

RIM TRAIL DOMESTIC WATER IMPROVEMENT DISTRICT

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Minutes of Special Meeting of the Board of Directors on 7-5-11

The Board of Directors of the Rim Trail Domestic Water Improvement District met in special session on Tuesday July 5, 2011. The meeting was held at the home of the District Manager in Rim Trail at 253 S. Sierra Vista Lane.

I. Call to Order: The telephonic connection available to the public and Board members had been activated since 6:55 p.m. awaiting Board members arriving or joining in by conference call. At 7:00 p.m., Ray Tanner joined on the telephonic connection that also included Karen Barker, Buddy Rice, Patrick McElhiney, Marilyn Knauss, and Christina Hatch. All parties were able to hear each other speak and the meeting was digitally recorded to help with preparation of minutes. Periodically the line was checked for others that may have joined the conference call. At 7:09 p.m. Don Nelder joined the meeting in person and the meeting was called to order by the Chairman. Attending in person were the following property owners or visitors: Chris Oberg, Melanie Davis, Cheryl and Bob Seiler, Beth McElhiney, Judy Rice, Tom and Pat Melcher, Lowell Andrews, Tom Johns, Shannon Branstetter, Fred Wolf, and Jesse Richardson.

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. Discuss and take possible action related to the District Budget and Rate and Fee Schedule for the period of 7-1-11 and 6-30-12. The Chairman indicated that the meeting tonight was to be limited to one hour due to the limited schedule of Mr. Tanner who was only available for that length of time, but to again involve the public that had participated in the rate hearing, he would take public comments from District members for up to one minute in length from those on the phone and in attendance, recognizing the meeting was set for Board discussion and possible action based on the Budget Hearing public comments and related matters associated with the budget line items. He also mentioned several citizens had sent written comments to the Board members in the last two days.

On the phone, comments were summarized as follows: A comment that expressed concern anytime the length of the meeting was restricted thinking that looked like a hurry up process to just do what the Board wanted without due consideration of the public input. A question was asked if the Chairman was going to vote on the budget since it might contain some expenditure related to payments to the District Manager. A comment about some numbers in the budget concerning the \$30K assessment. One party who had sent some written suggested numbers for consideration then made several minutes of comments over the phone after being requested by the Chairman to stop exceeding the allotted time. The party commented about

holding amounts due to the District Manager in escrow, about delaying capital improvements, about WIFA related expenses, and the fact the budget could be cut by eliminating the \$75 per meeting pay going to each of the Directors (not a true statement of fact as later commented about by Ray Tanner who pointed out Board members receive no compensation). Also suggested increasing the operating expenses by about \$4,000.

Other calls by telephone over the last two days, but not during the meeting came from a multiple lot owning party who was generally was in favor of the tax increases and application of taxes on all land parcels, and happy to support the Board taking a 20-30 year point of view in terms of the water system management and possible addition of new water resources. A party currently not on the system but using his own well that serves two houses, said he will refuse to pay for any taxes on his three parcels and home since he is already paying for water from this own well that he just spent \$2,500 to repair.

Comments from those in attendance at the meeting site were summarized as follows: One read a message into the record as supported by his family was to cut expenses to only necessary items, use competitive bidding, utilize volunteers, Harry Jones has a conflict of interest, yet he may be an asset to hire as a consultant, worried about losing homes to high taxes, and wait for better economic times to make any investments. One communicated that the Board is making it impossible to live in our little paradise, asked why we don't draw the taxes over 20-30 years instead of 5 years, and please remove the unused meter from his guest house. One made numerous remarks in writing the same as she made in her telephone call. A resident made comments that the extra water from SRP is a bargain and the fixed costs of operating the system need to be paid by all property owners whether hooked to the system or not, and raising the base rate to break-even on operating expenses was the correct thing to do.

At the end of the additional brief public comments, Tanner indicate the reason for the limited time meeting was his availability only until about 8:00 p.m. this night.

After hearing the public comments, the Chairman ended the additional public comments and indicated the District Manager, as suggested by Tanner in the prior meeting, had prepared a review of what had been (a) heard during the 7-3-11 Budget/Rate Hearing, and (b) what was in the "Proposed" budget and its effects on the property owners, and (c) also included were three options to the proposed budget (see attached) as earlier sent to the Board members. Jones reviewed the additional options by handing out about 10 copies to the audience and reading most of the memo to the public on the phone. Nelder and Tanner said they had only briefly reviewed the memo from the District Manager since it had only arrived a few hours before the meeting.

In replies to the suggestions to look closer at proposed budgeted expenses, Tanner made the comment he thought the District was "pretty efficiently run", but possibly something could be found to be done at a lower cost. Nelder then brought up the question of whether or not the A Quality Water Company operational fee, being the only really significant item in the operations budget was at its lowest possible cost or not, and that he did not know. Jones indicated A Quality has had no increase in fees for the three years since they started and that two other operating firms looked at the system in 2008 and declined to participate due to the remote location and the poor condition of the system (especially the filter system). Jones then commented that the statement by the one citizen that the WIFA project was \$12K over budget was not correct, that the District was required to add \$5,000 to the \$145,000 of WIFA supplied funds, and that the \$157K total amount referred to also contained about \$3K-\$4K of up front cost to obtain the stimulus money, leaving an amount over budget of about \$3K-\$4K, not \$12K. Don then mentioned that part of our financial squeeze is because we are no longer receiving the \$26K we received in 2010 from the 1980 bond proceeds collected for the District by Gila County. Jones again went through an explanation of the major operational cost items and he indicated he was ready to move forward and hear a motion on the proposed budget and rates.

Nelder indicated he was not ready to move forward and said the collection of no property taxes as suggested by some of the public was not workable since the District needed an absolutely predictable flow

of revenues for part of its income base, and we needed the leverage of being able to collect through the property tax system. Jones commented if we don't use some taxes, we cannot gain revenue from those properties that are not currently hooked to the system, but that receive a significant benefit from any long-term improvements to the infrastructure or for additional water resources acquired by the District. (a total of over \$12,000 in taxes at the \$75K tax levy). Tanner commented that base costs to own and operate the system should be paid by all property owners whether hooked to the system or not since it goes by their properties and must be maintained for use all day every day, not just the days they come to their property.

When the Chairman again sought direction in terms of a motion or an additional meeting, Tanner indicated he did not want to extend into another meeting, and more time would not change his mind in terms of a vote. He indicated if we had basic operating costs covered by water sales, he could consider some debt, but not \$250K as outlined in Option #3, since he had no knowledge of what the money would be used for. Jones then asked Ray and Don if they had read the loan application outlines presented to National Bank of Arizona and WIFA (Water Infrastructure Finance Authority of Arizona), sent to them a few weeks ago and again updated a couple of days ago by the District Manager, where the use of the \$250K of funds (only as needed under the proposed line of credit) was laid out in detail. Both generally indicated they did not have those details in hand or in mind, commenting about the large volume of pages of budget related background e-mails they had each received recently from the District Manager.

Jones then suggested not attempting to have a budget vote in the current meeting and letting them both spend time studying the additional information they had received, but not yet absorbed. Nelder then suggested having an executive session with no distraction to go over all the line item details and budget/rate options. Jones then interrupted and reminded the Board that budget discussions are not an authorized topic for executive sessions under the Open Meeting Law, and that those topics must be discussed in open meetings in front of the public. Jones then suggested we need to move forward when Tanner is next available, and that we must have the approved budget submitted to Gila County by the first Monday in August. Nelder then made a motion to schedule another board meeting as soon as Tanner was available. The Chairman asked if Tanner wanted to second the motion, and it did not occur, so Jones seconded it. A vote on the motion was then taken, with Nelder and Jones voting "aye" and Tanner voting "no".

IV. Discuss and take possible action related to the execution of a Letter of Declaration to Gila County/Chase Bank, under ARS11-604.01 to permit draws against 2011-2012 tax collections.

The Chairman then asked the Board members if they wanted to move on to Agenda item IV related to execution of a Letter of Declaration to Gila County/Chase allowing draws against 2011-2012 tax collections, at no cost to the District in terms of interest. No support for that discussion came forth, so the Chairman asked for a motion to adjourn. Before that occurred, Tanner indicated a desire to promptly move forward with determining how the District Board could be expanded to a five person board so the work now handled by three could be spread to other community members. Jones indicated that was on the list of possible agenda items to be considered for the next scheduled meeting and that he already had started to investigate that process with Linda Eastlick, the Gila County Director of Elections.

A motion to adjourn was then made by Nelder and seconded by Tanner, and the meeting was ended at 8:06 p.m.