

Rim Trail Domestic Water Improvement District
240 E. Box Elder Lane Payson, AZ 85541 (928) 472-7585

Board Members.
Management

Chairperson:	Dave McKibben	Manager:	Harry Jones, HDJ Management, LLC
Secretary:	Gary Richardson	Operator:	a Quality Water Co.
Treasurer:	Ray Tanner, Jr		

DRAFT UNTIL APPROVED AT THE NEXT BOARD MEETING

Minutes of the Rim Trail Domestic Water Improvement District Board Meeting held at Whispering Pines Fire Station on Saturday, July 26, 2014 at 1:10 pm as well as telephonic conference at (712) 432-5610, access code 1714.

1. Call to order: The meeting was called to order at 1:10pm by Chairman Dave McKibben.
2. Roll Call and Determination of a Quorum of Board Members Present: A quorum was present with Chairman McKibben and Treasurer Ray Tanner in attendance. Also present in person was Harry Jones, District Manager, as were property owners Tom Melcher, Chris Menghini, and Crissy Menghini. One person attended via teleconference line, Bruce Johnson.
3. Approval of minutes of prior meeting: The minutes of the prior Board meeting of June 28, 2014 were presented and approved.

Secretary Gary Richardson arrived at 1:21pm.

4(1) Treasurer's Report: The financial report was presented by Treasurer Ray Tanner. We have approximately \$76,000 in the bank. Mr. Tanner raised a question regarding the accounting method for certain equipment, labor and supplies that occurred in 2013. Chairman McKibben requested that Mr. Tanner put the information into a concise form for future Board consideration and discussion.

4(2) Clerk/Secretary's report: None.

4(3) Chairman's Report: None.

4(4) District Manager's Report:

The well sounder has arrived. The Board needs to address the Chris Menghini invoice for work the District performed due to the broken water line. Mr. Menghini attended to talk about this issue. SRP will shut down the pumps from about August 8 to sometime in April, 2015. The District's tanks will be inspected and cleaned on August 15, using divers instead of robotic cameras. The inspection will cost approximately \$2,400 plus up to \$800 for shading materials to temporarily fill a small drainage area the divers will need to cross to get to the main tanks with their truck and trailer.

5 Possible adjournment to executive session. This was postponed until later in the meeting.

5 a. Discuss and take possible action related to possible action based on legal advice if applicable: No report

5 e.

Billings and payment of associated invoices concerning a customer's damage to the District's infrastructure. Mr. Chris Menghini said that if a blue-stake process had been used, it would not have shown the large boulder that was found in the trench. He said he had a backhoe and an operator on site at the time, and

the District didn't need to hire another to repair the damage. He stated that management told him the pipe had been incorrectly laid many years ago, and he shouldn't be responsible for repairs caused by the faulty workmanship or materials. He says he feels he shouldn't have to pay for more than the original break. Mr. Jones said the District cannot use non-certified workers to repair District domestic water pipes, so another backhoe water line excavator and a certified operator allowed to work on public water systems were necessary and they worked with their own familiar equipment rather than borrowing machinery that was leaking hydraulic fluids. Mr. Jones indicated the initial verbal request to come mark line locations was rescinded and no further Blue Stake requests were made by Mr. Menghini and his guys who just went ahead and dug on their own not knowing where waterlines might be located. . Treasurer Tanner suggested Mr. Menghini submit a claim to his insurance company for the damages done. Mr. Menghini said he would do that if he had to, but he didn't want to, if possible. Chairman McKibben suggested Mr. Menghini put his concerns and suggestions in a letter that the Board could act upon. Mr. Menghini agreed to do this. No action was taken.

5 b. Revisions to the management contract with HDJ Management, LLC (Harry Jones)

Treasurer Ray Tanner presented clarification of several issues relating to historical recollections of negotiations between the former Board Members and Harry Jones, which are made a part of these minutes as an addendum. Mr. Jones commented that all these issues have come up in the past. Chairman McKibben suggested this is old history, and we should move forward. There was general agreement on this point.

There was significant discussion for more than two hours on individual points mentioned in Harry's proposal. All were eventually resolved and an agreement will be executed between Chairman McKibben and Mr. Jones as soon as the agreement is printed in final form and been reviewed by Harry and the Board and subsequently approved by Board action during a Board meeting. All parties were pleased that significant progress has been accomplished on an issue that has been on the "back burner" for many months. The Board and HDJ Management have tried to put past complaints to rest, and begin a new era of cooperation for the good of the District and our customers.

5 c. Revisions to the Bylaws: This item was tabled.

5 d. Approval of charges for installation of a new water meter for Whispering Pines Fire Department

Mr. Jones mentioned that with current fees for connecting new customers, Whispering Pines Fire Department will have to pay approximately \$3,540 in per foot charges for the new pipe the District will trench and lay under Belluzzi Blvd. The Board asked Mr. Tom Melcher, a legal expert, if the District can charge the Fire Department less than it would charge an individual new customer. Mr. Melcher said, yes, the District can do this, because the Fire Department presence will benefit all the customers of the District. The District receives a benefit from the added safety and security a fire department provides by its nearness to our customers. The District desires to recognize that benefit by charging them no more than the actual cost of the lateral line extension to the new meter. It was moved by Treasurer Tanner, seconded by Secretary Richardson, that in consideration and appreciation of the use of the WPFD station and Board meetings for the RTDWID, and for the benefit that WPFD provides to all the residents of RTDWID, that WPFD only be charged the normal \$3,000 for a new meter and not for past bond payments or other carrying costs of the system, and that running the pipeline (about 66') will be done at cost, not to exceed \$60 per foot, rather than the normal \$60 per foot. The motion passed unanimously.

Call to the public: None.

Call to Staff and Board Members for non-agenda updates and recommend topics for future meetings: None.

Meeting was adjourned by Chairman McKibben at 5:23 pm.

Ray Tanner's Addendum

Statements Made By HDJ In Monthly Financial Report

June 2014

YTD District Manager Retainer Fees are right on budget (\$12,000) although YTD the Manger worked on District activities several times the contracted hours. The Board has agreed since March 2013 to discuss and attempt to correct this excess hours situation by individual Board members taking over projects from the District Manger and by negotiating a new formal Management Agreement that would be satisfactory to the Manager and the Board. Dick Johns was appointed as of 3-23-13 to negotiate a new formal agreement with the District Manager. Generally, for 15 months, every other Board meeting topic has taken priority over the Management Contract which is now hung up on the Board not being willing to pay any hourly fees beyond some flat rate they want the Manager to quote before the next scheduled meeting.

Comment [RT1]: Inaccurate statement. March 2013 the Board agreed to have Dick Johns meet with HDJ to discuss possible new agreement. This was done at HDJ's request.

Comment [RT2]: Dick Johns was not appointed to negotiate a new agreement but only come up with the agreement HDJ would like to have

Comment [RT3]: Absolutely not true. The suggested agreement was not completed by Dick Johns and HDJ and presented to the Board until 11-23-13.

May 2014

YTD District Manager Retainer Fees are right on budget (\$11,000) although YTD the Manger has worked on District projects several times the contracted hours. The Board has agreed since March 2013 to discuss and attempt to correct this excess hours situation by individual Board members taking over projects from the District Manger and by negotiating a new formal Management Agreement, to replace the current Letter Agreement, that would be satisfactory to the Manager and the Board. Dick Johns was appointed as of 3-23-13 to negotiate a new formal agreement with the District Manager. As committed at recent Board meetings and in memos from Board members, including the meeting of 5-24-14 (no action taken after six months of no scheduled meetings), no new Management contract has been forthcoming and the situation continues to simply be ignored by the Board members and given no priority since Dick Johns resigned Nov. 23, 2013, at which time the matter was tabled to be taken up at a future meeting. Additionally, this topic was not included in the agenda and thus not given any consideration in meetings on 4-27-13, 6-22-13, 7-5-13, 7-12-13, and 8-23-13.

Comment [RT4]: Inaccurate statement. March 2013 the Board agreed to have Dick Johns meet with HDJ to discuss possible new agreement. This was done at HDJ's request.

Comment [RT5]: Dick Johns was not appointed to negotiate a new agreement but only come up with the agreement HDJ would like to have

Comment [RT6]: Gross exaggeration. Board time has been filled in finding 3 new Board members, annual budget, turbidity issue including relocation of point of diversion and general District issues all of which had higher priority.

Comment [RT7]: Another gross exaggeration. No reason to give consideration at these meetings when Dick Johns and HDJ had not yet presented the proposed agreement.

From Dick Johns to the Board at meeting on November 23, 2013

Pursuant to directions from the Board, I have reviewed the current letter agreement for District management services, and discussed possible changes with Harry Jones. A draft agreement is attached. The draft is based on standard agreements for management services, with additional language provided by me and/or Harry.

I am not proposing that this draft agreement should be adopted. It is merely a framework for discussion. There are a number of issues that may need to be decided before an agreement can be finalized. These include:

Comment [RT8]: Dick Johns did not propose the draft be adopted but only serve as a framework for discussion.

Comment [RT9]: Very important statement. See items below to be resolved.

- The scope of the District Manager's responsibility and authority.
- The scope of the Board's responsibility and authority.

- The amount of oversight to be exercised by the Board or by individual Board members.
- Whether certain decisions should be made by the Manager or by a Board member.
- The extent to which the Board is bound by certain professional standards.
- Whether the Board or the Manager should be responsible for dealing with outside organizations and regulatory agencies.
- The amount of time the Manager will devote to District activities, and how the Manager will be compensated.

The agreement has been annotated to highlight potential issues that may need to be addressed.

Richard B. Johns

Date

Further, any new agreement needs to meet the following:

- 1) Be an agreement the Board would enter into with anyone holding the position of District Manager. The board does not intend to rewrite the District Manager agreement any time there is a change in the person filling the position.
- 2) The agreement must be in agreement with the Board, while the DM's opinion is important the opinion of the Board will prevail.
- 3) Be affordable to the residents of Rim Trail.