

# RIM TRAIL DOMESTIC WATER IMPROVEMENT DISTRICT

240 E. Box Elder Lane Payson, AZ 85541 (928) 472-7585

## Board Members

Chairperson: Dave McKibben  
Secretary: Gary Richardson  
Treasurer: Ray Tanner, Jr

## Management

Manager: Harry Jones, HDJ Management, LLC  
Operator: a Quality Water Co.

### DRAFT UNTIL APPROVED AT THE NEXT BOARD MEETING

Minutes of the Rim Trail Domestic Water Improvement District Board meeting held at 306 W. Palm Lane, Phoenix, AZ on Saturday, May 17, 2014 at 9:00AM as well as telephonic conference at (712) 432-5610, access code 1714.

The meeting was called to order at 9:02 am. A quorum was present with Ray Tanner in person and Don Nelder via telephonic conference line. Also present in person were nine property owners as well as four property owners via telephonic conference line.

The minutes of the prior Board meeting on November 23, 2013 were discussed with one comment by Ray Tanner concerning the notation of the placement of the resignation by Dick Johns. Ray Tanner moved that the minutes be accepted; Don Nelder seconded the motion. The minutes were approved.

Don Nelder addressed the first item on the Agenda, that being correcting and clarifying alleged misinformation that has been circulated. Don read his reply letter and requested that its contents be attached to the minutes of this meeting.

Ray Tanner read his reply letter.

Don Nelder moved to make both reply letters a part of the meeting minutes. Ray Tanner seconded the motion. Motion was approved. (N.B. although it was not moved nor seconded that the letter to which these replies were introduced be also included, that letter – submitted by seven RTDWID property owners - is also attached to these minutes.)

Don Nelder indicated his intent to resign prior to the end of the meeting.

Ray Tanner indicated that Dave McKibben and Gary Richardson had offered to be on the Board and were both present. Don Nelder indicated that Dave McKibben has previous experience and history as a Board member.

Dave McKibben was asked to make a statement. He indicated that he wants the Board to operate cleanly, transparently, and in harmony and, given the number of people that have offered to serve, was willing to step up to serve.

Ray Tanner moved for Dave McKibben to be appointed. Don Nelder seconded the motion. The motion was approved.

Ray Tanner asked if Dave McKibben had an Oath of Office form signed and notarized. He indicated he did. Don Nelder indicated that he had contacted the Gila Count Board of Elections regarding having the form previously notarized and that this is not an issue. Buddy Rice expressed concern that this was pre-arranged in violation of the Open Meeting Laws. Ray Tanner responded that Mr. McKibben could go to a bank, during a temporary recess of the meeting, to have the form re-signed and re-notarized if that was desired. Buddy indicated that he was ok with the current status and thanked Mr. McKibben for getting re-involved. Don Nelder indicated that there is no violation of Open Meeting Laws, By-Laws, or Board of Elections in a potential candidate having the necessary documents prepared in advance. Buddy Rice asked if either Mr. Nelder or Mr. Tanner had discussed the situation. Ray Tanner indicated that, had either person discussed it with Mr. McKibben, Mr. McKibben was not on the Board at the time. Don Nelder did discuss the possible appointment of whoever offered to serve on the Board. Mr. Rice indicated that the fact that Mr. Tanner and Mr. Nelder had discussed it might be a violation but that it would be up to the Attorney General's office to make that determination and thanked Mr. Nelder for confirming that they did discuss it.

Gary Busenkill suggested that the meeting should not get hung up on Open meeting Law, that Dave McKibben is qualified, and that it is a pointless discussion with respect to the Open Meeting Laws, no harm no foul.

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Ray Tanner indicated that Gary Richardson had previously expressed interest in serving on the Board and, also, that Tina Hatch (just on the morning of this meeting) indicated her interest as well. Tina Hatch indicated her interest and also stressed that emails sent regarding Water Company business should not be sent showing everybody's emails where people reply to all with negativity; those email should be sent personally only. Tina also expressed some concern about a possible conflict on the part of Harry Jones as both a property owner and a District employee.

Ray Tanner thanked Tina for her interest and will certainly keep her in mind for the future. He also noted that Gary Richardson had previously expressed his interest and asked him to introduce himself.

Gary's family has owned their cabin since 1967. He has served on several Boards for a good number of years. Gary spent eight years in the Legislature as a member of the Republican majority. His experience lies in bringing people together. He suggested that, perhaps, a social hour prior to a Board meeting might be a good idea.

Dave McKibben clarified that Don Nelder is still on the Board.

Ray Tanner indicated that Gary's experience in the Legislature might be of real value to assisting the District to move forward with several issues, i.e. Board size, flat tax.

Ray Tanner moved that Gary Richardson fill the impending vacancy. Dave McKibben seconded. Approved.

Don Nelder concurred and resigned effective 5/17/14 at 10:06 am. Don left the meeting.

Gary Richardson signed an Oath of Office and took a second copy for preparation in front of a notary..

Ray Tanner nominated Dave McKibben for Chairman. Gary Richardson seconded and Dave McKibben was appointed Chairman of the Board.

Ray Tanner is currently Treasurer and prefers to retain that position.

Dave McKibben nominated Gary Richardson for Secretary. Ray Tanner seconded. Gary Richardson was appointed as Secretary of the Board.

Ray Tanner reported on action with the Forest Service regarding moving the river pick-up point. He has been meeting w/ the ranger and other personnel. 2 weeks ago the ranger said we cannot piggy back on the NEPA for the pipeline and it would need a separate environmental assessment. However, we can do a non-ground disturbing temporary pipeline on top of the ground. They will need a map, an annual permit, specific list of specifications on pipe, plus a confirmation of legal right to move – i.e. probably SRP approval. This could affect discussion of water rights/claims. We may need an attorneys consultation. Harry Jones indicated that the Cragin pipeline has had electrical issues in terms of running the plant per their schedule.

The next meeting is scheduled for 5/24/14 @ 4pm at the Whispering Pines Fire Department (pending availability).

Jeremy Creed asked about flat tax vs. rate increase. Ray Tanner indicated two reasons. There are roughly 135 buildable lots and 90 meters. This leaves 45 lots that have access to the District system but which are not contributing to the upkeep and upgrade of the infrastructure. A tax would cover all lots not just active users. Harry Jones stated that there is a flat tax provision for waste water treatment systems that can go up to 50% of assessed value but that same provision is not in water district laws. Ray Tanner noted that a second reason is that a tax is tax deductible whereas a rate hike is not deductible unless the property can be designated for business purpose.

Dave McKibben moved to adjourn the meeting. Ray Tanner seconded. The meeting ended at 10:39 am.

Respectfully submitted,  
Dave McKibben, Chairman

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The following pages are:

1. Letter sent to Board members Don Nelder and Ray Tanner by seven property owners.
2. Reply letter from Don Nelder.
3. Reply letter from Ray Tanner

**Gary Busenkell**

2088 E Ranch Rd

Tempe, Arizona

85284

ph:480 839 1662

April 30 2014

Dear Boardmember,

*The Rim Trail Domestic Water Improvement District appears to be facing a number of critical issues at this juncture. At the same time there seems to have developed significant dysfunction despite the best of intentions. The importance of maintaining an effective forward approach is obviously in the general best interest of the district. Given the current situation the undersigned urge you to consider relinquishing your board position to allow for a possible reset of purpose between board and management. The enclosed letter is signed by members of the district as indicated by the signature pages. Please recognize that there is significant concern in the larger community but it is not this group's interest to disrupt unity and promote discord such as that seen at last year's annual meeting over the proposed property tax. As stated we recognize your efforts and volunteer service but at this point it seems advisable that others be given a chance to address the district's issues thereby avoiding any unnecessary internal disruption of the district's objectives.*

Sincerely,



Gary L Busenkell for:

J Tenison

B Rice

A Bramley

S Lindsay

F Wolfe

N Jones

To: Don Nelder, Ray Tanner

From: Concerned Members of Rim Trail Water District

The Rim Trail Domestic Water Improvement District (RTDWID) has successfully faced a number of challenges in the course of its existence. At this time the RTDWID appears to be entering a phase of new organizational and operational challenges. Attendance at recent Board meetings and reviews of recent Board minutes does not give community property owners a comfortable feeling.

The impending construction of the Payson water line through our district, deteriorating relations with Salt River Project, the stonewalling of a new contract for the District Manager, the lack of adding a third board member, and your lack of action related to the turbidity issues that need to be optimized, all coupled with and complicated by the aged reality of our water system, will require a cohesive board structure cooperating with experienced management and operational staff. Recent developments would suggest that there is difficulty establishing such a state of affairs.

The recent effort by both of you to impose an unnecessary and illegal tax on district property owners, in addition to significant tax dollars spent for legal advice, all done despite overwhelming objection by Rim Trail residents, the District Manager, and the then acting chairman, all project an unresponsive attitude to your constituents and your district leaders.

Most importantly, there appears to be increasing discord between the board and management. Harry Jones has been a critical and integral factor in the long term success of the RTDWID. His pending resignation would be seen as a failure of the board to recognize his capabilities, and as such, be most unwelcome. Spending tens of hours on details of a future agreement with Harry, several hours in a Board meeting, and then simply and consistently tabling the subject to the next meeting with no followup action, is unprofessional.

Add to this the recent resignation of the district's CPA who cited as reasons, statements by a board member questioning her professional competency and her subsequent concern for possible challenges to her licensing. Additionally, the need to replace the CPA at several thousand dollars of additional cost every future year is disturbing.

When Harry was questioned recently by several citizens as to the status of various topics above, including the District's status with SRP, the letter from SRP he had been holding is gravely disturbing. Ray's apparent lack of adequate background information and history prior to negotiating with them, and having SRP arrive at a conclusion the situation with Rim Trail is "ripe for litigation" is uncalled for and damaging to the district. Additionally, introducing topics and concerns about riverbank erosion by Ray's personal cabins was not a district matter or appropriate to discuss while allegedly trying to represent the district's interest on one of its most critical issues.

The County Elections Department has recently informed the District that they know nothing about last November's resignation of Dick Johns or the attempted addition of Gary Cabirac, a fine person, to the Board of Directors, a matter Don Nelder, as the Board Secretary, agreed to handle. After four months, they have not received the signed Oath of Office required of all public officials. Additionally, the elections director has indicated Gary is not a property owner nor qualified elector of the District since he is not on the deeds to any of the parcels owned by his wife and her sister and

brothers. Calls and e-mails by the District Manager to Gary Cabirac to determine what has or has not occurred on his part have not been returned timely, so it appears the Board membership is in a state of limbo, something not allowed under the Bylaws or statutes. It would appear that there are serious concerns by property owners and Cabirac with the operation of the RTDWID Board. Finding anyone willing to serve on the Board with the current members (or even stay on the Board) has proven difficult, reflecting further organizational discord.

The Arizona open meeting laws and the bylaws you two adopted have requirements that obligate the board to certain relatively easy practices (legal communications between Board members, frequency of meetings, timely posting of accurate minutes, notices to the Board of Supervisors of changes in Board membership, etc.) which should not be ignored as has been the case in the past several years. Board members certainly should fully comply with the statutes and their own adopted practices.

Recent delays surrounding necessary bylaw revisions tabled at the last meeting, in addition to revised Rules and Regs Dick Johns presented to the Board reflect unacceptable Board execution and followup. These kinds of issues and consternation decrease management efficiency and can result in increased costs to the district and loss of continuity. It appears everything that had been pursued by Dick Johns (Jones agreement, Bylaws, Rules and Regulations, 5 member Board) has simply fallen through the cracks the last 4+ months. Again, good professional work done by others is being ignored.

As board members for the past several years your service is certainly appreciated and recognized. However, given the current disruptive and at times apparently disrespectful atmosphere, we believe the district would benefit from some new perspectives. In the interest of a greater good and furthering the successful operation of the RTDWID we would ask that each of you give consideration to the current conditions and entertain resigning to allow others an opportunity to carry on the operation of RTDWID. This is a difficult proposition but as neighbors and concerned members of the district we urge you to tender your resignations. This would allow a respite and create the environment for improved operational effectiveness.

Ray and Don, please respond positively to this resignation request within seven days to allow other district members to promptly move forward on the important issues faced by the district rather than getting bogged down in other board related diversions.

Signature:  Date: 4/29/14

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## REBUTTAL TO THE LETTER FROM 7 MEMBERS OF Rim Trail asking Don Nelder and Ray Tanner to resign from the RTDWID Board.

In the preamble of the letter there is a broad sweeping statement “that there is significant concern in the larger community” . The reaction from the larger community to us is DIAMETRICALLY OPPOSITE to that position. In fact, we have been asked to hang in there because they approve and like the positive results we have achieved since we have been on the board. I'll mention a few of the differences here to illustrate.

When Harry was chairman of the board, **this district repeatedly went into deficit spending and repeatedly came back to the community to bail the district out.** Due to Harry Jones' leadership, the district was subjected to **3 special assessments, 1 property tax levy and rate increases from 2007 and 2012. Yes, Harry resigned 7-21-11 from the board, however, there was still a lot of cleaning up that had to be done from his administration.** We were told by Harry that this fund raising was necessary to do what needed to be done in the district. If that is true then why has the current board NOT come to the community since your current board's FIRST MEETING to APPROVE THE BUDGET on 7-25-11 to ask for more money? Remember that in that 7-25-11 budget meeting we needed to raise money to cover the deficits left the Harry Jones administration. The district has more money on account now, that is not borrowed, than ever before! In fact, the last financial statement shows the district with over \$72 K on account. The biggest reason for that turn around is two fold. First, there are no longer any **consulting fees** being paid to Harry Jones ( HDJ), which was a significant drain on the cash flows, and there are much **tighter controls** on overall spending. Those folks who attended the June/July 2011 budget meetings (particularly all 3 of them) will remember that a large portion of the funds being raised were to pay Harry for his “consulting fees” that he said were owed to him and had not been paid.

I will now address the other items in the letter point by point.

- 1) RDTWID is facing organizational and operational changes. **Not true-we are facing the same issues today that we inherited from the Harry Jones administration. In other words, they are ongoing—they are not a new item.**
- 2) Impending water line construction—this is an example of Harry not having his facts straight. Don Nelder , is the board representative on the pipeline project. About three weeks ago Don talked with Buss Walker, the man in charge of the pipeline project, and Buzz told Don that it will be about **2 years before any more work is done on the pipeline** construction project. This is because there is no more money left now and they are waiting for more funding from the federal government to continue the construction.
- 3) Deteriorating relations with SRP-This statement is simply and **patently untrue.** Ray Tanner , authorized by the board, has been in contact with SRP on this issue. Ray's contact with SRP is with Steve Wescot et al and he is the same contact that Harry Jones uses so there is **no secret advantage** that Harry can bring on that issue.
- 4) Stone walling Harry's contract renewal. There is **no stone walling here**—the problem is that Harry was asked after the 11-23-13 meeting to supply a short time study to the board showing what tasks he does and what time it takes to do those tasks. Harry has other water districts that he works for so this board justifiably needs to know how Harry allocates his time to the RTDWID work. To date the board **has not received** the requested documentation from Harry. The board is simply exercising good business judgment here.
- 5) Lack of action on the Turbidity issues. **Just not true.** There has been substantial action on the Turbidity issue and will continue to be as the board seeks a solution. Ray Tanner has been working on it and as made some excellent headway toward a potential solution just within the last few weeks. He will report on it in a future meeting.

- 6) Potential problems with our aging system. **This board inherited those problems and has discussed what part of the system needs the attention first. No consideration of addressing the potential problems in the system is possible without money.** This board's excellent management has resulted in sufficient money on account to seriously look at some IMPROVEMENTS WITHOUT BORROWING MONEY. If the district decides in the future to replace ALL of the piping some money may have to be borrowed because of the total cost. However, the fact that the district has demonstrated excellent money management under the direction of the current board suggests that the terms and interest rate could be substantially more favorable to the district than would have been in the past.
- 7) 7) The property tax issue-originally proposed by Chairman Harry Jones in the Proposed Budget and Rate Hearing Meeting date 6-26-11. Harry was proposing that the district buy additional water rights from SRP, action on the Payson Pipeline, and replacement of all the water lines within the district. Harry's solution to pay for all of this was, and I quote "funded by an annual property tax assessment on all lots in Rim Trail" end of quote. **(look this document up. It is dated 6-26-11.** If you cannot find it send me an email and I will send you a copy) Obviously, this item is not new and neither was it created by the current board. In other words, like all of the other so called new issues, it is simply a continuation of what was on going when the existing board arrived. This board did pursue it after Dick Johns, an attorney and board member , researched it before writing a letter to the Gila County Assessors office to request consideration of the tax. **WE WERE DECLINED AND THAT IS WHERE IT STANDS TODAY.** Therefore, **THERE WAS NOTHING ILLEGAL ABOUT THIS PROCEDURE AT ALL** and to make the charge that it is illegal, as this letter states, is **irresponsible and disruptive.** This kind of uniformed activity only causes ill will, confusion and dysfunction in our community. Just for the record, it is not "illegal" to write a letter seeking information about the property tax.
- 8) Pending Resignation of Harry Jones. The board does not respond to veiled threats. Harry Jones (HDJ) is an independent contractor and free to decide when, where and who he wants to work for. This is not a board issue.
- 9) Districts CPA—CPA's are usually self employed and work for themselves. I am not aware of "the district's CPA". All of the charges suggested here come from Harry Jones. I believe that when the time comes the board will speak with the CPA in question and get the facts from them. I suspect that there is more than one CPA available to do the work of RTDWID.
- 10) Gravely disturbing Letter from SRP that Harry is holding. If Harry has important information regarding SRP **WHY IS HE HOLDING IT? WHY IS HE NOT FORWARDING THE INFORMATION TO THE BOARD?** How do we know that it is "grave". Is this actually true or just Harry's interpretation? Harry keeps telling people that the SRP issue is urgent and it must all be settled ASAP like he has some influence on getting that done. Well Harry **DOESN'T** have any more influence than any other property owner in Rim Trail. **What Harry keeps calling "water rights" are not "water rights at all and never have been".** What Rim Trail residents who have filed have, are "water claims". You must file a claim before SRP will look at whether or not you are entitled to a water right. **That process is called "adjudication".** So the situation with Rim Trail is SRP wants to settle all claims in one sweep rather than a series of little claims. What the end result will be is up to SRP and what they agree to do. One can argue their position with SRP but the final result will be done by SRP. Otherwise, if no agreement with SRP is reached then it will take court action to settle it and that cost a lot of money. SRP has a lot of money—more money than RTDWID. When **Mike Johns, also an attorney,** talked with SRP over two years ago **his advice was to do nothing until SRP is ready.** He said that court action is always an option so there is nothing to be gained by initiating it now. When Harry Jones tells you that your water right is at **risk he is fabricating a story that is untrue. You do not have a water right, what you have is a water claim that must be adjudicated to become a water right.**
- 11) Gary Cabirac-**Harry** proceeded with an action that was not authorized by the board. Harry is not a board member. When Harry talked with the county board of elections on this matter **he did not tell them that he was not a board member** and proceeded to tell Gary that he could not be on the board because he was not listed as a land owner in Assessor's office. What Harry clearly did not know was that the Assessor's office does not list ALL property owners when there are multiple owners. Fortunately Gary's wife Sara knows the facts and she pointed out that Gary is on the deed therefore he is a property owner. This kind of situation

12) Filling a Board Vacancy-Harry implies that this board has been lax in it's execution of filling a board vacancy and suggests that the bylaws and open meeting laws are being "ignored". **This is simply untrue and a bogus statement.** The bylaws require that a notice be sent out to the community within 30 days of notice of a vacancy. **This board did just that! Neither the bylaws nor the open meeting laws** provide for a time limit on when the vacancy should be filled. Just another example of Harry's lack of complete information before he decides to act.

13) Dick Johns documents and board action. This board has been examining those 4 documents so that in the next few meetings they can be addressed. They are 1) a new management agreement; 2) modification of the bylaws 3) Rules and Regulations and 4) a 5 member board. Harry assumes that since the board does not "consult" with him on those matters that nothing is being done. Another example of Harry acting without thoroughly checking out the facts.

In conclusion, this letter clearly has the stamp of Harry Jones on it. We are aware that Harry Jones, on past occasions ,has given some members of the community inaccurate information such as is the case here. It is quite possible that another agenda is brewing here. I suggest that you get a copy of the aforementioned document dated 6-26-11 written by Harry Jones while he was District Manager and Chairman of the Board. He makes a case for a list of the issues affecting the RTDWID and implies a sense of urgency to get going on it now. He then states that the board has discussed **HIRING HARRY to proceed with all of these tasks on behalf of the district. What he doesn't say is that he would charge \$35 per hour for his "consulting" to do it. The latest quote for his consulting is now \$65 per hour.** Your volunteers on this board have proceeded to **SUCCESSFULLY** pursue those SAME ISSUES and THE COST to RTDWID has been ZERO. In other words, no consulting fees have or will be paid by RTDWID for the work being done successfully by your board. All current board members and those who have indicated an interest in filling the current vacancy have years of business and professional experience analyzing and finding solutions to problems that crop up in the course of business. We are accustomed to learning what new information that is required to improve the operations and administration of a business because we have done it successfully before.

In closing, if you cannot find the document dated 6-26-11 on the web page, send me an email request and I will send you a complete unedited copy. It is called "the Proposed Budget and Rate Hearing Meeting". That document has a wealth of information directly relating to the contents of this resignation request letter from a minority of the community; exactly 7 out of 90 members in Rim Trail in fact. The preamble of this resignation request letter has a line in it that says—"it is not this group's interest to disrupt unity or promote discord". That statement seems rather shallow in light of the actual contents of the letter.

This resignation request letter is full of innuendo, misstatements, exaggerations, false accusations and a complete lack of accurate information. I would encourage the community to look at this letter with a clear discriminating eye and very careful discernment while exercising their good judgment. When you are seeking information about the districts business and the board we invite you to contact members of the board to get your answers or go to the District's web site by googling Rim Trail Water Improvement District.Org.. We have improved the navigation on the web site to make it easier to find the information that you are seeking in the hope that you will find most of the answers there. By following that course of action there will considerably less confusion, misunderstanding and discord in the community of Rim Trail.

Don Nelder

Secretary and acting chairman for RTDWID.

## Disinformation Corrected

By Ray Tanner

For those who may not know the difference between **misinformation** and **disinformation**, **misinformation is unintentional** and **disinformation is intentional**.

My comments to the letter I received requesting my resignation are as follows (*Italics are issues raised in the letter*):

*“The recent effort by both of you to impose an unnecessary and illegal tax on district property owners, in addition to significant tax dollars spent for legal advice, all done despite overwhelming objection by Rim Trail residents, the District Manager, and then acting chairman”*

- 1) The original idea of this flat tax was proposed by the District Manager in the 2011 budget discussions, I don't recall any opposition by the DM at last years budget meetings.
- 2) There is nothing illegal about the district levying a tax, however, the only way the district can currently levy a tax is based on a percent of assessed value of each parcel, this makes the tax excessive on many people with highly improved properties and disproportionately taxes them relative to their use of the District system. Many residents have expressed a need for a “flat tax” to solve this problem similar to what sewer special districts are able to do.
- 3) We had what we considered good legal advice on how to get it done by an attorney who specializes in water districts and claimed to have gotten it accomplished in Yavapai and Mohave counties.
- 4) The whole point of the proposed tax assessment last year was to establish the precedent with Gila County that we could accomplish the equivalent of a “flat tax” and then refund the money to the taxpayers. It was the concept of collecting a tax we did not actually need and refunding it that the then Chairman objected to. He did not feel it was right to put the County thru the exercise if we did not need the money and it was our intent to refund it.
- 5) The fact of the matter is if some of the projects the DM proposes to get done there are only three places the money can come from: 1) higher rates, 2) put the District in debt, 3) property tax assessments which had been proposed by the DM on an annual basis during the 2011 budget hearings. Currently, of 145 parcels (a few are owned by the District or are unbuildable parcels and do not count) in the District only 90 have meters and are contributing 100% to the upkeep, maintenance and upgrades to the system, yet approximately 45 other parcels who currently contribute nothing to the system have the potential of hooking up to the system at their convenience, this is patently unfair to the folks who are currently paying all the expenses of the system.
- 6) Please refer to the minutes of the meeting of July 5, 2013 for more information on this subject.

*“Lack of action related to the turbidity issues that need to be optimized”*

*”Deteriorating Relations with Salt River Project”*

*“SRP conclusion that the situation with Rim Trail is ripe for litigation”*

*“introducing topics or concerns about river bank erosion at Ray's personal cabins”*

*“Recent resignation of the District's CPA” and “need to replace the CPA at several thousand dollars of additional cost”*

- 1) The upgrade of the Water Treatment Plant (WTP), also referred as the WIFA Project was presented to the Board as being the cure all for the many issues we had had in the past regarding the requirement for constant cleaning of the Katadyne filter cartridges, especially when Blue Ridge (Cragin) water was running. When the Cragin water first came on after the WTP upgrade the plant was unable to handle the proper filtration of the river water. There may have been

multiple reasons for this but the solution was then found to take the Katadyne system out and replace it with a bag filter, this improved the problem but by the fall of 2012 the WTP still could not produce water that would meet the ADEQ turbidity standard. While this is not known to be a health or safety issue it is an ADEQ violation. Harry and Pat Carpenter (a Quality Water) came to the conclusion the WTP was not at fault but rather the turbidity monitoring equipment was not functioning properly. Buddy approved approximately \$3500 (within the authority granted to him by the Board) to replace the turbidity monitoring equipment and this was done in December 2012. Since the Cragin water was not running at the time the system could not be fully tested until May of 2013 when the Cragin water came back on. When it did the water the system produced still could not meet the ADEQ turbidity standards and Harry proceeded to spend approximately an additional \$3500, without Board approval, doing tests and adjustments to the turbidity monitoring equipment with his engineers and experts. Still the WTP could not produce water that would pass the ADEQ turbidity standard when the Cragin water was on which meant the roughly \$7000 spent on the turbidity monitoring equipment was probably unnecessary. The Board meeting of August 23<sup>rd</sup>, 2013 included Kevin Alexander (SPI Inc.) and Mike Plough (Highland Resources). Both had been instrumental in the design of the WTP WIFA upgrade. Kevin indicated he would stand by us and help work through this problem. Dick Johns asked at what cost and Kevin responded his rate is \$200 per hour. It was then discussed what needed to be done and what was probably the best solution. Kevin indicated an additional \$8000 of lab tests and analysis to confirm what the problem is and then the probable solution would be a flocculation system that would cost a minimum of \$20,000 and would add additional costs to the operation of the system and an increase in the level of complexity off the WTP. Kevin was asked if after spending the money for additional analysis and lab tests and installation of the flocculation system would he guarantee the results. He answered "no". Other options were then discussed and the Board felt it best to first try relocating the pickup point above the Cragin outflow. It was discussed at two Board meetings that SRP should be asked to help with the cost of moving the pickup point above the Cragin Outflow as it was the Cragin water causing our problem. There being no other volunteers Ray offered to contact SRP to see if they would be willing to help with the cost since the Cragin water was the cause of our problem and the WTP worked fine with the pure River water. Ray is acquainted with several SRP Board members and one in particular he has known for many years and knows him very well. He has been very helpful in the past with directing Ray to speak to the right person when Ray has had questions regarding water rights on his numerous stock tanks, springs and wells on his ranch. Ray had also mentioned he had the erosion issue at the family cabins and would be asking his SRP Board member friend who to talk to about both issues with the expectation it would be two different people as it was two different, seemingly unrelated issues. One Saturday morning Ray received a call from an SRP executive to discuss the two issues. Ray tried to make the point the two issues were separate and he did not want to mix the issues in discussions or correspondence. Ray was surprised when he received the letter from SRP addressing both issues. SRP is the one who brought up the water rights issue and I informed him I had not been authorized to make any commitments by the RTDWID Board and had only been authorized to discuss with them the move of our pickup point and would they be willing to help with the cost. I did leave the water rights issue with him as one I would address with the board at the next Board which has not yet occurred.

- 2) Whether we know it or not we are already in litigation and have been for about 40 years, that is what adjudication is all about and unless those with claims to the river water come to a resolution with SRP at some point everyone who has filed a claim will receive a summons to come to the court to prove they have a valid claim that with court approval could be converted to a water right. Our situation is ripe for litigation because there are more acre feet of water claimed than

can probably be supported by proven past use and that litigation statement has nothing to do with my contact and discussions with SRP.

- 3) I have finally gotten a verbal agreement with the Forest Service on what we can do to move our pickup point and put it across the Forest. I will explain those details briefly in the meeting on May 17, 2014.
- 4) I am not aware we have any deteriorating relations with SRP and suspect that is someone else's unsupported conclusion.
- 5) Regarding the resignation of the CPA I have no idea why that happened. The issue there is Harry had capitalized the \$3500 of additional expenses trying to get the turbidity monitoring equipment to work properly when it was probably already doing all that it was designed to do. I felt that capitalizing this on the balance sheet rather than expensing it falsely inflated the net worth of the District. I had discussed this with Harry and as Treasurer instructed him to expense it rather than capitalize it, I thought he agreed to do it but when I received the draft of the audit it had not been done. After a brief conversation with Harry we agreed I would contact the accountant. My conversation with her was nothing but professional and why she decided to quit I don't know. With regards to Harry's claim it will now cost \$5000 is ridiculous. This is not a certified audit it is a reviewed statement and for no more than is needed we should be able to find someone who will do it for about the same. By the same token I am not aware of what obligation we have to have a reviewed statement, as there is nothing the accountant certifies to and they disclaim any responsibility and it may be a way to reduce expenses.

*“Spending tens of hours on details of a future agreement with Harry, several hours in a Board meeting, and then simply and consistently tabling the subject to the next meeting with no followup action is unprofessional.”*

*“Stonewalling of a new contract with the District Manager”*

- 1) There is currently a letter agreement in affect since 2011 that has worked fine for the District. Harry has wanted to rewrite the agreement to more of his liking and possibly to the detriment of the District. It is the intent to bring this to a conclusion as soon as possible but with other pressing issues facing the District it is not possible to put it at the top of the agenda.
- 2) Currently the District is paying Harry \$800/mo plus \$200/mo for providing office space, office equipment and records storage. Harry is requesting that the \$800/mo be increased to \$1250/mo plus the \$200/mo for a total of \$1450/mo for a maximum of 25 hours of time. Hours in excess of 25 are to be billed at \$55/hour. In addition hours spent on special projects (water rights, etc) would be billed at \$55/hour including travel time to the Valley for meetings. Harry has stated he is currently spending 2 to 3 times the hours over the currently allotted 25 hours per month. If this is the case then Harry's monthly bill to the District would be in the vicinity of \$2825 to \$4200 per month for basic management services only, not including special projects. Clearly to pay this amount and accomplish other things that need to be done would require a rate increase.
- 3) Following the last Board meeting the following was suggested to Harry. “I would suggest that if you have been keeping logs of your time spent that you make them available to the Board as a means to support your request. Please be sure the logs include what activities were performed and not just the time spent. If you have not been keeping logs I would suggest doing so in the future and providing them to the Board prior to the next meeting”. This seemed to be a simple request to provide the Board information to make an informed decision but to date Harry has not responded.
- 4) A search of all the minutes for last year only turned up two occurrences referring to Harry's management agreement, the first was April 27, 2013 when Dick Johns agreed to review Harry's proposed agreement and meet with Harry, the next was the November 23<sup>rd</sup> meeting in which

Dick Johns explained his view and analysis of the agreement. It can hardly be said it is being stonewalled when there has only been one time it has been on the agenda for discussion.

*“Impending Construction of the Payson Water Line”*

- 1) It is my understanding Don Nelder has a personal relationship with Buzz Walker, the town of Payson’s CC Cragin project manager, and has been in touch with Mr. Walker on several occasions the past six months. Don has been the Board’s most recent liaison with Buzz Walker regarding the Payson pipeline. It is also my understanding there is currently no funding available for the pipeline and funding availability is at least one to two years away. That being said this is no apparent immediately pressing issue but it does need to be addressed in the near future and will be once we have a full and functioning Board.

*“The lack of adding a third Board member”*

- 1) Upon resignation of Dick Johns from the Board the vacant position was filled immediately. It was not until just recently the Board was informed the replacement was no longer able to fill the position and following the meeting planned for May 17, 2014 we should have a full and functioning Board.
- 2) It seems there has been rumors going around that Gary Cabirac should never have been appointed as he is not a property owner. Based on an email received from his wife Sara Steinhilber this is not true and Gary is in fact on the deed. It may be that whoever checked only checked the Assessor’s web site. Often when there are multiple owners (more than two spouses) the assessors listing does not have the room to list all owners.
- 3) As to the issue that Gila County was not notified of Dick John’s resignation and Gary Cabirac’s appointment I am not in a position to comment on that as it was in the hands of others.

*“Aged Reality of our water system”*

- 1) The District Manager has for several years been pushing to replace the entire water distribution system and offering to manage the project for a management fee. The Board has not been convinced that it is necessary to do a wholesale replacement of the distribution system (one estimate given was \$800,000). Once we have a full and functioning Board that issue will be addressed but is not currently of the highest priority.

It is unfortunate that the water district has over the years been so much of a source of dissension. For most of us, especially those that are not full time residents, our homes here are a respite from the hassles and conflicts of our every day lives and occupations and the last thing we want to do is come up here and find conflict going on. Unfortunately, the conflict usually revolves around one person or a small group of people. It is also interesting to me that not one of the folks who signed this letter requesting my resignation called before hand and asked my opinion of what was going on. It is also interesting to note not one of the people who asked for the resignation of the two board members threw their hat in the ring to fill a vacant Board position. It is also interesting to note that the last two times I ran for election I won by default because no one cared enough to throw their hat in the ring. For those who really want to see me gone from the Board remember I am up for reelection this November. Please throw your hat in the ring and run against me, I promise my campaign budget will be less than 1 million dollars.