

**HIGHLAND PINES DOMESTIC WATER IMPROVEMENT DISTRICT
GOVERNING BOARD MEETING
NOVEMBER 12, 2020
PUBLIC SESSION MINUTES**

1. **CALL TO ORDER:** Board Chair Celia Carr called the meeting to order at approximately 10:01 a.m. Due to the COVID 19 Pandemic, the meeting was conducted remotely by telephone conference – with all attendees calling into the conference call.

2. **ROLL CALL OF BOARD MEMBERS:**

Celia Carr, Board Chair – Present
Sandra McClintock, Vice Chair – Present
David Cook, Board Member – Present
Bryan Crossley, Treasurer – Present
Patti Ferguson, Board Member – Present

All of whom participated in the meeting via telephone conference call, thus constituting a quorum.

Also attending the meeting via telephone conference call were: William R. Whittington, District Attorney of Boyle, Pecharich, Cline, Whittington, and Stallings PLLC (“BPCWS”); Mark Burton and Natalie Galgano-Pinkley, District Bookkeeper/Administrator of Municipal Accounts & Consulting, LP (“MAC”).

3. **APPROVAL OF MINUTES:** Director McClintock made a motion to approve the minutes of the September 10, 2020 Regular and Executive Sessions. Director Crossley seconded. The motion passed unanimously.

4. **CALL TO THE PUBLIC:** A call to the public was made for comments relating to District matters. There was no public at the meeting, and no comments were made.

5. **REPORTS AND CORRESPONDENCE:**

A. **Chair Report:** Board Chair Carr summarized the September and October maintenance reports from Fann Environmental. The big item to note from October was the emergency service call for the semi-truck that hit the District’s fire hydrant. Approval for this expense will be approved under item 6(D).

Director Crossley confirmed that this expense should be booked as a receivable for the District along with the cost for lost water. He asked if an admin fee should be charged to the insurance company as well. Mr. Crossley recommended a 10% fee be added for an administrative fee. Director McClintock noted she is waiting for photos from Fann to include in the transmission to the insurance company. She suggested the water loss be calculated as 15% of the upper water tank capacity since Rob noted the tank was down 15% when he arrived. Director Crossley asked Ms. Galgano-Pinkely to prepare a cover invoice with all charges included so it would be easily received by the insurance company.

B. **September and October Financial Report:** Ms. Galgano-Pinkely next presented and summarized the September and October Financial Report and the checks issued to date for the Board’s review and consideration.

There was discussion regarding the District’s reserve and the average recommendations in the industry. Mr. Burton commented that a one year reserve is an average, but the District’s goal

can be a little more or less depending on the District's specific needs. The idea behind a larger reserve is in the case of a catastrophic event the District would have a chance to rebuild, and also as the District continues to age to be prepared for larger maintenance and repair expenses as they come up. Director Crossley noted since the District has a steady income and mostly predictable expenses, he doesn't believe the monthly operating reserve analysis is the most accurate analysis for the District's reserves. The Board discussed reserve requirements and District goals. They deferred further discussion to be had in conjunction with the budget preparation. The other Board Members asked that the report be included going forward and the reserve analysis can be revisited at another time.

Director McClintock made a motion to approve the September and October Financial Report and the checks issued to date. Director Ferguson seconded. The motion passed unanimously.

6. BUSINESS:

- A. Discussion and Possible Action re: Main Transmission/Madizell Water Line Infrastructure Project:** Board Chair Carr reviewed the monthly report from Sunrise Engineering. We are still waiting on the Cultural Clearance Report approval. Mr. Dirren sent an email asking the Board to consider a budget increase for an additional \$4,000 for time spent with the Forest Service. Sunrise has spent more time working to get the Forest Service approval than anticipated.

Director McClintock made a motion to approve a budget increase for the time and material task related to the Forest Service coordination relating to the main transmission line from \$4,000 to \$8,000. Director Cook seconded the motion. Director Crossley asked if the budget for the project has a line item for overages/contingencies. Director McClintock and Carr noted there may be a contingency line, but have not reviewed the budget as a whole recently. Director Crossley asked for follow up at the next meeting if there is a contingency line and how this additional \$4,000 impacts the project budget overall. The motion passed unanimously.

- B. Discussion and Possible Action re: methodology for assessing/charging Girl Scout Camp for HPDWID services beginning FY 2021/2022 and new Girl Scout Agreement:** Board Chair Carr noted that Directors McClintock, Crossley and Ms. Galgano-Pinkley had been working on a more comprehensive way to calculate the Camp's share of District costs. Ms. Galgano-Pinkley noted that after meeting with Directors McClintock and Crossley she pulled the annual expenses for the overhead that goes towards providing the Camp with water service – this includes APS, Fann Environmental's base fee, and the insurance covering the property and the liability of the District.

Fann Environmental provided information on the meter reads that allow calculating how much water goes to the Camp in comparison to the District's residents. The proposed formula calculates the Camp's average water use for the prior year and applies that percentage to the shared overhead expenses for the year. This calculates the Camp's annual share of overhead expense, which you divided by 12 to calculate a monthly overhead base fee for the Camp's share of water. It was noted for the prior fiscal year the Camp used about 5.5% of the District's water – this amount will fluctuate each year depending on the Camp's activity. This calculation will be run each year using prior fiscal year numbers in order to set the Camp's base fee.

Director McClintock noted that the APS figures on this draft include electricity for Lift Pump 3. Lift Pump 3 will need to be excluded from the final calculations since it does not serve the Camp in any way.

Director McClintock made a motion that the District adopt this methodology for assessing charges to the Camp for their water use and to include the calculation in the new Girl Scout Agreement. Director Ferguson seconded the motion. The motion was passed unanimously.

- C. Discussion and Possible Action re: collection of monthly base fee from all HPDWID property owners beginning FY 2021/2020:** Board Chair Carr noted that the \$50 base fee is currently being charged only to properties in the District that receive water service. The \$50 base fee helps cover the District infrastructure and overhead. It is generally understood that the lots in the District that have access to water have higher property value than those properties that don't. Director McClintock noted that District resident Russel Lang commented at the annexation hearing that he could have purchased almost twice the amount of property outside of the District, but he paid the more for a smaller property inside the District to have access to water.

Board Chair Carr noted that per the tax report from the County, there are 60 vacant lots inside the District boundaries. She commented she believes there is value to the property owners for being inside the District, but they are not currently contributing for District infrastructure and overhead costs. While beginning to plan for next year's budget, she asks the Board to consider approving the concept of charging a monthly base fee to the vacant lots in the District. The vacant lot base fee can be the same or less than what is charged to properties with meters, but she is asking for approval on the concept. She'd like to discuss the actual amount of the fee when preparing the budget in order to match it District needs. The question at hand is if the vacant lots have a responsibility to support District activity.

Director Crossley asked how this base fee would help improve value to the vacant lot owners. Board Chair Carr said while it may not immediately improve value to the lot, it is having the lot owners commit to supporting the District to maintain the benefit of selling property with access to water. Director Crossley does not agree the lot would receive any benefit for being charged a base fee. While the District would have the benefit of increased revenue, he is looking at the issue from the perspective of the lot owner.

Board Chair Carr noted that both Director Crossley and Director Cook own additional vacant lots in the District, so they would be most affected by this decision and can look at it from both perspectives.

Director McClintock noted that a District resident has property in another District, and he pays a fee in order to be eligible to access water in the future.

Mr. Burton commented that along the lines of planning for reserves, especially for infrastructure and capital items, we've been asking the Operators or Engineers of Districts to help put together a 10 to 20 year plan of anticipated repairs/replacements. This is for large items like water tanks and lines that have finite lives and are large expenses to replace. It will take time to build the reserves, so these plans help the Board determine a goal for needed reserves. With that repair/replacement plan in mind, the District could allocate these vacant lot fees towards a capital reserve for these future large capital items. It would help support answers to any lot owners asking what the fees are going towards. Director Crossley noted that some of those large items could possibly be financed as well.

Director Cook asked how the base fee would be enforced on the vacant lots since they don't have meters to shut off access to water. Mr. Whittington commented that the statute permits for liens to be placed on the lots for unpaid assessments. You can then collect when the property sells or could foreclose on the liens. Recorded liens would help ensure payment is received if/when the property is sold.

Director Cook made a motion that vacant, unimproved lots be charged a base fee starting next fiscal year to help cover District expenses. Director McClintock seconded the motion. Director Ferguson commented she believes there needs to be further discussion, and it would

be better to wait and approve the concept when we have a dollar figure to put with it. She thinks its worthy of further discussion in conjunction with the budget so the Board can know the income it would bring. The motion passed with three votes for, and two votes against.

- D. Discussion and Possible Action re: Fann emergency services to repair fire hydrant hit by tractor trailer on 9/28/2020 (Fann expenditure \$6,757.68):** Board Chair Carr asked for the Board approval of the emergency charge from Fann to replace the fire hydrant hit by the semi-truck in September. This will later be invoiced to the insurance company for reimbursement. Director McClintock made a motion to approve the Fann invoice for repair the fire hydrant. Director Crossly seconded the motion. The motion was approved unanimously.

Mr. Burton left the Board meeting at this time.

- 7. POSSIBLE VOTE TO GO INTO EXECUTIVE SESSION:** Director McClintock made a motion to go into Executive Session pursuant to A.R.S. § 38-431.03(A)(3) for legal advice and pursuant to A.R.S. § 38-431.03(A)(4) to give instructions to legal counsel regarding: (a) Skibiski easement claims (parcel 100-01-009D) and possible settlement offer; (b) Wilhelm/Lollar easement; (c) resolution of high delinquent accounts to include parcel number 100-05-011C; and (d) legal expenses. Director Cook seconded the motion, which passed unanimously.

The Board left the public meeting teleconference to move into the Executive Session at approximately 11:00 a.m.

The Board rejoined the public session at 11:57.

8. BUSINESS:

- A. Discussion and Possible action re: Skibiski claim (parcel 100-01-009D) that placement of the HPDWID water line under Double Eagle Road is illegal:** Director McClintock made a motion to authorize legal counsel to proceed as instructed in Executive Session. Director Cook seconded the motion. The motion passed unanimously.

- B. Discussion and Possible action re: resolution of high delinquent accounts to include parcel number 100-05-011C:** Director Ferguson made a motion to proceed as recommended by legal counsel in Executive Session regarding negotiating high delinquent accounts. Director Cook seconded the motion. The motion passed unanimously.

- C. Discussion and possible action re: legal counsel:** There was no action on this matter.

- 9. FUTURE MEETING DATES:** The Board Chair mentioned the upcoming meeting dates. Pending COVID, the next meeting will be held at either the Library, at Municipal Accounts & Consulting's office or via telephone conference. The next meeting is currently scheduled for December 15th at 10:00 am – location to be determined.

Director Crossley noted that the Agenda for this meeting was posted on Saturday, November 7th at 1:15 p.m.

- 10. ADJOURNMENT:** There being no further discussion, the meeting was adjourned at 12:01 a.m.