

RIM TRAIL DOMESTIC WATER IMPROVEMENT DISTRICT

240 E. Box Elder Lane
Payson, AZ 85541
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Minutes of Special Meeting of the Board of Directors on 7-24-11

The Board of Directors of the Rim Trail Domestic Water Improvement District met in special session on Sunday July 24, 2011. The meeting was held at the District's water treatment facility at 285 Box Elder Lane, Payson, AZ 85541.

I. *Call to Order:* The telephonic connection available to the public had been activated at 1:55 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 several property owners were on the line. Those on the conference call all or part of the meeting were Mike Garcia, Grant Goodman, Fred Ferguson, Chuck Aldini, and Christina Hatch. Those from the public attending in person as recorded on the sign in log were Gary Busenkell, Debbie Johns McGuire, Judy Johns Scott, Bob Owens, Ed Hunter, Chuck Pfeiffer, Mel Bramley, Barney and Shannon Branstetter, Judy and Buddy Rice, Marilyn Andrews, Lynda Nelder, Tim Walsh, Beth McElhiney, Al and Marilyn Fuzat, Tom Johns, Brandon Hatch, Jesse and Lynn Hoff, and Mark Parrish. The meeting was called to order at 2:18 p.m. by Ray Tanner, Chairman.

II. *Roll Call and Determination of a Quorum of Members Present:* Ray Tanner, Chairman 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 7-1-11 to 6-30-12:* Ray Tanner first showed several samples of piping that had failed in the field as examples of what the District faced in the long-term. He stated the District needs the money we have put in the proposed budget and the question was how does the District raise those funds? Ray first discussed his property tax bill in light of it covering \$400+ for school taxes, but never had kids in school here, \$554 in Whispering Pines Fire Department taxes, and other taxes. He indicate he had talked to the County Assessor to try to find a different way to distribute the property tax load rather than just on assessed values, such as on total acreage, land value only, etc. , but that was not possible. Therefore he discussed the idea of a possible modification to the Proposed Budget to decrease the property tax levy from \$75,000 to \$40,000.

During the presentation Chairman Tanner was interrupted numerous times during his discussion so other residents asked that the Chairman be given his time to discuss his opinions and possible adjustments to the budget. Throughout the presentation by the Chairman and, questions and comments were taken from those in attendance; however, many questions and comments were frequently the same as those expressed in the July 3, 2011 Budget and Rate Hearing and the Special Meeting of that date and on July 5, 2011. Comments at this point mainly related to bylaws of the District and processes for election of Board members.

The Chairman then discussed possible modifications to the Proposed Budget related to an increase in the

total assessment in the Proposed Budget from \$30,000 to \$65,000, to bring the total revenue from both taxes and assessments back to the same total of \$105,000 as contained in the Proposed Budget. Tanner then explained he may suggest splitting the assessment into two parts, with \$30,000 invoiced on the 7-31-11 bills for every installed meter and \$35,000 on the 1-31-12 monthly bill, with the \$35,000 assessment being subject to further Board approval before placing it in on the 1-31-12 bills, hoping it may not actually be needed.

The Chairman then discussed leaving the \$225,000 of loan/grant funds in the budget in case the District gets into a major project requiring portions of those funds, with the acquisition and use of those funds requiring further Board approval, and not allowing any of those funds to be used for normal operating expenses. Tanner mentioned he was not married to the possible adjustments he discussed, and brought up possibilities of capacity charges being employed or expanded impact fees being used to raise the required revenues.

Several members of the public then proposed having a budget delay and an audit of the books done and expanding the board to five members before any action was taken. Nelder then indicated we need to raise money today to pay the bills of the District. Another citizen and his wife then agreed they thought Tanner's possible adjustments to the Proposed Budget were appropriate and we have an on-going business to run so we can't just table the decision. Another citizen on the phone suggested a delay in the tax levy for the coming year and she and others would be willing volunteers so as to possibly cut costs. Another on the phone questioned the need to have a management company involved.

Tanner then turned to fellow Board member Nelder, the Treasurer, for adjustments he might think are workable. Nelder discussed the new accounting system that should be producing good comparative data late in the fall after more months of data are collected. He indicated the Proposed Budget has been heavily studied and numerous changes were made prior to its adoption as the Proposed Budget. Comments from the public were injected related to prior period expenses and how they compare to the Proposed Budget. The District Manager then explained many of the questions related to expenses in prior period were on the website that had three years of compilations prepared by the District's CPA.

Nelder then injected the comment that under the Open Meeting Laws it is not possible for Board Members to meet or discuss various options, but he had his own ideas. He indicated has backed off the tax levy because people at the low and middle levels had spoken loudly the last few weeks, however he realized without a property tax 1/3 of the properties in the District, being those with no house or not connected to the system, would not be paying anything to support the system and the improvements that need to be made that would benefit them the day they hook to the system.

Nelder then indicated he would like to adjust the Proposed Budget to require a \$1,000 up-front assessment and to raise the base rate by about \$20. One property owner indicated he preferred to have some of the burden fall on the tax role. Nelder then indicated a possible solution would be to spread the \$1,000 assessment over a six month period, along with raising the base rate by \$20 per month. A question from the audience then posed the situation of how do we solve significantly different adjustment ideas when we only have two Board members to vote, and their ideas aren't close to the same. Tanner then re-explained his idea to Nelder, who gained a new understanding, and Tanner then made the following formal motion relate to adjustments to the Proposed Budget for RTDWID for the 2011-2012 budget year:

I move that the budget be accepted as proposed with the following changes:

- 1) The \$30,000 special assessment may be spread over a period of 3 months instead of paid all at once at the option of the water user. Special consideration of optional payment plan may be given in hardship cases.**
- 2) The \$24,000 identified in the budget as "Long-term Special Projects – Management Fees" require further approval by the Board prior to being spent. The board approval must be documented in the minutes and identify who is providing the service, what services will be provided, what is the expected outcome and what is the maximum approved dollar amount.**
- 3) The tax levy to be lowered from \$75,000 to \$40,000.**

- 4) **An additional special assessment of up to \$35,000 to be made after January 1, 2012 providing there is a specific need for the funds. The dollar amount of this assessment will be reduced by other sources of revenue generated by the district such as a rate increase or water availability charge made on lots not hooked to the system.**

The \$225,000 loan proposed in the budget is for approval purposes only and will be further considered by the Board. Under no circumstances will the loan, if acquired, be used for operating expenses, system maintenance or investigative costs.

Nelder seconded the motion, and both Nelder and Tanner voted aye and the motion was adopted.

IV. *Discuss and take possible action related to a management agreement for district manager services between the District and HDJ Management, LLC owned by Harry D. Jones:* Chairman Tanner read a list of day-to-day or short-term duties that were being considered for inclusion in the tentative management agreement with HDJ Management, LLC owned by Harry Jones. One property owner on the phone suggested a five member Board of Directors could assume some of Mr. Jones' duties. Others suggested tabling the Management Agreement. After a brief further discussion about the Boards approval of an agreement with HDJ,

Tanner made a motion to have the two Board members to take the time to again meet with Jones to reach an agreement as to duties, authorities, and compensation, and that whatever they negotiate in the executive session will become the approved agreement. Nelder seconded the motion and it passed unanimously.

V. *Nominate one additional Board member effective immediately to replace the vacant seat created by the resignation of Harry Jones this past Thursday 7-21-11:* Chairman Tanner recited a number of requirements that Board members must meet to be able to serve:

- Are you a property owner in the District and a registered voter in AZ?
- Do you only have a partial interest in the property other than a community property interest or JTROS?
- If you are a partial owner or a Trustee, have you been granted full control and authority by the other owners or trustees to make decisions related to the property?
- Prefer to have someone who is in the area most of the time

After several people spoke to volunteer for a five member Board (Tom Johns and Fred Ferguson), or they spoke to recommend other than themselves (mentioned were Karen Barker-but likely a non-property owner, Al Fuzat-declined), it was noted by the Chairman that only the Board by statute, not a citizen group, could make a final selection. Tom Johns and Buddy Rice then provided personal and business background and their willingness to serve.

Nelder indicated *I move to appoint Buddy Rice as a Board member of Rim Trail Water Domestic Water Improvement District to fill the seat vacated by Harry Jones subject to the following: The Board is the one authorized to appoint a board member in the event of a vacancy. Board members can only be voted on at the general election held by Gila County. However, due to the short notice that was given necessitated by the need to fill the vacant board position as soon as possible following the resignation of Harry Jones the Board would like to request a vote of confidence in the selection of the new Board member by emailing to email addresses of RTDWID water users requesting a vote of confidence in Buddy Rice. Furthermore, it was indicated providing there is no significant negative*

comments and the majority of responses are positive the appointment will be effective five days after sending the email. Ray Tanner then seconded the appointment and both board members voted aye.

VI. *To vote on creating citizen committees in the future to assist the board and the district in gathering information needed for future decisions. Those committee designations will be decided in the future as needed:* Mr. Jones spoke to recommend to the Board members Nelder and Tanner to be concerned about whether these groups were to be called “committees” or function like committees since under the statutes committees are required by the Board to fully operate under the Open Meeting Laws which sometimes make it difficult to avoid OML violations and to get members together. Work-study groups appointed by the Chairman with no input from the Board, and with no authority to make recommendations to the Board were discussed as a possible way to operate after further investigation of the OML requirements.

Groups mentioned to consider for establishment were, bylaws, cost-estimating for system upgrades, communications, water rights, infrastructure improvements, and budget. **No motions or actions were taken by the Board.**

A party on the telephone then came on the line to indicate the water District is an important community asset and having good water sources and operations makes the Rim Trail properties valuable.

VII. *A motion to adjourn was made and seconded by the Board members, and the meeting was adjourned at approximately 5:25 p.m.*