

INSCRIPTION CANYON RANCH SANITARY DISTRICT

PO Box 2344 Prescott, AZ 86302

~ Regular Meeting ~

May 11, 2021

Approved June 29, 2021

Date: Tuesday May 11, 2021

Time: 1:00 p.m.

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

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

2. ROLL CALL *Present were: Bob Summers, Board Chairman; Jerry DeSantis, Board Member; Jeff McLeod, Board Member; Bill Whittington, Legal Counsel; Bob Busch, District Manager; and Isabel Yribe, Clerk. There were no members of the public on the teleconference call.*

3. Mr. Summers made a motion TO GO INTO EXECUTIVE SESSION: For discussion or consultation for legal advice with the attorneys of the ICR Sanitary District pursuant to A.R.S. § 38-431.03(A)(3) and discussion or consultation with the attorneys of the ICR 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 settlement/mediation negotiations with Developer;

B. Legal advice regarding filing in Yavapai Superior Court by Allied World Insurance.

C. Legal advice concerning possible actions and/or claims for past latent infrastructure defects,

D. Legal advice concerning the applicability and use of user fees.

E. Legal advice concerning possible avenues to financial health for the District

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

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: 1:02 p.m.

RECONVENE INTO PUBLIC SESSION: 3:00 p.m.

1. CALL TO ORDER *Mr. Summers reconvened the meeting to order at 3:00 p.m.*

2. ROLL CALL *Mr. Summers, Mr. McLeod, Mr. DeSantis, Mr. Whittington, Mr. Busch, and Ms. Yribe were present. Also, Ms. Eileen McGowan, Mr. Bob Hilb, Mr. Bob Frisch, Mr. Ray Damasek, and Mr. Mark Arnold attended the meeting via teleconference.*

3. CALL TO THE PUBLIC *Mr. Mark Arnold asked for a summary of last week's meeting held with Symmetry representatives. He also asked the board to return to in-person meetings. Mr. Summers stated that those items would be covered later in today's meeting. Ms. Eileen also requested that the board return to in-person meetings.*

4. REPORTS

Report from the Chairman *The chairman read the following:*

Today we will discuss the budget for next year, the public budget hearing date and time, and arrange to publish this information. For the current year, the district has been able to keep legal costs down, mainly because the TRR lawsuit has been on hold due to the lawsuits filed by the District's insurance company. It is very disappointing that the Insurance company has chosen this approach instead of working to settle the TRR suit, but the District has no control over the Insurance company's decisions. There is still confusion associated with the user fees the District collects. User fees were approved in the 2018-19 and 2019-2020 budgets, but were not enacted. In the 2020-2021 budget, user fees were again approved and enacted. The user fees as stated before, are not an addition to the budgeted amount the District collects. Once the District Board adopts a budget for the next year, the amount the District needs to collect is divided between Ad Valorem Tax and User Fees. User fees were not approved because of high legal costs, nor do I remember legal costs being discussed during their approval in 2018, but were approved as a means of qualifying for low interest loans issued by the Water Infrastructure Finance Authority (WIFA). The user collecting the user fees quarterly does help the District's cash flow as the Ad Valorem tax is not collected until well after the July 1, start of the District's fiscal year. With the budget savings due to the TRR suit being on hold, the District should come in approximately \$100,000 under budget this year. I hope the board agrees to use some of this to reduce next year's budget and to deposit funds into the Unrestricted Capital account. While I believe the Unrestricted Capital account has not been funded properly for years, and it has been used to fund budget shortfalls, the board needs to build this account to a safe level to protect against future repairs of our aging system. The Board is considering returning to public meetings and hopefully, the public budget hearing has no health concerns associated with it and the board can continue toward public meetings. Thank you for your time. Bob Summers.

Report from District Manager

Mr. Busch stated that the plant's output in April was 1,792,757 gallons for April 2021. He stated that it translated into 59,759 gallons per day. He also stated that there were three days over 70,000 gallons with the highest usage on April 24, 2021 at 77,000 gallons. Mr. Busch stated that the system had 723 connections to the plant and 52 pending connections, as of April 30, 2020. Mr. Busch stated that the sludge bag would be removed next week as part of the pond repurposing and that the engineers have been notified of such. Mr. Busch also stated that he and Ms. Cheryl Ibbotson have reviewed the Accounts Payable. He stated that there are considerable accounts that are past due. He stated that the reason was that Arizona Billing credits \$250 to applicants as they are not billed until they are inspected. He stated that it created several thousand dollars in credits, offsetting amounts that are past due. Mr. Busch stated that he has asked for a list of all customers who owe amounts prior to December 31, 2020 for consideration of filing a lien. He stated that he will put it on a future agenda. Mr. Busch stated that the District received a Notice of Violation from ADEQ for the 1st Quarter SMRF report. He stated that it was a violation for exceeding the 62,500 gallon capacity. He also stated that it appeared that ADEQ monitoring staff did not update the permit to the 90,000 gallon capacity. Mr. Busch stated that the District's lab responded to ADEQ notifying them of the problem with the old permit but have yet to receive a response.

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

Minutes of Meetings

- **Minutes of Executive Session – April 13, 2021**
- **Minutes of Public Meeting- April 13, 2021**
- **Minutes of Public Meeting – May 4, 2021**
- **Reimbursement to District Manager (\$100.00) • Wingspace- Conference Room and Speaker Phone rental (May 4 th (\$25) & 11th (\$75.00))**

Mr. Summers made a motion to approve the consent agenda. Mr. DeSantis seconded the motion. The motion passed unanimously.

6. OLD BUSINESS

- A. Discussion and possible action re: 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 ICR Sanitary District relating to the mediation and mediation -related issues.** *Mr. Summers made a motion to approve that Mr. E.J. Kotalik and Mr. Stephen Hoffman proceed as instructed during the executive session. Mr. McLeod seconded the motion. The motion passed unanimously.*
- B. Possible action regarding a filing in Yavapai Superior Court by Allied World Insurance.** *Mr. Summers made a motion to approve that Mr. E.J. Kotalik and Mr. Stephen Hoffman proceed as instructed during the executive session. Mr. McLeod seconded the motion. The motion passed unanimously.*
- C. Discussion and possible action concerning cooperation with Water Company to include shared inspection services on infrastructure installations, and approval of a cooperation arrangement.** *No action was taken on this agenda item at this time.*
- D. Discussion and possible action or claims concerning past latent infrastructure defects.** *No action was taken on this agenda item at this time.*
- E. Possible approval of Engagement of CPA firm to prepare Financial Review for FYE 2021.** *Mr. Summers made a motion to accept Alyx Cohan's firm to prepare the Financial Review for fiscal year ending 2021 and that Mr. Busch be authorized to execute the necessary documents to facilitate the same. Mr. DeSantis seconded the motion. The motion passed unanimously.*
- F. Discussion and possible action concerning the location of future Board Meetings.** *By way of consensus, Mr. Summers stated that Mr. Busch would research a venue to accommodate in-person meetings for future board meetings.*

7. NEW BUSINESS

A. Discussion and possible approval of:

- 1. the proposed schedule of fees and proposed operating and capital budget for the 2021-2022 fiscal year,**
- 2. setting the place, time and date for the Rate and Budget Hearings, and**
- 3. publishing a notice regarding the Rate and Budget Hearings.**
- 4. resolution pertaining to items 1 thru 3 above.**

A discussion was held on the proposed budget. Changes were discussed and agreed upon by all board members. There was also a discussion about the proposed rate schedule, with agreement that fees for accepting payment by credit card be added. Mr. Busch stated that he would amend the

proposed budget and rate schedule and publish it according to county requirements. Mr. Summers made a motion to approve the discussed changes and authorization for Mr. Busch to publish the proposed budget and rate schedule on May 19, 2021 for a Rate and Budget Hearing Meeting on June 14, 2021 at 12:00 at the Prescott Public Library, and also to approve the Resolution covering samePNI Legals <legals@prescottaz.com>. Mr. DeSantis seconded the motion. The motion passed unanimously without further discussion.

B. Discussion and possible approval of financial reports for March and April, 2021. *A brief discussion was held regarding the financial reports for March and April, 2021. Mr. Summers made a motion to approve the financial reports for March and April 2021 as discussed. Mr. McLeod seconded the motion. The motion passed unanimously without further discussion.*

C. Report from Planning Committee and possible action. *Mr. DeSantis reported that the buildout for the District is at 42% build-out, with 721 active connections to the Sanitary Plant. He stated that Symmetry representatives are working on build-out projection numbers to 2025 and would provide those numbers to the planning committee in the near future. Mr. Summers stated that he made contact with Santair Corporation, and will be communicating with them shortly. He stated that he has already spoken with the Santec Corporation, and Sunrise Engineering. Mr. McLeod stated that he and Mr. Busch met with Jeff Hayes of the USDA(Part of the RWIC Committee) and spoke about funding options for the District.*

8. ADJOURNMENT

Therefore, the meeting was adjourned at approximately 4:05 p.m. .

Board Clerk

Date