

## INSCRIPTION CANYON RANCH SANITARY DISTRICT

PO Box 215 Chino Valley, AZ 86323

~ Rate and Budget Hearing ~

Thursday June 30, 2020

Revised July 7, 2020

**Date:** Thursday June 30, 2020

Approved July 10, 2020

**Time:** 1:00 p.m.

**Place:** Gabby's Kitchen 2235 Hwy 89, Chino Valley, AZ

### **1. CALL TO ORDER of the RATE HEARING** by Board Chairman, Bob Summers at 1:00 p.m.

*Mr. Summers read the list of fees published and proposed for 2020-21. They are the same as the previous year. Mr. Summers stated that Activation Transfer Fees would remain at \$35. Administrative Fees would remain at \$35. Copy Fees would remain at \$.25 cents per page and \$7 for audio tapes. Capacity Fees would remain at \$3250.00. He also stated that the capacity fees would apply to all District projects except when exempted by the contract. Mr. Summers stated that interest rate would remain at 10% per annum. He also stated that Late Fees would be \$5.00 if the charge on any prescribed fee is delinquent for more than fifteen days. Mr. Summers stated that Inspection Fees would also remain at \$250. He also stated that Returned Check Fees would remain at \$35. Mr. Summers stated that User Fees for a residential structure would remain at \$35 per month for one structure. He also stated that User Fees for a commercial structure would remain at \$100 per month for a facility with one fixture and \$150 per month for a facility with more than one fixture. Mr. DeSantis asked for Mr. Busch to elaborate his concerns. Mr. Summers stated that Mr. Busch had the user fees to be collected monthly and that amount could not be increased but only decreased. Mr. Summers proposed that the user fees be changed to quarterly. He stated that he would like to see four \$35 payments instead of twelve \$35 payments. Mr. Summers stated that billing quarterly would get the District the \$100,000 that was written in the budget. Mr. Busch stated that the monies would not be collected soon enough. Mr. Summers stated that the first bill would be sent out as soon as everyone could get online. Mr. Busch stated that one bill would generate approximately \$25,000 and it would take the District all year to pay the attorney's bills it has not yet paid. Mr. Busch re-iterated that if the District did not bill monthly it would come up short. He asked that the record reflect his position. Mr. DeSantis asked if the board had the option to bill quarterly and amend it later. Mr. Summers stated that it could not be done. He stated that if the board approved quarterly bills it would not be able to change it until next year's budget hearing. Mr. Whittington stated that the board could have as many hearings as it needed to, regarding fees, but not for tax purposes. Mr. Busch stated that it would take the District approximately nine months to pay the approximate \$71,000 in unpaid attorney bills that were due. Mr. Busch stated that he could not see how the District could not bill on a monthly basis. Mr. Summers stated that the District had yet to bill anyone. Mr. Busch stated that he knew that but that the District had better start billing soon. Mr. Hilb asked for clarification as the discussion that just took place was a bit confusing. Mr. Summers stated that he would seek input from the audience members that might provide some guidance. Mr. Jeff McLeod stated that after listening to what Mr. Busch had to say, there was some confusion between cash flow needs and budget and expenses. Mr. McLeod stated that not having seen a recent financial statement, it was difficult to see what the District's accrued liabilities were. Mr. Summers stated that Mr. Busch was concerned about the approximately \$71,000 for attorney's bills that have not been paid due to the District not having the funds to pay them. Mr. Busch stated that the approximately \$71,000 in attorney's fees were not the only things*

that were due. He stated that the District also had other monthly bills for expenses that would come in between now and October and November that the District would not have the funds to pay if the District did not bill user fees on a monthly basis. Mr. Summers stated that the District was in an extremely terrible financial situation. He also stated that last year, the District approved collecting user fees but never implemented that process. Mr. Summers stated that \$50,000 was budgeted for legal fees and the District went through that in less than three months. Mr. Busch passed out a document outlining the projected cash flow for the District between this time and November 2020. Mr. Busch stated that this did not include billing. Mr. Summers read from the document and stated that the District was at a negative -\$176,000 even if the District started collecting user fees yesterday. Mr. Busch stated that this document did not contain user fees in it. Mr. Busch stated that this only included the District's normal expenses. Mr. Busch stated that the District would have approximately \$25,000 per month. Mr. Hilb asked what the District had in its bank account at this time and how much of that was unrestricted. Mr. Summers stated that the numbers from Ms. Cheryl Ibbotson showed there to be approximately \$327,000 in the unrestricted account that the District could transfer out of. Mr. Summers stated that the restricted account showed to have approximately \$67,000 in funds. Mr. Summers then stated that there was money that the District could transfer but asked if that was what the District wanted to do. Mr. Busch directed everyone to notice the summary at the bottom of the cash flow document that he passed out. He mentioned that the summary stated that as of November 30, 2020 if the District collected user fees, the District would potentially be at a deficit of approximately \$45,000. Mr. Busch stated that the document did not include any taxes that may come in for next year. Mr. Busch stated that the District might get by if the taxes come in early enough. Mr. Summers stated that the sooner the District could collect user fees, the faster it could alleviate the financial struggles it had. Mr. Busch stated that he suggested collecting user fees three months ago. Mr. Summers stated that in unrestricted capital account there was \$127,000. He also stated that there was approximately a deficit of \$44,000 in the general fund. Mr. Summers then stated that there was approximately \$67,500 in the restricted capital account. He stated that the District had funds that could be transferred. Mr. Summers stated that one of the reasons for collecting user fees was that if the District ever wanted to apply for loans or grants from Water Infrastructure Financing Authority, it would have to show an ability to generate income without using tax monies. Mr. Summers stated that the District had to get its legal fees under control. Ms. Eileen McGowan asked the board to explain the cost effectiveness of billing quarterly versus billing monthly. She also asked when billing for user fees would begin. Mr. Summers stated that the difference would be how much money it would be collecting from the residents of the District instead of collecting it from taxes. Ms. Ibbotson stated that her firm was trying to get everything online by July 2020. Mr. Busch recommended billing quarterly but by month. He stated that residents would be billed in the middle of the quarter, for the entire quarter. Mr. Summers asked if Auto Pay would be available as a form of payment. Ms. Ibbotson stated that it would be available. Mr. McLeod asked what the amount would be for residential users. Mr. Summers stated that it would be \$105 quarterly or \$35 per month. Mr. McLeod stated that \$150 per quarter translated into \$420 per year, per house. He then asked how many residential parcels the District had. Mr. Busch stated that the District had approximately 750 customers. Mr. McLeod stated that approximately \$280,000 would likely be collected. He then asked the board why it was collecting almost three times what the budget stated. Mr. Summers stated that the budget was set with quarterly billing specifications. Mr. Busch stated that the District did not have to bill for user fees for the entire year and the board could vote to discontinue billing the residents of the District. Mr. Busch stated that the problem was that between now and November 2020, the District had no funds. He also stated that funds could be transferred from the unrestricted account, but it did not seem that the board wanted to go in that direction. Mr. Busch stated that an alternative was to collect user fees until the District collected \$100,000 and then decide to stop collecting fees after that. Mr. Summers stated that the District has not put any money in the bank for a long time. He also stated that the District continued to operate with a deficit. Mr. Summers stated

*that it budgeted \$46,000 to \$48,000 to deposit into its account and it never gets there. Mr. Summers stated that the plant infrastructure is getting older and more repairs are having to be made to it. Mr. McLeod stated that the right way to approach this matter, was to establish a budget and take into account the need supplement reserve funds for old infrastructure, capital formation funds for expansion and once the sum of the total funds necessary are determined, the board could go back and decided what funds would come from ad valorem taxes and how much would come from user fees. Mr. Summers stated that it would be beneficial to be able to establish the budget instead of having to go back and trying to figure out how to cover the \$71,000 deficit that the District already has. He also stated that the District transferred funds from one account to pay back other accounts. Mr. Hilb stated that this situation presented itself each year. He stated that the cash flow was affected because the District did not receive taxes until November. He stated that the way it has been handled in the past was to borrow funds from the unrestricted account and pay the funds back once the tax monies were received. Mr. Hilb stated that it did not make sense not to collect more in taxes to cover that so the board if the board did not want to collect more taxes, then the board would have to have a method for the public to understand what they would have to pay every month. Mr. Hilb stated that the board had to look at the budget in December and ask if any fees needed to be collected at that time. Mr. Summers stated that the District has already transferred funds from the unrestricted account. Mr. Busch stated that no transfers have been made from the unrestricted account. Mr. Busch stated that the only transfers that have been made were from the restricted capital account to cover the plant expansion. Mr. Summers stated that the transfer was for \$61,000 for plant expansion. Mr. McLeod stated that the District seemed to be in a deficit of approximately \$71,000 to \$100,000. Mr. McLeod stated that with approximately 750 homes, the District would need about \$100 per home so that those deficits were cleared. Mr. Summers confirmed Mr. McLeod's statement. Mr. McLeod stated that the District could bill at \$105 per home to bring itself forward. He also stated that the District could then work towards the \$100,000 deficit on the budget. Mr. Summers stated that the District could do what Mr. Hilb suggested by transferring funds from the unrestricted account and then pay those funds back. Mr. Summers stated that this portion of the meeting was to decide if the user fees would be collected monthly or quarterly. He stated that a discussion regarding the budget would follow the rate hearing. Mr. McLeod asked why the District had to collect \$420.00 per year per house without the board detailing where the money would be spent. Mr. Summers stated that those details would be discussed during the budget hearing. Mr. Summers stated that it was the board's intention to have quarterly fees at \$35 per month which would have totaled approximately \$104,000. Mr. McLeod stated that it was \$35 per quarter. Mr. Summers agreed with it being \$35.00 per quarter. He also stated that Mr. Busch suggested that by collecting monthly fees, the District would achieve financial stability as early as November or December 2020. Mr. Hilb stated that the board was deciding today what the rate would be if the board decided whether to collect user fees if it chose to. Mr. Hilb stated that if the board decided to charge \$35 per month for the first quarter, during a future meeting, the board could decide not to collect fees anymore. Mr. Hilb suggested that the board set user fees at \$35 so that it had the flexibility to collect as much as it wanted to for as long as it wanted to, either monthly or quarterly. Mr. Hilb stated that billing monthly would cost more as the District would have to pay for the billing to go out more frequently. Mr. Summers stated that the rate and fee schedule was already set at \$35 per month and the board had to decide whether it would approve what was published. Mr. Lehr made a comment that was inaudible to the clerk.*

## **2. ADJOURNMENT**

Therefore, the Rate and Fee Schedule Hearing was adjourned at approximately 1:22 p.m.

### **1. CALL TO ORDER of the BUDGET HEARING** by Board Chairman, Bob Summers at 1:22 p.m.

*Mr. Summers stated that the only discussion would likely pertain to legal fees and not operational issues. Mr. Summers suggesting making some reductions to the budget. He stated that he came up with approximately \$77,500 in reductions to the budget. Mr. DeSantis stated that the District had the option to charge monthly user fees, then suspend or terminate them when they were no longer necessary. Mr. Summers agreed that it was an option. Mr. Busch stated that the engineering consulting service in the amount of \$10,000 was for the planning for the next phase of the plant expansion. Mr. Busch questioned if the District was ready to proceed with that at this time. Mr. Summers stated that it was also one of his suggested reductions and proposed setting it for \$5,000. He stated that he hoped to establish a working group to be well prepared. He stated that he did not believe the next phase of the plant expansion would be any easier than the one before. Mr. Hilb stated that the engineer consulting for plant expansion could be considered a capital expense and would not have to be budgeted. Mr. Summers stated that it would work. Mr. Summers stated that the legal expenses in the proposed budget would already be accounted for since the District still had the \$71,000 in unpaid invoices. Mr. Summers stated that line item 7722, the Contingency for Court Award was proposed to be set for \$100,000. He also stated that since the award was approximately \$86,000 plus interest, he suggested reducing that down to \$90,000, for a savings of \$10,000. Mr. Summers proposed that line item 7710, Accounting Audit, be reduced to \$5,000. Mr. Summers stated that MDI Taxes and Accounting was paid \$7,500 this year and was hoping that Ms. Ibbotson would get things back in order. Ms. Ibbotson stated that she would still be auditing the previous year. Mr. Summers stated that this was for next year's budget. Mr. Busch stated that the \$7,500 audit it was paying for would be accounted for in the coming fiscal year. Mr. Busch stated that the contract with was approved but no payment was made. Mr. Busch stated that the \$7,500 would be accounted for in the 2020-2021 fiscal year. Mr. Summers retracted his proposal to reduce line item 7710 down to \$5,000. Mr. Summers stated that line item 7800, Contingency Account, was previously set at \$100,000. Mr. Summers proposed that the contingency account be reduced to \$60,000. He stated that it was basically 10% of the proposed budget. Mr. Hilb asked the board how it was currently getting rid of sludge. Mr. Busch stated that it was going into a bag, drying out, then being hauled away. Mr. Summers stated that the bag was now sitting on cement instead of dirt. Mr. Hilb suggested that the \$200 the District had set for Trash could be combined with sludge hauling. Mr. Summers said that it made sense. Mr. Busch stated that the time the operator spends pumping the sludge into the container is a contract extra. Mr. Busch stated that it could be considered as part of the sludge category. Mr. Hilb asked why it could not fall under maintenance extras. Mr. Busch stated that it was a special item, and he was trying to keep track of it separately. Mr. McLeod asked if the current financials were completed through April or May. Mr. Summers stated that they went through the month of May. Mr. McLeod asked what the operating deficit was through May. Ms. Ibbotson stated that she gave Mr. Busch those figures. Mr. McLeod asked if the \$71,000 was being recognized as an expense. Ms. Ibbotson stated that she was using an accrual method in accounting. Mr. Busch stated that part of the \$71,000 was for May and part was for June. Mr. Busch stated that he did not have that breakdown at this time. Mr. Summers stated that it may be beneficial for Mr. Busch to report on the cash flow projection. Mr. Busch stated that he could compare the budget expenses versus the actual expenses. Mr. McLeod stated that by looking at the 2019 reviewed financial statement by an accountant, it showed that there was an operating deficit between \$6,000 and \$7,000. Mr. McLeod stated that the board only had financial statements through May and not all twelve months. Mr. McLeod stated that the budget comparisons should show the amount of revenue versus the amount of expenses. Mr. Busch stated that he was almost positive that expenses were higher than revenue but could not give an exact amount. Mr. McLeod stated that the last financial statement on the District website was posted in March. Mr. McLeod stated that he would not be able to get accurate numbers by using the average of three months for the rest of the year because the amounts for legal services or contracts would fluctuate. Mr. Busch stated that the bank balance statement at the end of May, showed to be at a deficit. Mr. Busch stated that the District was in a deficit of approximately \$44,000. Mr. McLeod made a comment that was inaudible to the clerk. Ms. Ibbotson stated that the budget showed a deficit, using real numbers, for the fiscal year ending June 30, 2020. She also stated that the Operating Revenue was \$432,000 and the Operating Expenses were \$484,000. Ms. Ibbotson stated that MDI Taxes and Accounting logged the revenue for ad valorem taxes whether it was collected*



by the District or not. Ms. Ibbotson stated that she would have to investigate further to determine what was collected by the District. Mr. Summers stated that by using Ms. Ibbotson's figures, the District was projecting a deficit of \$52,000 by the end of the year. Mr. Busch stated that as of the end of May, the amount of unpaid taxes was approximately 10,000. Mr. Summers stated that the \$10,000 in unpaid taxes brought the District to \$62,000 in deficit. Mr. Summers stated that the District was in a deficit that included the unpaid legal fees. Mr. Summers stated that the District would be approximately \$92,000 in deficit. Mr. McLeod stated that in the budget, he noticed that in the 2019-2020 column showed there to be \$432,000 for Operating Revenue. He also stated that the total for Operating Expenses showed that it was \$384,000. Mr. McLeod stated that it showed a surplus of approximately of \$48,000 and that he did not understand where the negative numbers were coming from. Mr. Busch stated that he was sure that they were due to attorney's fees. Mr. McLeod stated that attorney's fees were not a capital expenditure item. Mr. Busch stated that the projection for the end of the year was low. Ms. Ibbotson agreed and stated that the actual figures were \$64,000 and \$111,000 versus the \$45,000 and \$80,000. Mr. McLeod asked why nobody thought to update this budget to reflect the latest information so that everyone could have an intelligent discussion. Ms. Ibbotson stated that that the figures were already posted, and it was too late to change them. Mr. Hilb stated that corrections were being made as they went along because the information was not updated. Mr. Busch stated that the projections could have been made prior to the meeting. Mr. Summers stated that the board had to propose next year's budget. He went on to say that next year's budget and expenses were based on history and the only portion of this budget that was not based on history was operating expenses and legal fees. He also stated that the board's mediation that was scheduled for July 14, 2020 might provide some resolution. Mr. Summers stated that the District had to prepare for the worst. He stated that the District would have to set next year's legal fees at a reasonable level and that he believed that the published budget was the reasonable level that the District would have to use. Mr. Summers stated that if the District did not use the entire amount, the District could deposit those funds in its bank account and begin building on its replacement and repair funds. Mr. Summers stated that so far, line item 7800, Contingency Funds, would be reduced by \$40,000 and line item 7730, Consulting Services account be reduced by \$5,000. Mr. Summers stated that the total Operating Budget, set at \$600,000 which included user fees and ad valorem taxes, would leave approximately 10% in contingency. Mr. Busch stated that it would put ad valorem taxes at \$443,620. Mr. Hilb asked if the \$23,000 for line item 2470 was the proposed transfer into the capital expenses account. He also wanted to know what the \$47,000 in capital expenditures was. Mr. Busch stated that the assumption at the time was that the District would not pay for the entire plant expansion during the 2019-2020 fiscal year. He also stated that there was an expectation for the District to pay \$65,000 and receive \$18,000 from the developers. Mr. Busch stated that is where the \$47,000 came from. Mr. Busch stated that it would indicate that the District had no capital expenditures for 2020-2021 and the \$18,000 would go back into the restricted capital account. Mr. Hilb stated that it would depend on the District not having to replace anything as a capital expense during the year. He also stated that it could not be predicted. Mr. Busch confirmed Mr. Hilb's statement. Mr. McLeod stated that he did not understand how the County communicated what the District had to pay in taxes. Mr. Summers stated that if approved, the budget would determine the amount that would be sent into the county.

## **2. ADJOURNMENT**

**Therefore, the Budget Hearing was adjourned at approximately 1:40 p.m.**

### **1. CALL TO ORDER of the REGULAR MEETING by Mr. Summers**

### **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; Cheryl Ibbotson, Accountant and Isabel Yribe, Clerk.

The following residents were in the audience: Jeanette Summers, Eileen McGowan, Jan Robinson, Mark Arnold, Alan Cocherell, Bob Hilb, Ray Damesek, Jeff McLeod, Stan Salzman, Evelyn Zimmerman, John Terwilliger and Susan Terwilliger.

#### **4. CONSENT AGENDA (Routine items that may be approved by one motion)**

##### **Minutes of Meetings**

- **Minutes of Public Board Meeting – June 18, 2020**
- **Minutes of Executive Session – June 18, 2020**
- **Reimbursement to District Manager (\$ 86.73)**
- **Prescott Courier- Call of Election (\$ 36.56)**
- **Prescott Valley Music- Microphone Stand (\$30.00)**
- **GoDaddy – Domain Renewal (icrsd.net) (20.17)**

*Mr. Summers asked that the meeting minutes for both sessions of June 18, 2020 be left out of the motion due to Mr. Lehr not having read them yet. Mr. Summers made a motion to approve the consent agenda as revised. Mr. DeSantis seconded the motion. The motion passed unanimously without discussion.*

#### **3. OLD BUSINESS - DISCUSSION & POSSIBLE ACTION RE:**

**A. Possible ratification of actions taken since November 2018 by less than a quorum of valid Board Members; possible approval of ratification resolution 2020-3.** *Mr. Whittington stated that he would provide the board members and the District manager an updated copy of the ratification. Mr. Summers made a motion to table this agenda item for a future meeting. Mr. DeSantis seconded the motion. The motion passed unanimously without discussion.*

**B. Possible demand for reimbursement of repair cost caused by property damage at 15324 Elizabeth Way.** *Mr. Summers stated that this was not the correct address. Mr. Summers made a motion to table this agenda item for a future meeting. Mr. DeSantis seconded the motion. The motion passed unanimously without discussion.*

#### **5. NEW BUSINESS - DISCUSSION & POSSIBLE ACTION RE:**

**A. Approval and adoption of Fee Schedule for FYE ending June 30, 2021 and possible approval to bill residential and commercial user fees.** *Mr. Summers stated that valid points were made during the Rate and Fee Hearing. He also stated that the District only needed to collect approximately \$100,000 in user fees. Mr. Summers stated that it would translate into collecting user fees at \$35 per quarter. Mr. Summers made a motion to approve the user fees and to approve the collection of those fees for July, August, September, and October. Ms. Ibbotson asked if the District would bill in July for the previous quarter. Mr. Busch stated that it would bill for July, August, and September. Ms. Ibbotson stated that it would bill for the quarter that ends on September 30, 2020. Mr. Busch confirmed that statement and said that the District would basically bill in advance. Mr. Whittington asked the board to confirm that it would be charging \$35 per month to bill quarterly. Mr. Busch stated that it would be at the end of July and that would make it in the middle of the quarter. Mr. Summers stated that it was only asking for approval through October 2020. Mr. Whittington stated that he understood Mr. Summers wanting to approve collecting \$35 per month to be billed quarterly and return to a public meeting seeking to change the parameters of collecting user fees so that the District, during today's meeting, was not committing to making any changes. Mr. Summers stating that looking at today's proposed budget, he was thinking of collecting user fees for four months. Mr. Whittington stated that he understood that the board would revisit the parameters in four months. Ms. Ibbotson stated that the District could not bill for a quarter in four months. She*

also stated that they could bill for the three months then bill for October separately. Mr. DeSantis stated that the District could also bill monthly for four consecutive months. Mr. Summers objected and stated that the District would be billing quarterly. Mr. Summers rescinded his motion. He then made a motion to approve the fee schedule, as discussed during the hearing, and that the board approve billing for the first quarter of this coming year and return for a possible vote to approve any further fee collection. Mr. Summers stated that once the board returned after a year, it was possible to follow Mr. Hilb's suggesting of transferring money from the unrestricted account. Mr. DeSantis seconded the motion. Mr. McLeod suggested the board not initiate collecting the fees then once it achieved the necessary funding, stopping the collection of fees. He stated that the board consider being consistent with billing. Mr. Summers stated that it was his intention to only collect \$35 per quarter. He stated that he understood the concern for the District's finances. Mr. Summers stated that he based his motion on getting the District back into a positive standing. He also stated that he was not opposed to collecting \$35 per quarter and borrowing from the unrestricted capital account. He stated that his motion was also based on possibly using WIFA in the future and that the District's ability to show that it was able to raise revenue was necessary for that to happen. Mr. DeSantis made a comment that he was not opposed to quarterly billing at \$35 and in transferring funds from the unrestricted account into the restricted account if necessary. Mr. Lehr stated that the District could charge \$35 per month for the first quarter then bill for \$35 per quarter for the remaining nine months of the year. Mr. Summers wanted Mr. Lehr to confirm his proposal to charge \$35 per month for the first quarter then bill at \$35 per quarter for the rest of the year. Mr. Lehn confirmed that statement. Mr. Whittington asked Mr. Busch if the published Rate and Fee Schedule stated a \$35 monthly fee. Mr. Busch confirmed that it was indeed \$35 per month. Mr. Whittington stated that because the Rate and Fee scheduled was published with billing at \$35 per month the board was bound to those parameters. He also stated that the board have the right to change the parameters for collecting user fees, but the public would have to be given notice that the board would be making those changes. Mr. Summers stated that his intention, as well as Mr. DeSantis' intention was to bill on a quarterly basis. Mr. DeSantis agreed that it was their intention all along. Mr. Busch stated that the board could possibly transfer funds from the unrestricted account to the general fund account. He stated that it would take a longer time to replenish funds. Mr. DeSantis stated that since the published Rate and Fee Schedule stated that the District would charge \$35 per month, the District could start with charging monthly and once the District was in a better financial position, it could suspend collection. Mr. Summers stated that he did not like the idea of starting collections and then stopping them. Mr. McLeod stated that the Rate and Fee Schedule posted stated fees would be collected at \$35 per month but the District could charge a lower amount if it wanted to. He suggested that the District collect \$18 per month, billed quarterly, translating into \$216 per month, per house, per year. He also stated that the fees collected would be more than enough to cover what was in the budget and the remainder could then be put into the unrestricted capital account. Mr. McLeod made further comments that were inaudible to the clerk. Mr. Summers asked Mr. Whittington if, after posting maximum numbers in the Rate and Fee Schedule, the District was able to make reductions in that amount. Mr. Whittington confirmed that statement. Mr. Summers then asked Mr. Whittington if the reductions had to be made during the Rate and Fee Hearing. Mr. Whittington stated that the changes could be made today. Mr. Summers rescinded his previous motion. Mr. DeSantis rescinded his second to that motion. Mr. Summers then moved to approve the published Rate and Fee Schedule, but changing the amount to be collected to \$15 per month and also to approve making the Commercial User Fee to \$35 per month for one fixture and \$50 per month for more than one fixture. Mr. DeSantis seconded the motion. Ms. McGowan asked if there would be an incentive for a resident that wanted to pay for the entire year in advance. Mr. Summers stated that it could not answer that because that item was not on the agenda. The motion passed unanimously without further discussion.

**B. Approval and adoption of operating budget for FYE ending June 30, 2021 and setting and certifying the tax levy amount for fiscal 2020-21.** *Mr. Summers stated that the only changes made to the proposed budget was line item 7730, Consulting Services, reducing the \$10,000 to \$5000 and line item 7800, Contingency, be reduced to \$60,000 from \$100,000. Mr. Summers asked Mr. Busch if he could estimate the District's quarterly payments so that figure could be included to the line item so that the District could figure out what the District had to collect in taxes. Mr. Busch stated that it was a fixed number in the budget. He also stated that he had \$100,000 for user fees and said that the figure did not change, regardless to what the board did to the budget. Mr. Busch stated that the Ad Valorem tax changed. Mr. Summers stated that if the board changed what the District would collect, it would be nice if the \$100,000 was reflected. Mr. Lehr stated that it was \$140,000. Mr. Busch stated that Operating Expenses determined what the District's taxes would be. He stated that the User Fees were a hard number. Mr. Busch stated that if the board wanted him to change those numbers, he would. Mr. Summers stated that he would like for that number to reflect what it truly is. Mr. Busch stated that what the board proposed to change today, the Ad Valorem tax came to \$443,620. Mr. Summers stated that the District was trying to overcome its deficit and wanted the budget to reflect that. Mr. Summers stated that the District was going to collect \$140,000 in user fees but the budget only reflected \$100,000. Mr. Busch stated that it did. Mr. DeSantis asked if the Ad Valorem taxes would be affected if the user fees were implemented. Mr. Busch stated that it would not be affected due to the way the budget was set up. He stated that User Fees was a hard number. Mr. Summers stated that it came down to how the District collected revenue, be it user fees or Ad Valorem taxes. Mr. Busch stated that he could manipulate the budget, so that the Ad Valorem taxes were left alone and take it out of User Fees if the board wanted him to do so. Mr. Summers reiterated that he would like for the budget to reflect the \$100,000 for User Fees. Mr. Busch stated that the budget did reflect that. Mr. Summers stated that the budget showed that the District was collecting \$100,000 when it was really intending to collect \$140,000. Ms. Ibbotson stated that the number would have to match on the budget. She also stated that \$45,000 was being taken from the bottom line and it would be coming out of the Ad Valorem taxes. Ms. Ibbotson stated that if the User Fees were increased the Expense numbers would have to match. Mr. Summers stated that the \$100,000 in User Fees had to match the \$140,000 and Ad Valorem taxes would have to be reduced by \$40,000. Mr. Busch stated that he could do that if the board wanted him to. Mr. Busch stated that he would have to make changes under the Residential to \$15,000 and the remained under the Commercial accounts. Mr. McLeod suggested putting the \$40,000 into the Reserve account so that the numbers balanced. Mr. Summers added that it could also be put into legal fees. Mr. Summers then realized that it could not be put into legal fees and could not be raised, only reduced. Mr. Summers stated that the \$40,000 be left in the Contingency Fees. Mr. Summers stated that the Ad Valorem taxes would be \$483,620. Mr. Hilb made a comment that was inaudible to the clerk. Mr. Summers stated that he was going to cut last year's legal fees in this year's budget. He stated that the District would be entering this fiscal year with a negative number. He stated that he was hoping to reduce legal fees this year. He also stated that he was hoping to have better accounting for this year, as well. Mr. Busch stated that Ad Valorem taxes came to \$483,620. Mr. Summers asked Mr. Busch if that was the number if the District left line item 7800, Contingency Fees, at \$100,000. Mr. Busch confirmed that statement. Ms. Ibbotson stated that the amount should be \$493,620. Mr. Summers agreed with her. Ms. Ibbotson asked if User Fees would be changed to \$140,000. Mr. Busch asked for confirmation on what changes were being made to the budget. Mr. Summers stated that line item 7730, Consulting Services, would be reduced from \$10,000 down to \$5000. Mr. Summers stated that it was the only change being made. Ms. Ibbotson stated that she believed the District had to have more Expenses for the numbers to balance. Mr. Busch stated that line item 7722, Court Award Contingency, was reduced from \$100,000 down to \$90,000 and that is why his figures for Ad Valorem taxes came to \$483,620. Mr. Summers agreed with that statement. Mr. Summers stated that if Ms. Ibbotson proposed change to \$140,000 under User Fees the budget would have to balance. Mr. Summers stated that the board recognized that it was entering the fiscal year with a negative number. Mr. Busch stated that it could be deposited into*



*the Capital Account. Ms. Ibbotson asked if it would be a payment into unrestricted capital. Mr. Summers agreed with that statement. Mr. Summers asked if it would satisfy the entry. Ms. Ibbotson stated that she was unsure and asked if the board could do that. Mr. Whittington was asked if a change could be made to the budget if it was not in the schedule that was published. Mr. Whittington asked what that proposed change would do to the budget. Mr. Summers stated that it would balance the budget. He also stated that the District was trying to raise the funds to alleviate the deficit. Mr. Whittington stated that it could not be made if it was not made in the original posting of the Rate and Fee Schedule. Ms. Ibbotson suggested that it be added to the revenue. Mr. DeSantis said it should just be added to the Contingency Fee. Ms. Ibbotson asked if it could be added to revenue, and if was added, it would bring down the Ad Valorem taxes. Mr. Busch stated that the way the budget was published, the summary showed that a deposit of \$16,250 was made into the unrestricted capital account. Mr. Busch also stated that the summary showed that the District would collect \$753,320 from all sources. Mr. Busch stated that \$16,250 could be bumped up to \$40,000. He also stated that the bottom line would still be less than the \$753,320 that is there now. Mr. Busch checked his figures and stated that the amount would surpass \$753,320. He also stated that the entire amount would be spent in the budget. Mr. Busch stated that surpassing that figure might not be acceptable. Mr. Summers stated that if the total budget showed \$753,320 and the total expenditures were the same amount. Mr. Summers asked what Mr. Busch's figures were on Ad Valorem taxes and User Fees. Mr. McLeod stated that if the \$140,000 remained under User Fees, the Ad Valorem taxes would have to be reduced by \$40,000. Mr. McLeod stated that the easiest thing to do was make user fees \$140,000 and reduce the Ad Valorem taxes down to \$458,620 so that the budget balances. Mr. Summers made a motion to increase the estimated User Fees at \$140,000 and therefore reducing the Ad Valorem taxes down to \$458,620. Mr. Busch asked if the proposed changes made earlier would be left out of the budget. Mr. Summers stated that line items 7800,7730 and line item 7722 be left as originally published in the Rate and Fee Schedule that was published. Mr. Busch stated that the bottom line would be \$753,620. Mr. Summers confirmed that statement. Mr. DeSantis seconded the motion. The motion passed unanimously without further discussion.*

**C. Setting time and date for a future ICRSD Board meeting.** *A meeting was tentatively set for July 8, 2020 at 1:00 PM at the WingSpace Conference Room, 371 Garden Street, Prescott, AZ.*

## 9. ADJOURNMENT

Therefore, the meeting was adjourned at approximately 2:45 p.m.

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Board Clerk

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Date