

INSCRIPTION CANYON RANCH SANITARY DISTRICT

PO Box 215 Chino Valley, AZ 86323

~ Special Meeting ~

March 12, 2020

Approved March 27, 2020

Date: Thursday March 12, 2020

Time: 2:00 p.m.

Place: Gabby's Kitchen Conference room at 2235 N. Hwy 89, Chino Valley, AZ

1. CALL TO ORDER

Present were: Kirk Leopold, Chairperson; Jerry DeSantis, Board Member; Stephen Polk, Legal Counsel; Bob Busch, District Manager; and Isabel Yribe, Clerk.

2. MOTION TO GO INTO EXECUTIVE SESSION: Kirk Leopold made a motion to go into EXECUTIVE SESSION FOR: discussion or consultation for legal advice with the attorneys of the Inscription Canyon Ranch Sanitary District pursuant to A.R.S. Section 38-431.03.(A)(3) and discussion or consultation with the attorneys of the Inscription Canyon Ranch Sanitary District in order to consider its position and instruct its attorneys regarding the District's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation pursuant to A.R.S. Section 38-431.03.(A)(4) re:

A. Talking Rock Land, LLC vs ICRSD, appeal ruling and possible action.

B. Plant expansion construction contract change order.

C. Developer lot fees for bulk lot sales

Mr. DeSantis seconded the motion. The motion passed unanimously.

During the Executive Session, the public will be asked to leave the Board meeting room until the general session is reconvened.

CONVENE INTO EXECUTIVE SESSION AT APPROXIMATELY 2:03 PM

RECONVENE INTO PUBLIC SESSION AT APPROXIMATELY 2:45 PM

3. CALL TO THE PUBLIC

- **Bob Hilb** asked the board why agenda item 6A was still on the agenda if the District decided it would not appeal. Mr. Hilb mentioned that the District was to begin negotiations with Talking Rock Ranch regarding a settlement. Mr. Hilb also wanted to know if the APP had been submitted to ADEQ by the District and what the resulting capacity would be for the expansion of the plant. Mr. Busch stated that he could only address the last question asked by Mr. Hilb. He stated that the APP had not yet been submitted to ADEQ. Mr. Busch also stated that Civiltech was working on putting it together and the capacity would be 90,000 gallons. Mr. Leopold told Mr. Hilb that the District did not appeal their case against Talking Rock Ranch, LLC.

4. CONSENT AGENDA

Minutes of Meetings

Public Meeting Minutes of February 7, 2020
Executive Session Minutes of February 7, 2020
Public Meeting Minutes of February 19 2020
Executive Session Minutes of February 19, 2020
Executive Session Minutes of December 3, 2019
Executive Session Minutes of January 14, 2020
Executive Session Minutes of January 21, 2020

Reimbursement to District Manager (\$1,278.92)

GoDaddy- -Email renewal and Office and 365 renewal (\$862.24)
GoDaddy – Website Builder Renewal (\$196.25)
Days Inn – conference room rental for Board Meeting 2/7/20 (\$40.00)
Gabby's Kitchen- conference room rental for Board Meeting 2/19/20 (\$75.00)
Home Depot – Railroad ties for storage container support (\$105.43)

Mr. Leopold moved to approve the Consent Agenda. Mr. DeSantis seconded the motion. Motion was passed unanimously without discussion.

5. REPORTS

Report from District Manager

- **Plant operating data** Mr. Busch stated that the plant processed 1,469,848 gallons for the month of February. He stated that the average daily flow was approximately 50, 684 gallons which translated to about 81.1 % of the plant's rated capacity. Mr. Busch also stated that a contractor damaged an air relieve valve on Spotted Eagle Drive in Inscription Canyon Ranch and the cost to repair the damage was approximately \$600. Mr. Busch stated that the contractor has been billed for the damages. He also stated that the storage container is on site at the treatment plant and the files from the mini storage were moved into the container.

- **Plant Upgrades- status of project Construction Progress Engineering Design & APP Application** Mr. Busch stated that construction began on the Waste Water Treatment Plant upgrades. He also stated that the clarifier tank was on District property on March 10, 2020. Mr. Busch stated that Civiltech Engineering had completed the design.

- **Audit of connections to sanitary system** Mr. Busch stated that there are currently 721 connections to the system with 6 that are pending.

- **Cash Flow Projection** Mr. Busch handed out a spreadsheet to Board Members and stated that it shows the expected cash received and expenses anticipated between February 1, 2020 and the end of November, 2020. The spreadsheet shows that there will be a short fall of over \$2000 which does not include legal fees, payments for the Talking Rock Ranch, LLC. legal fees of approximately \$ 50,000 or a deposit to unrestricted capital fund as recommended in the reserve study conducted in 2014. Mr. Busch stated that the run rate for expenses in this fiscal year has been approximately \$27,500 vs the \$22,000 assumed in the spreadsheet. He stated that the rate for expenses for the past three months was about \$50,100. Mr. Busch stated that the District could be short approximately \$48,000 by that time. He went on to state that either a transfer of funds from the unrestricted account, a possible deferment on paying the district's bills, or perhaps a user fee should be considered.

6. OLD BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

A. Talking Rock Land, LLC vs ICRSD, appeal ruling and possible action. There was no action taken on this item.

7. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

A. Plant expansion construction contract change order Mr. Leopold asked Mr. Eric Ness of the Santec Corporation to go through each line item on the change order. Mr. Ness proceeded to answer any questions for those in attendance. Mr. DeSantis asked if the proposed amount of the change order could be negotiated. Mr. Ness stated that he used the most cost-effective changes in order to alleviate some of the District's financial situation. Mr. Busch reminded the Board and the audience that the District asked for bids and alternates, to no avail. Mr. Ness stated that the change order includes extending the date for completion by 30 days. Mr. Alan Cochrell, resident, asked if the difference of \$112,000 or so was included in Mr. Busch's cash flow projection. Mr. Busch stated that the District had the finances to cover this construction, which comes from the Restricted Capital Fund. The spreadsheet projected District operating expenses.. Mr. Ness stated that the original contract amount was \$499,800 and the change order was \$115,125, including a changeout of a galvanized air line and air metering controls that were not in the change order forwarded to the Board, bringing the new balance to \$614,925. Mr. DeSantis asked if the change order that Mr. Ness provided the board would be rewritten to include all of the items discussed. Mr. Ness stated that he would provide the amended order to the board.

Mr. Leopold made a motion to accept the amended change order from the Santec Corporation and provide an updated copy to the board and authorize Mr. Busch to execute the order. Mr. DeSantis seconded the motion. The motion passed unanimously.

B. Approval of financial reports for January, 2020 Mr. Busch went over the financial report. He went on to state that item 1800 seemed wrong and would have to look into it. Mr. Busch also stated that item 1801 would have to be cleared off as the phase 1 expansion was suspended.

Mr. Leopold made a motion to approve the financial reports for January, 2020. Mr. DeSantis seconded the motion. The motion passed unanimously

C. Developer lot fees for bulk lot sales

Mr. Leopold made a motion that legal counsel proceed as directed by the Board in executive session. Mr. DeSantis seconded the motion. The motion passed unanimously.

8. ADJOURNMENT

Therefore, the meeting was adjourned at approximately 3:15 p.m.

Board Clerk

Date