

INSCRIPTION CANYON RANCH SANITARY DISTRICT

PO Box 2344 Prescott, AZ 86302

~ Regular Meeting ~

Wednesday September 9, 2020

Approved September 15, 2020

Date: Wednesday September 9, 2020

Time: 2:00 p.m.

Place: WingSpace Conference Room - 371 Garden Street, Prescott, AZ

1. CALL TO ORDER *Mr. Summers called the meeting to order at 2:00 p.m.*

2. ROLL CALL *Present were: Bob Summers, Board Member; Jerry DeSantis, Board Member; Charles Lehr, Board Member; Bill Whittington, Legal Counsel; Bob Busch, District Manager; Isabel Yribe, Clerk*

Mr. Stoner was present, via telephone, for the public session.

3. Mr. Summers 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. § 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, or in conjunction with 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, Case No. P1300CV201800380 and Case No. P1300CV201900298 including, but not limited to: the remand to the lower court; possible mediation negotiations with Developer; Possible direction to the attorneys of the Inscription Canyon Ranch Sanitary District relating to the mediation and mediation -related issues; issue relating to pending judgment for attorney's fees; possible settlement options.

B. Possible direction to legal counsel relating to the declaratory action filed by Allied World Specialty Insurance Co., relating to insurance coverage in the Talking Rock litigation; correspondence received from Allied World Specialty Insurance Co., re: same.

C. Possible ratification of actions taken since November 2018 by less than a quorum of valid Board Members. D. Status of Statecraft Law.

Mr. DeSantis seconded the motion. The motion passed unanimously without discussion.

During the Executive Session, the public will be asked to leave the Board meeting until the general session is re-convened

CONVENE INTO EXECUTIVE SESSION: 2:05 PM

RECONVENE INTO PUBLIC SESSION: 3:45 PM

1. CALL TO ORDER after the Executive Session

Mr. Summers called the meeting back into order from the Executive Session.

2. ROLL CALL

Present were Mr. Summers, Board Chairman; Charles Lehr, Board Member; Jerry DeSantis, Board Member; Bill Whittington, Legal Counsel; Bob Busch, District Manager; and Isabel Yribe, clerk.

Mr. Bob Hilb, Mr. Jeff McLeod, Mr. Jimmy Stoner, Mr. Bob Frisch, and Mr. Mark Arnold. were present in the audience. (Via teleconference)

3. CALL TO THE PUBLIC

Mr. Jeff McLeod stated that he never received his bill from the District. He suggested that the District match records with the Water District. Mr. Summers stated that matching records with the Water District was already being done.

4. REPORTS

- **Report from the Chairman** *Mr. Summers read the following:*
“Today, I would like to restate that the Board offered \$75,000 to settle the Attorney’s fees awarded to Talking Rock Land, LLC in 2018, the Attorney’s fees also awarded in the appeal of this action and the interest awarded on the attorney’s fees. TRL, LLC has accepted this offer, the check has been delivered per TRL, LLC’s instructions. The check has cleared and the District is expecting the signed Satisfaction of Judgment statement soon. I would like to thank TRL, LLC for their cooperation, this acceptance saved the District approximately \$18,000. TRL, LLC was under no obligation to accept the Board’s offer and could have insisted on the full amount owed. While TRL, LLC did get a quick payment by accepting the offer, it still should be noted the cooperation by TRL, LLC in closing this issue resulted in the savings to the District. A committee was appointed last meeting to investigate the best method for the next capacity expansion of the sanitary plant and the first meeting date will be set later in today’s meeting. While it should be approximately years before another expansion is required, planning this far ahead will provide the opportunity to evaluate several options and time to plan how to pay for the best option. These working sessions are open to the public and a notice will be posted on the District’s website.”
- **Report from District Manager** *Mr. Busch stated that the plant flow for the month of July 2020 was 2,064,156 gallons, that amount equaled 66,585 gallons per day. He stated that for two months in a row, the District has gone past the old stated plant capacity of 62.5K gallons per day. Mr. Busch stated that all of the user fee and property account transfer billing has gone out to residents. Mr. Busch stated that the questions regarding billing have been addressed. He stated that the majority of issues were that some of the residents never received their bills. Mr. Busch stated that a number of addresses in the database were outdated and were updated so the District should be ready for the next round of billing to go out to residents. Mr. Busch stated that two checks that were issued and mailed to legal counsel were never received and that the checks were reissued and was delivered to Mr. Whittington’s office. Mr. Busch stated that financial information needed for the financial review by Alyx Cohan was sent by both him and Wallace Accounting. He stated that he expected the final report to be delivered to the District in the next 60 days. Mr. Busch stated that outstanding billing for repair work on Meem Lane for \$2,500 has been settled with the property owner. He stated that the Chloe Trail bill is still outstanding. Mr.*

Busch stated that he is in the process of setting up a meeting with the builder to get the issue resolved. He stated that the builder has already expressed some “pushback” to the bill. Mr. Busch stated that he has received affidavits from the contractor and the system operator that would hopefully solidify the District's case with the builder. Mr. Busch stated that the District continues to have an issue in Whispering Canyon with the infrastructure. He stated that an air release valve was found to have been malfunctioning and it prevented an initial hookup of services. Mr. Busch stated that excavation has to be performed to repair the air relief valve but does not yet have the cost for that repair. Mr. Bob Hilb asked if the plant operator should be flushing all the lines to catch any malfunctions even if the lines are not being used at the time. Mr. Busch stated that he would be speaking to Derek Scott to see what could be done in that regard.

5. CONSENT AGENDA (Routine items that may be approved by one motion)

Minutes of Meetings

- **Minutes of Public Meeting -August 24, 2020**
- **Minutes of Executive Session – August 12, 2020**
- **Minutes of Executive Session – August 24, 2020**

Reimbursement to District Manager (\$291.95)

- **Wingspace- Conference Room and Speaker Phone rental (September 9th) (\$75.00)**
- **Wix.com - website builder (\$216.95)**

Mr. Summers made a motion to approve the consent agenda. Mr. DeSantis seconded the motion. The motion passed unanimously without discussion.

6. OLD BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

- A. Talking Rock Land, LLC vs ICRSD, Case No. P1300CV201800380 and Case No. P1300CV201900298 including, but not limited to: the remand to the lower court; possible mediation negotiations with Developer; Possible direction to the attorneys of the Inscription Canyon Ranch Sanitary District relating to the mediation and mediation -related issues; issue relating to pending judgment for attorney’s fees.** *Mr. Summers, by way of consensus, set a meeting to discuss the matter on September 15, 2020 at 9:00 a.m. There was nothing to report on this agenda item.*
- B. Possible direction to legal counsel relating to declaratory action filed by Allied World Specialty Insurance Co., relating to insurance coverage in the Talking Rock litigation.** *There was nothing to report on this agenda item. Mr. Summers stated that District counsel would be filing a response to this matter in court.*
- C. Possible ratification of actions taken since November 2018 by less than a quorum of valid Board.** *Mr. DeSantis moved that Mr. Summers be authorized to sign the 2020-3 Ratification. Mr. Lehr seconded the motion. The motion passed unanimously without discussion.*

D. Status of Statecraft Law. *Mr. Summers made a motion to authorize, review and approve the delivery of the letter prepared by Mr. Whittington to State Craft Law. Mr. DeSantis seconded the motion. The motion passed unanimously without discussion*

7. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE:

A. Aquifer Protection Permit *Mr. Busch stated that the draft permit was received from ADEQ and the District has provided a response. There was a brief discussion with the engineer for Civiltec, Chris Dusza regarding the Aquifer Protection Permit for the District. He stated that he received comments from ADEQ stipulating the District would require testing and closure processes for the unlined area where the geomembranes tubes are located. Since the ADEQ delivered that amendment, Mr Dusza. stated that they changed their course. He believes that the stipulations for the closure process will not be included in the requirements. He also stated that they have asked for more information regarding the sludge process. He stated that he would need for Mr. Derek Scott and Mr. Busch to provide answers for that process so that he could relay that to the ADEQ. Mr. Busch asked if compliance issues 3, 4, and 5, would go away if the District provided a closure plan and a minor amendment specifying that it has been done. Chris Dusza stated that it was an advantage to the District because what they were proposing requiring the District provide sample testing as well as a closure plan by an outside environmental firm. He confirmed that satisfactory answers would address the issues that were outlined by the ADEQ. Mr. Busch stated that certificates of completion are required of the improvements and the sludge slab. He talked to Santec about it and they have stated that they do not believe they can do that. Mr. Busch stated that it should be the engineer of record who does that. He stated that Civiltec was that engineering firm of record. Mr. Dusza stated that he could discuss that with Mr. Busch. because they were not the engineers on site during the construction. He stated that it would have to be the engineer who was on site during the construction. Mr. Busch stated no engineer was present during construction. Mr. Dusza stated that he would have to discuss this matter further with Mr. Busch. Mr. Busch stated that he would forward asbuilts and other information and documents to Mr. Dusza. Mr. Summers stated that Santec did not have an engineer on site during construction. Mr. DeSantis asked what the extra \$12,000 the District paid was for. Mr. Summers stated that the engineer costs were approximately \$100,000. Mr. Busch stated that Civiltec submitted a proposed change order for post design services for approximately \$27,000 that the Board passed. Mr. DeSantis asked Mr. Busch if he would review the matter with Civiltech. Mr. Busch stated that he would. Mr. Summers stated that there were several errors spotted on the draft permit document. Mr. Busch stated that there seemed to have been shadow printing on some of the pages. Mr. Dusza stated that the errors were on ADEQ's part and they would all be corrected. Mr. Summers asked Mr. Dusza to ensure that the name on the permit reflected the District's legal name; ICR Sanitary District. Mr. Dusza stated that he would make that correction. Mr. Busch stated that he changed the address.. Mr. Summers had concerns on line item 274 - Operator/Other Miscellaneous Reporting. He asked if the District was sending reports to the golf course. Mr. Summers stated that if the golf course has waived receiving any reports, the valid waiver should be on file with the District. Mr. Summers asked if the District had Mr. Busch stated that there was a list of items that were prohibited to be introduced into the system. Mr. Summers stated that Mr. Busch should look into that as he wanted the District to be in compliance with the permit requirements. Mr. Ray Danesek asked if the effluent had to be in compliance with the ACC. Mr. Summers stated that it was actually; AAC (Ariz Adm Code).*

B. Approval of financial reports – July 2020 *There was a brief discussion regarding the financial reports by the board members and Mr. Busch. Mr. Busch also asked for the Board's preference on the printout of the financial documents. He stated that the choices were the one, presently provided*

and a printout of the accounting program used by Wallace Accounting. Mr. Summers, by way of consensus, suggested trying the newer, accounting program printout for a few months. Mr. Busch pointed out that one invoice for attorney's fees issued by Mr. Whittington's office was sent in during the current fiscal year for services in the previous fiscal year and it is not included in the July, 2020 financials. It was booked as an expense for FYE 2020. Mr. Summers had a question regarding line item 1801, Phase 2- Construction in Progress. Mr. Busch stated that it was the engineering fee on the Biolac plant that was put on hold. He also stated that the auditor would review that line item and address it in a financial report. He stated that the board could decide if that line item could be written off. Mr. Summers also had a question regarding line item 1102, 1103, and - Accounts Receivable. Mr. Busch stated that he is not certain what the \$ 12.00 was for. Regarding Old Capital and Symmetry, he stated that the remaining \$18,000 of the \$150,000 allowance under the Restated and Amended Development Agreement. He stated that it hopefully, not be in the financial report next month. Mr. Summers had a question regarding Long Term Liability on the second page of the report ,line items 2510, 2525, and 2530. Mr. Busch stated that these fell under the Restated and Amended Development Agreement. Mr. Summers stated that the amount should be going down when the District sends in a payment. Mr. Busch confirmed that it would. Mr. Summers had a concern regarding line items 7225- Special projects for \$2,285. Mr. Busch stated that it was the remainder of the fee from Wallace Accounting for converting database information/work for the District. Mr. DeSantis made a motion to approve the financial report for July 2020. Mr. Lehr seconded the motion. The motion passed unanimously without any further discussion.

C. Possible date for a Planning Committee Meeting *By way of consensus, the meeting was set for September 15, 2020 at 2:00 pm. Mr. Summers stated that he would give the information for Mr. Busch to post on the District's website.*

D. Possible approval of service contract with Empire Cat for generator services for 2020-21. *There was a brief discussion regarding the services performed by Empire Cat to the District's generators. Mr. Busch stated that one of the generators was 80K watts and the other was 150K watts. Mr. Summers made a motion to approve the service contract with Empire Cat for 2020-2021. Mr. DeSantis seconded the motion. The motion passed unanimously without further discussion.*

8. ADJOURNMENT

Therefore, the meeting was adjourned at approximately 4:35 p.m

Board Clerk

Date