

*draft*

*RTDWID Board Meeting to finalize the proposed budget for 2012-2013*

*Meeting held at the Whispering Pines Fire Station meeting room.*

***Minutes of the meeting.***

Call to order occurred at 1:05PM

Board members present: Buddy Rice, Don Nelder, Ray Tanner via telephone.

Additional personnel present: Harry D. Jones RTDWID Manager

Additional members of the community present: None

Chairman Rice asked for discussion on the proposed budget for fiscal year 2012-2013:

Ray Tanner referred to the work-study spread sheet sent out by Chairman Rice to Don Nelder and Ray Tanner showing income and expenses from selected past years (copy attached to these minutes).

The spread sheet also compared 2011-2012 nine months budget verses nine months actual plus three additional columns with twelve month projections with water rate increases from \$12/month, \$15/month and \$20 per month. Ray Tanner asked for clarification on several items and asked how the numbers were derived. Chairman Rice explained that the numbers were based on historical expenditures and revenues from 2009 through the 2011-2012 budget. Ray Tanner questioned whether there is a necessity to raise additional income in the 2012-2013 budget and if so what is it based upon?

Chairman Rice also talked about an article he found on the town of Star Valley and improvements that were enacted on their water systems. The costs went out of control to over \$775000 and they are not done yet. The town is looking for another 300k to finish the project. Rice said he did not know why the costs were so high but it appeared that the town did not do enough research "prior to purchasing the system and launching the repairs" to understand the magnitude of the problem. Rice stated that he wanted to avoid anything like that happening to RTDWID. He added that we need to be cautious and endeavor to identify the right people prior to engaging in the pipeline project or other projects to avoid those kinds of pitfalls.

Ray Tanner suggested that perhaps we should consider asking for a renewal of the \$35000 assessment that had been passed by last year's board but had not been called for or used so far this fiscal year in lieu of a rate increase. Tanner pointed out that the \$58000 in expenses included about \$11000 in depreciation and actual cash flow was positive by about \$9000 through April 2012.

Rice went on to point out that we promised the community last year that we would identify the actual operating expenses and would do whatever was necessary to bring revenues in line with expenses. Right now we have about \$58000 in expenses and \$56000 in revenues from actual water user accounts, resulting in a monthly operating deficit. We expect to end the current fiscal year about \$12000 below budget because we have been very fortunate this year with zero unexpected repairs and maintenance issues this past year. We also passed on some needed maintenance items that will still need to be addressed in the future. Rice said we cannot plan on that occurring every year in the future with any certainty. We expect to end the year with about \$27000 in cash over the budgeted amount from the 2011-2012 budget year. We would like to keep that money in reserve for long term expenditures that we

will encounter with the pipeline and other unforeseen expenses that always occur. That, however, does not address the ongoing operational expenses that we need to budget for now. At Don Nelder's suggestion on building operational reserves that we need to consider some of our history, Rice gave some historical numbers on a few maintenance categories to illustrate that point. Rice said that, for example, in the past excavation costs have ranged from \$3200-\$15000, labor \$4100-\$8600; Parts/materials \$3800-\$11000, lab fees \$900-\$1200, SRP talks/water rights settlement \$2000-\$6000. Rice mentioned the Rim Trail resident Mike Johns might be of help in the last two areas but he did not know if Mike would or could do so without having a possible conflict of interests. That will have to be decided yet. Rice went on to say that historically it appeared that previous boards have not budgeted adequately to cover the costs of the RTDWID resulting in large assessments and tax levied being forced upon the residents every few years. Rice said that the sentiment from the community is that it does not want to continue this way and wants the board to budget the covered expenses properly.

Ray Tanner replied that he understood but wanted the board to consider that continuing to raise rates does put a hardship on some of the community members and does not address the true problem which is that we have eighty-nine water users supporting the system for 140 property owners.

At the request of Buddy Rice, Don Nelder made a motion to move forward with the budget proposal. Don's motion was:

"For discussion and further consideration by the board of directors and the members of the District at a rate and budget hearing at 2pm on June 16, 2012. I move to adopt a proposed budget and rates and fees for the 2012-2013 fiscal year as printed, reviewed and discussed today with the following amendments: to raise the base monthly water rate by \$20 to \$79 per month and to eliminate the first two tiers of charges for excess water usage above 1000 gallons per month such that excess gallonage charges will start at 3001 gallons per month."

The motion was seconded by Rice.

Discussion followed with Ray Tanner again expressing concern for some of the community members having difficulty paying their water bill now.

Tanner added that he wants the board to consider and pursue the concept of including all property owners in the expense of the water district. Tanner suggested some annual fee assessed to all property owners whether they access the water or not. This would function like a water availability charge so that all property owners would share the basic cost of providing water to each of the 140 lots in the Rim Trail subdivision. As of now there are 89 active accounts shouldering 100% of the cost. Further, Tanner suggested that we, as a board, need to determine an acceptable level of reserves and include that figure in all budgets.

Tanner suggested that perhaps six months of operating expenses as a target amount for reserves would make sense. Tanner said that in that way, the board can identify each month where they are on the reserves. Buddy responded that he agreed with much of what Tanner brought forth in the discussion. Don Nelder also added that he agreed with most of what Tanner said as well but that the board is interested in a balanced approach to creating the reserves

relevant to the actual experience based on historical data.

Rice then called for a vote on the motion.

The motion passed with Buddy Rice and Don Nelder voting to approve and Ray Tanner abstaining.

Buddy Rice made the following motion:

"I further move to direct the district manager to take all required actions to publish and legally post the proposed budget for consideration at a hearing on June 16, 2012 at 2pm at the Whispering Pines Fire Station meeting room."

The motion passed 3-0.

Buddy Rice proposed an additional motion as follows:

"I further move to have the next board meeting at this location on June 16, 2012 at 2pm. Such meeting to include the formal public Budget and Rate Hearing and to include an agenda item to discuss and take possible action related to the final adoption of the annual budget and rates and fees for the 2012-2013 fiscal year".

The motion passed 3-0.

Ray Tanner added a few more comments; He asked that the P/L include aging on accounts receivable and accounts payable. Further, he suggested that a column showing percent of the budget used be changed to actual dollar amounts. He added that we should not be receiving the balance sheet monthly along with the P/L since the information is a duplicate. Rice said he would ask the district manager to look into implementing those changes. Rice added that he will pursue finding out more information on the Rural Water Users Association. Don Nelder said he will look them up as well along with pursuing a meeting with Buzz Walker of Payson water department. Nelder said that he hopes to get more definitive data on potential costs and timing of those costs through Buzz Walker. Once we get a clearer idea of what those will be we can get bids from a few engineering firms or individuals who we may hire to manage the interests of RDTWID during construction of the pipeline. Nelder also echoed what Rice had said previously about no one sitting at the table had the expertise to do that part of the job on the pipeline. Nelder suggested that perhaps the Rural Water Users Association might have attorneys that we could consult with to determine how to move forward with our bylaws and changing the number of board members from three to five.

A motion to adjourn was made Don Nelder at 2:25pm. Motion seconded by Buddy Rice and passed 3-0.