

RIM TRAIL DOMESTIC WATER IMPROVEMENT DISTRICT

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Minutes of Regular Meeting of the Board of Directors on 6-5-11

The Board of Directors of the Rim Trail Domestic Water Improvement District met in regular session on Sunday June 5, 2011. The meeting was held at the home of Harry Jones in Rim Trail.

- I. *Call to Order:* The telephonic connection available to the public had been activated at 1:50 p.m. It was checked at 2:00 p.m. to see if anyone from the public had called in to join the meeting telephonically, and no one was on the line. Also, Mr. Jones had monitored 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 planned executive session was completed. There were no such calls or messages. No member of the public attended the meeting in person or telephonically with the line open throughout the meeting. At 2:03, Mr. Tanner joined the meeting on the conference line and he meeting was called to order at 2:03.
- 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.
- III. *Motion to go into Executive session:* Chairman Jones asked the Board members if anyone felt a need to go into executive session, and the unanimous opinion was an executive session was not needed, so no motion was offered. IV.
- VI. *Approval of minutes of prior meetings:* The minutes of both the regular meeting of May 30, 2011 and the Executive session of May 30, 2011 were considered by the Board. Tanner move to accept them as presented. Seconded by Nelder. Motion passed 3-0.
- VII. *Reports:* None were given.
- 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.* The District Manager reported additional discussions with Compass Bank had occurred and he was awaiting expressions of interest since the loan application had gone to several different departments. He expected an expression of interest in the next two days. He reported WIFA had pulled together their team's ideas about the fit of the preliminary loan request, and they

made several suggested changes in the paperwork to make it better fit their loan and grant programs. No action was taken awaiting further input from the District Manager.

X. *Discuss and take possible action related to organization, responsibilities, and possible replacement or engagement of staff or consulting personnel performing the following functions:* District Manager. Nelder suggested this matter be tabled until the discussion of the budget, and all parties agreed.

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.* The District Manager described that the shutoff policy currently does not apply to more than one account since all others are reasonably well up to date being less than 30 days delinquent. A motion was made by the Chairman and seconded by Nelder, and unanimously approved to amend the applicable section of the District Rules and Regulations to reflect meters (a) are not to be shut off for homes using water each month until the standard series of delinquency notices has been sent, with a final turn off date noticed, and (b) not shut off for homes apparently unoccupied, abandoned, in foreclosure, etc. until the District receives an official request from the owner to have the water turned off.

2. *Shutting off meters at customer's request.* After a report by the District Manager related to the issues of shutting off meters at the request for the customer, the Board discussed that under current policies when the meter is shut off, all monthly charges on the account are stopped and the account is declared "inactive". The Manager indicated this occurs on about four-five accounts currently even though the District's fixed costs of maintenance and operations management continues to occur, and about \$3,000 in annual revenue for base charges is never collected and the rest of the customers end up covering those fixed costs. The District Manager reflected on the fact that in most towns and districts, if the meter is still in the ground and hooked to the water system, the customer is expected to pay since the fixed costs of the system continue. A motion was made by Jones and seconded by Nelder that the applicable sections of the current Rules and Regulations of the District be amended to reflect that when a customer has a meter turned off by the District and the meter is left in the ground and connected to the system, the base monthly charge from the current Rate and Fee Schedule of the District will continue to apply as a "user availability" charge. It was noted however, that the customers can, if they wish, avoid monthly charges by having the meter removed, but the customer would then be subject to the then existing charges and policies for meter installation as indicated on the then existing District Rate and Fee Schedule and Rules and Regulations.

3. *Limiting maximum monthly charges in cases of leaks, accidental water use.* The District Manager then discussed the issues related to the very large bills that are sometimes imposed on District customers when they have a leak (frozen or broken pipes, etc.), have an accidental use of water (leave hose running, bathtub on, toilet valve sticks open, etc.), or have a mysterious use of water (theft, malicious mischief, etc.), they feel taken advantage of or are severely hurt financially with monthly bills often in the \$400-\$1,200 range. After substantial discussion, Tanner made the motion and Nelder seconded that the District Manager should amend the appropriate sections of the Rules and Regulations to indicate that if a customer wishes to file with the District a request for relieve of charges on a large monthly bill that is more than double the average excess gallon usage amount over a period of time (to a maximum of 12 months or the number of months the District's billing system can look backward on an account), they be granted a 50% reduction in the excess gallonage fee charged on the bill; however, this can occur on an account only once in every 36 month period. The motion passed unanimously.

4. *Timing of payment of new hookup fees.* The District Manager discussed the fact the current District Rules and Regulations do not indicate when a fee for a new meter installation is to be collected from the property owner by the District. The manager indicated Gila County will not start the process of building permit approvals (based on water being provided by the District) without a letter from the District indicating its willingness to provide water service to the specific land parcel. After discussion, a motion was made by Tanner and seconded by Nelder that the District Rules and Regulation and Rate and Fee Schedule be amended to indicate that the property owner must deposit 50% of the then required fee to the District upon application for a meter (in order to receive the water service letter addressed to Gila County) , and the balance remaining, based on the then existing Rate and Fee Schedule, upon installation of the meter by the District; however if the property owner does not want to complete the construction and turn on the meter within 24 months of the application approval, the owner may request a return of 50% of the deposited sum, but if after 24 months if the meter is not turned on, the entire deposit amount is forfeited to

the District and owner must start the meter acquisition process over.

5. *Billing of customers that dispute monthly charges:* No discussion or motions made.

XIV: *Discuss and take possible action related to a District Budget for the period of 7-1-11 to 6-30-12:* A discussion ensued related to budget timetables, options for revenue sources, etc. A projected budget had been prepared by the District Manager and it was used as the basis of the discussion of various revenues and expenses.

The District Manager's proposed contract for services was discussed at the same time since it was an important element in the whole budget. It was then suggested to change the heading of the proposed Agreement to be called a Management Agreement. After a lengthy discussion between Nelder and Tanner, it was proposed to keep the Manager's base monthly fee within the Administrative section of the budget and to move the proposed fees for management of special long-term projects to the same section of the budget as the capital projects. Thus Tanner made a motion to continue the manager's monthly administrative base fee at \$800 per month. The motion was seconded by Nelder and approved 2-0, with the Chairman abstaining.

Then a discussion about the Management fee for longer-term projects was held, mainly between Nelder and Tanner, with the District Manager periodically answering questions and suggesting possible alternatives. Tanner suggested the Board include the line item for special project management fees to be a separate category in the budget associated with the capital projects, with the District Manager required to propose various specific projects in writing and at a fixed management cost fee, with each project to be submitted to the Board and be approved by the Clerk-Secretary and the Treasurer. It was felt this approach would give the Board more control over projected project expenses. It was then proposed by Nelder to have all references to hourly fees removed from the HDJ proposed agreement and to title the document as a "Management Agreement". Without formal motions occurring, the discussion moved on related to the rest of the major budget items as projected by the District Manager.

A discussion was then held related to moving the legal expenses out of the Board of Directors department of the projected budget and put it in the capital expense section. The Chairman made that motion, and it was approved unanimously.

The insurance line of the budget was then discussed as to levels of coverage, deductibles, indemnification provisions, etc. The District Manager indicated he was having a digital copy of the Property and Casualty policy and the Directors and Officers Liability policy prepared to send to each Board member for review and he would look into the factors in question with the agent. The Blue Stake membership fee and how that worked was discussed with no changes in dollar amount. The need for hydro-engineering services was questioned and discussed as was the need for Operator Labor-Over Retainer. Also the reason for the projected cost of parts only slightly above what has been incurred in the first five months of the year, with an indication from the District Manager that we have had excessive repairs the first part of the year on the two projects near White Tail Knob Road.

Extensive discussion occurred related to the amount of the line items for Assessment Revenue and Tax Levy Revenue. Nelder made a motion to set the assessment at about \$354 per meter for all water users so as to cover all accrued operating expenses. After further questioning about the motion and the fact deductible property taxes were more acceptable the water users, it died for lack of a second and for the need to approve all the revenue lines at one time. The discussion finally resulted in Tanner indicating significant concern about what he saw as a continuing \$26K shortfall for operating costs coverage if we had only a \$49K property tax plus only a \$30,000 assessment as outlined in the projected budget. Thus it was moved by Tanner and ultimately seconded by the Chairman or Nelder to keep the assessment at \$30,000 and to raise the property tax to \$75K from the \$49K to have another \$26K to adequately cover basic operating expenses. The \$75K was to be broken down in the minutes as \$25K for coverage of operating expenses in 2011-2012 and \$50K to be the start of a continuous funding for a long-term capital improvements plan. During further discussion, it was noted by Tanner and the Chairman that we needed to keep the projected assessment at \$30,000 for the coming year (a) to speed up cash flow to be

able to meet current accrued expenses since tax revenue would not be available until about Nov. 1st., and (b) to keep from the Board having to go back to the water users in future years with another or continuing assessments that are not as consumer palatable as property tax levies that are tax deductible. After further discussion and debate, the motion of Tanner was approved unanimously.

Ultimately a motion was made by Nelder to adjust the wording of the District Management Agreement to reflect no references to hourly fees, no references to charges for excess hours, and to require the District Manager to submit proposals for special long-term projects, including fixed costs of the Manager's fees, to the Board for approval by the Treasurer and the Clerk-Secretary.

Thus, a motion was made by Tanner to approve a "Proposed Budget" for formal public review based on the District Manager's "projected" budget with the above previously approved adjustments to line items and amounts and locations within the budget spreadsheet. The motion passed unanimously.

The District Manager then noted he would change the categories and the format of the budget as directed, to prepare a revised detailed spreadsheet and budget/rate hearing notice based on a reasonable summary of the line items, and to present those documents to the Treasurer and Secretary for review prior to publishing the approved "Proposed Budget" in the newspaper.

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.

XVI. *Motion to adjourn:* Motion by Nelder and seconded by Jones. Motion passed unanimously at 5:40 p.m.