was a net increase in fixed assets of approximately \$135,000 cause by the upgrade of the water treatment plant, and a net increase in debt of \$11,000 cause by adding the new assets, and having the Water Infrastructure Finance Authority, as administrators or the American Recovery and Reinvestment Act (Obama Economic Stimulus Program), forgiving \$116,000 of the \$145,000 of debt incurred with the WIFA project.

Nelder made a motion to approve the Treasurer's report and it was seconded by Tanner and the motion was approved unanimously.

C. *Clerk/Secretary's report:* No report was given. An appreciation of Dave McKibben's efforts as the District's Financial and Records Clerk to take minutes and prepare them in the past was stated by Mr. Tanner.

D. *District Manager's report:* No specific report was presented, however it was noted the contents of the Board meeting book that Mr. Jones had prepared was available for review.

VIII. *Call to the Public for items on the current agenda:* Since no one had called to the posted conference numbers, and no one of the public attended the meeting in person, there were no comments from the public.

IX. *Discuss and take possible action related to authorization of a District official to pursue potential loans and grants from various government agencies, individuals, or other financial resource firms to strengthen the District's cash and credit position:* After review of the financial status, a discussion occurred related to accessing additional financial resources for the District. Jones reported that when the WIFA project was completed last fall, he had made contact with WIFA management and was encouraged about possible grants or loans related to other projects the District had already completed that were not covered under the original WIFA-ARRA stimulus program. Therefore, Nelder made the motion to "have the District Manager immediately investigate grant and loan funding from WIFA, USDA Rural Development, Compass Bank, etc. to cover the costs of recently completed projects for well #2, leach field, storage facility, pump station/river diversion, and bag filter projects, plus upcoming projects requiring engineering and legal advice related to expected dealings with Salt River Project concerning water rights, and with the Town of Payson concerning installation of a pipeline through a major part of the District's service area". Second by Tanner. Motion passed unanimously.

X. *Discuss and take possible action related to organization, responsibilities, and possible replacement or engagement of staff or consulting personnel performing the following functions:*

1. *Monthly meter reading:* Jones expressed satisfaction with keeping the operators in the field doing the meter reading so they are more likely to observe any changes in field activities. He made a motion, seconded by Tanner to continue using the current meter reading services of A Quality Water Co. Motion passed unanimously.

2. *Issuance of periodic customer bills:* See discussion below on agenda items X-2-6 all discussed at the same time since they are inter-related.

3. *Processing of customer payments into the billing system and into the bank account:* See below.

4. *Development and maintenance of the billing software and hardware:* See below.

5. *Development and maintenance of the general ledger accounting system:* See below.

6. *Processing of accounts payable:* See below.

Significant conversation occurred related to the billing and accounting system. Tanner and Nelder expressed the desire to see all such services done by one individual and at one location and on one computer so everything is together with the hard copies of backup documents.

In terms of the development and maintenance of the billing software and hardware, it was noted that Dave McKibben, former Treasurer of the District, had developed a DOS based custom billing package that had been used by he and Chris Bailey (District data entry person) for about 5 years. Concern was expressed that this system was highly dependent on Mr. McKibben and without his full involvement it may be difficult to maintain long distance. Also, Dave's efforts to develop and keep the billing system working to serve the District needs were greatly appreciated, and that going forward that function would be a significant imposition on McKibben's personal time.

In terms of development and maintenance of the general ledger accounting system software, similar concerns and appreciation were expressed by the District Manager and Board members as indicated above. It was also noted by Mr. Tanner that continued development and perfection of this custom system by Dave McKibben was unnecessary in the future since fully developed software packages, at very reasonable prices, were now available to the District. Mr. Tanner discussed his personal use of QuickBooks to account for four different businesses was very satisfactory and would allow for immediate presentation (to the Board and the District Manager) of various financial reports by the local software operator if we selected QuickBooks software going forward. Mr. Nelder indicated a desire for a conservative method of

maintaining financial records and presentations, including reasonable reliance on hard copy documents that could be maintained and distributed to Board members before and during decision making meetings. As the district Treasurer, Nelder also indicated a desire to be able to see all financial documents in one location and on short notice when he was in the District.

A lengthy discussion of agenda items X-2-6 occurred, with consideration of the various alternatives for completion of tasks, the cost of each alternative, and the availability of software systems for billing and general ledger entries. People-wise, to complete the tasks, consideration was given to the following parties: Nancy Jones (the temporary transition person for billings); a joint use of staff and facilities of other water district clients of HDJ Management that already operate the same software packages that are being considered by the District; a new part-time administrative assistant at the local fire department; the District Manager; and to Dave McKibben. A first motion on this agenda item was ultimately made by Tanner that “the decision as to how to handle the administrative help was to be left to the discretion of the District Manager with the statement that the Board approved (with Jones abstaining from the vote) engagement of Nancy Jones or Pat Watson or other options if the District Manager felt that was the most efficient and economical thing to do”. The motion passed with Nelder and Tanner in favor, and Jones abstaining.

A second motion was made to compensate the selected billing and accounting party, to begin April 1, 2011, if available, at a cost of \$500 per month, with the person, if they wish and the District Manager agrees, to be associated on a pass through cost basis, with HDJ Management (current District Manager) rather than as an independent contractor directly engaged by the District. It was discussed that if the \$500 per month amount was agreeable to all concerned, it would reduce the District’s fixed cost by \$180/mo. compared to the current \$500/mo. previously paid to Chris Bailey, plus the \$300 currently being paid to McKibben to handle accounts payable and general ledger accounting, less the \$120 currently being paid to the meter reader. Also Tanner noted software maintenance for billing and general ledger functions would be negligible since the commercially available packages are well developed and generally highly de-bugged. Prior to a second to the motion being offered, Nelder sought to amend the motion to include the purchase of the basic billing software package and support services from Creative Technologies for \$495 and to seek one-time assistance, as needed, up to \$1,000 to make the conversion to the new billing and accounting programs. The first motion was amended to reflect Nelder’s additions, and the amended motion was approved by Nelder and Tanner, with Jones abstaining.

On this same topic area, a third motion was offered by Tanner to have the District Manager acquire the QuickBooks Pro software at about \$135 to be installed on the same computer as the billing software. The motion was approved by Nelder and Tanner, with Jones abstaining.

On this same topic, a fourth motion was made by Tanner and seconded by Nelder to pay Nancy Jones \$1,000 total for past administrative services in late December ’09, and January, February, and March 2011. They noted her services were greatly appreciated. Nelder and Tanner voted aye on the motion, while Mr. Jones abstained from the vote.

Additionally, on this same topic, Tanner made a fifth motion to “have the District Manager seek the continued assistance of McKibben during the month of April, 2011, to help with the transition to the new software packages, at the cost of \$300 for the month of April”. Motion was seconded by Jones and approved unanimously.

7. *CPA review services:* After review of the latest CPA compilation statement, Tanner made the motion and Nelder seconded the engagement of Meg Turlukis, CPA to continue providing service to the District and to have her use, as quickly as feasible, the recently completed in-house statements (as prepared by McKibben) as the basis of compilations for 2009 and 2010 that the District Manager could then use to support credit applications for obtaining additional financial resources.

8. *Legal services for general District matters:* A discussion of the types of general legal issues the District may face in the coming months was evaluated, indicating possible engagement of Bill Whittington, David Brown, or Bob Lynch, depending on their fields of expertise in general legal matters. Because we have no legal issues for which we need immediate advice, and no deadlines from SRP or the Town of Payson are

pending, all Board members agreed to table this matter until the next meeting.

9. *Legal services for water rights issues:* A discussion of the types of legal water issues we may face in the coming months was evaluated, indicating possible engagement of David Brown or Bob Lynch, depending on their fields of expertise and possible conflicts of interest with other clients. Jones discussed his knowledge of Brown and that he was awaiting a return call from Lynch. By agreement of all Board members, this matter was tabled until we have some deadlines or pressure from SRP or the Town of Payson to make decisions that require legal advice.

10. *District engineering services:* Board members had reviewed the proposals of two engineering firms (Peak Engineering and Doug Kobrick) that had responded in writing, and they were told of two others familiar to Jones (Bill Haney and Corollo Engineering). Reasons for not considering other local firms (conflicts of interest) were discussed. Pro's and con's of each were evaluated, as was the need for professional liability coverage. Issues with the current engineers being less than adequate on several other projects were discussed. Due to a lack of immediate need to replace the current District Engineer, this matter by joint agreement of all Board members was tabled to a later meeting.

11. *District management services:* A general discussion by Nelder and Tanner occurred on this matter, with a desire on their part to wait until the regular meeting to further discuss this topic. Thus they both voted to table the matter so as to allow more time to review a proposed consulting agreement offered by HDJ Management. Jones abstained from the discussion and vote, other than to answer questions related to current time commitments and compensation arrangements.

12. *Other required staff or outside service providers:* No action took place on this matter, however a contact list of all parties involved with the District operations was provided to all Board members.

XI. *Discuss and take possible action related to the purchase, sale, lease, or granting of easements of real property:*

1. *Potential easements across District property or sub-easements within District utility easements:* Unreliable electric power issues at the filter plant, at the river pumping station, and at the houses near the plant were discussed. Options were considered. The discussion of APS's desire to add a pole on District property to be able to better service the water treatment plant and the four nearby homes occurred. Harry made a motion to allow APS to install another pole inside the District's yard fenced area, and to cooperate whenever possible to improve the quality of electrical service to all nearby properties. Don seconded, and it passed unanimously.

2. *Possible negotiating strategies, terms, conditions, responsibilities, disruption of service, cost of replacement infrastructure, and engineering assistance related to possible burying of a proposed Payson pipeline across District property:* Access, power, and water reliability issues at the filter plant, at the river pumping station, and at the houses near the plant were discussed. Options were considered. By unanimous agreement, the topic was tabled until a later Board meeting that may be necessary after a Box Elder Lane resident meeting takes place with Buzz Walker on April 2.

XII. *Discuss and take possible action related to legal matters concerning:*

1. The District's rights to surface water.
2. The District's rights to groundwater.
3. The District's right, or lack thereof, to irrigation water flowing through a ditch within the District.
4. Water rights issues related to the District's possible use of water resources from the C. C. Cragin Reservoir, and to possible acquisition of water rights from Salt River Project.
5. Possible acquisition of rights to take delivery of Cragin water via a yet to be installed Payson pipeline.

Because of the late hour and the possible need to seek further legal advice on these topics, Jones made a motion to table all items XII 1-5 to another meeting. Nelder seconded and all voted in favor of the motion.

- XIII. *Discuss and take possible action related District's policies related to:*
1. Shutting off customer meters for non-payment of bills for water or services.
  2. Shutting off meters at customer's request
  3. Limiting maximum monthly charges in cases of leaks, accidental water use,
  4. Timing of payment of new hookup fees.

After some discussion of the topics XIII 1-4, and due to the late hour and lack of specific issues at the moment, Jones made a motion to table the items until the next meeting. Tanner seconded and all voted aye.

5. *Billing of customers that dispute monthly charges:* A recent letter written by the District Manager to a RTDWID customer who was disputing a bill was provided to all Board members and was read aloud and discussed. From the facts, the Board felt that to be consistent with all other residents that have previously paid larger than normal bills for losses of water that have gone through their meter, the District Manager should administratively handle the disputed bill per the long-standing policies of the District which state if the water went through a working meter, the customer must pay. No motion was offered; however, the informal advice to administratively adhere to the existing written policy was passed to the District Manager.

XIV. *Call to the Public for non-agenda items:* Since no members of the public attended the meeting in person and by telephone, no public comments were heard.

XV. *Call to Staff and Board Members for non-agenda updates and recommended topics for future meetings:* No additional agenda items were suggested by the Board members in addition to the current agenda items that were tabled until the next meeting.

XVI. *Motion to adjourn:* Motion by Nelder and seconded by Jones. Motion passed unanimously at 8:15 p.m.