

**HIGHLAND PINES DOMESTIC WATER IMPROVEMENT DISTRICT
GOVERNING BOARD MEETING
AUGUST 21, 2020
PUBLIC SESSION MINUTES**

1. **CALL TO ORDER:** Board Chair Celia Carr called the meeting to order at approximately 1:01 p.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”); Natalie Galgano-Pinkley, District Bookkeeper/Administrator of Municipal Accounts & Consulting, LP (“MAC”); Dave Dirren of Sunrise Engineering; along with District Residents/Members of the Public: Jeff Wilhelm.

3. **APPROVAL OF MINUTES:** Director McClintock made a motion to approve minutes of the May 21, 2020 Executive Session; the July 17, 202 Executive Session; and the July 17, 2020 Public Session. Director Cook seconded. The motion passed unanimously.

4. **CALL TO THE PUBLIC:** A call to the public was made for comments relating to District matters. There were no comments from any member of the public.

5. **REPORTS AND CORRESPONDENCE:**

A. Chair Report – by Celia Carr

1. **Monthly Operations Report:** Board Chair Carr gave a summary of the report received from Fann Environmental regarding activities in the District over the last month. She noted District operations were running smoothly. The leak at the small storage tank has slowed down, and this month the leak was dry. Fann has completed a few meter replacements throughout the District and they did not fill the Girl Scout Camp tank this month.

B. Administrative Report – by Natalie Galgano-Pinkley

1. **Billing Update:** Ms. Galgano-Pinkley gave the Board a brief update regarding the final steps of the billing transition from IDS to MAC. The residents seem to be getting used to the new billing format, payment options and monthly schedule. She noted that there are about 5 properties whose billing statements are being returned in the mail. She has been forwarding them per the Assessor’s office or trying to send the statements to the property addresses. Director Ferguson asked Ms. Galgano-Pinkley to send a list of those properties to her so she could work on contacting the residents. Director McClintock asked to have that list sent to her as well.

2. **Bookkeeper’s Financial Reports:** Ms. Galgano-Pinkley next presented and summarized three financial reports for the Board’s review and consideration: June 2020

Fiscal Year End Bookkeeping Report; July 2020 Month End Bookkeeping Report; and August 2020 Expenditure Report for the checks issued to date.

Director McClintock made a motion to approve the June 2020 Fiscal Year End Bookkeeping Report; July 2020 Month End Bookkeeping Report; and August 2020 Expenditure Report. Director Cook seconded. The motion passed unanimously

Mr. Holstead, an attorney with the City of Prescott, joined the meeting at this time.

6. BUSINESS:

A. Main Transmission/Madizell Water Line Infrastructure Project and USDA Forest Service Special Use Permit Update: Dave Dirren gave the Board an update on the project status. There has been lots of interaction with the Forest Service in the last few weeks. Sunrise Engineering is almost done staking along the transmission line with the field whiskers. They will be meeting with the Forest Service on Monday checking for any archeological sites that will need to be avoided during the project. If any archeological sites are found, Mr. Dirren will look at either moving the new transmission line to avoid the sites or if the line can't be moved, then the sites will be monitored during the construction process. The engineering plans are approximately 95% complete, and they are holding off on finishing them until the meeting with the Forest Service and any archeological sites are identified.

Once they receive the Forest Service's approval and the Special Use Permit is received, the project will move forward and bid out. He typically likes to hold a pre-bid meeting with any contactors, they will then advertise for approximately 3 weeks and will follow up on any questions he receives. The bidding process should take about a month to 6 weeks and ideally, they will have a minimum of three bids for the project. It all goes smoothly; the District could potentially break ground on this project in the beginning of 2021.

Mr. Dirren will work on updating the project cost estimate, which he prepares conservatively. He purposely makes the estimate on the high end so the District can plan accordingly. The cost estimate that had been prepared in May 2019 was at approximately \$2,100,000 for both projects – and that included a 20% contingency. As it gets closed to having the project bid and started, Mr. Dirren will drop the contingency down to approximately 10%.

B. Ratification of Board Chair Approval of Change Order to Sunrise Engineering Contract: Board Chair Carr noted that the archeological field survey that is now scheduled for Monday had originally been scheduled for November. The Forest Service hired a new archeologist, so they were able to move the District up on the schedule since the District has been waiting close to 2 years. In order to complete the field survey next week, the Forest Service requested that the District mark the water transmission line project course through the National Forest in order to get clearance from the archeologist of the Heritage Resources Group.

In order to meet this expedited deadline, Board Chair Carr has approved a \$2,900 change order to the Sunrise Engineering contract to have the field whiskers done this past week. She asked the Board to ratify this decision since it was made on an emergency basis to comply with the Forest Service's short notice request. Director McClintock made a motion to ratify the Board Chair's approval of the \$2,900 change order to the Sunrise Engineering contract for cultural clearance work by the Prescott National Forest. Director Ferguson seconded the motion. The motion passed unanimously.

C. Creation of Resolution to allow Board Chair or Vice-Chair to Authorize Expenses Related to the Main Water Transmission Line Infrastructure Project and/or the Water Line Maintenance and Operatory Expenses: In follow up to this urgent request from the

Forest Service, the Board Chair asked the Board if they would consider a resolution giving the Board Chair and the Vice-Chair authority to approve expenses on the transmission line project and for regular water line maintenance items up to \$7,500 per occurrence. This would allow for District business to continue in a timely manner without having to call a special board meeting to approve these urgent expenses or have to continually ratify the expenses after they have already been incurred. Director Ferguson commented that she liked this idea and thought it made good sense for the District. The Board discussed the monetary limit, and concluded to try it at \$7,500, but they would revise the amount if needed in the future.

Director McClintock made a motion that the Board have Mr. Whittington prepare a resolution to allow the Board Chair or Vice Chair to authorize expenses related to the main water transmission line project or water line maintenance and operations expenses up to \$7,500. Director Cook seconded the motion. The motion passed unanimously.

- D. Consider Magnet Insert with District Contact Information:** Board Chair Carr discussed the recent magnet the residents in the District had received from the Highland Pine Property Association that had contact information and other important dates on them. She thought it may be useful for the District to create a magnet with District contact information for billing and maintenance items, so it was readily available to residents.

Holly Meneou had created the magnets for the Property Association and it cost \$249 for 500 magnets – but that did not include design services. Director Ferguson noted that it was one more expense for the District when they already had a lot of items going on. Director Crossley noted that they liked the idea and the cost is very minimal. Director Cook stated he liked the idea of a little PR for the District.

Director McClintock made a motion that they approve up to \$500 for the design and production of a District contact magnet. Director Crossley seconded the motion. Director Ferguson commented that the design cost is unknown at this time, so if it exceeds the \$500 overall limit the Board will have to revisit the matter at a later meeting. The motion passed unanimously.

- E. Public Records Request Form:** Board Chair Carr noted that the District does not currently have a way to capture when public record requests are made, what is being requested, and when the documents are provided to the requesting party. Since the District has been receiving more records requests lately, she thought a form on the District website would be helpful so that a interested person could fill out the form and the District would have a paper trail. Mr. Whittington noted that he liked the form the Board Chair had come up with, and while the statutes don't require a form like this, it is the best way for a requester to articulate what they are looking for. Director McClintock made a motion that the District adopt the form and that it be put on the District website for use. Director Ferguson seconded the motion. The motion passed unanimously.
- F. Election of Board Chair and Vice Chair:** Board Chair Carr and Director McClintock have been the Chair and Vice Chair for a year now. In the past the District has revisited these appointments annually. Director Ferguson commented that with so many critical issues going on at this time, continuity is important, and she thinks the District will be at a disadvantage appointing a different Chair and Vice Chair at this time. Director Cook shared the same sentiment that it would be a hardship to have a new Chair and/or Vice Chair right now. Board Chair Carr commented that with so much going on, she asks that the other Board Members step up to help when it is needed and when she asks for someone else to spearhead a project. Director McClintock has been an extremely helpful Vice Chair, but it has been an exceptionally busy year for the District, and she has felt under water at some points with so much needing to be done. Director Ferguson made a motion that Celia Carr remain at the Board Chair and that Sandra McClintock continue as the Board's Vice Chair for August 2020 – August 2021. Director Cook seconded the motion. The motion passed unanimously.

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 regarding: (A) the Wilhelm/Lollar property annexation (parcels 100-01-134Q and 100-01-134P); (B) the Skibiski easement issue (parcel 100-01-009D); (C) the water meter on 5940 W. Sleepy Hollow Drive (parcel 100-04-085); and (D) Options for handling high dollar delinquent accounts. Director Ferguson seconded the motion, which passed unanimously.

The Board left the public meeting teleconference at 1:42 p.m. to move into the Executive Session teleconference, stating they would resume the public session at approximately 2:30 p.m.

The Board rejoined the public session at 2:28. Mr. Wilhelm, Mr. Holstead, Mr. Dirren and Mr. McClintock rejoined the public session as well.

8. **BUSINESS:**

- A. Wilhelm/Lollar Property Annexation for Parcels 100-01-134Q and 100-01-134P:** Board Chair Carr noted that since this was an important and complex issue the Board was going to handle the discussion of this matter in multiple parts.

She first opened the floor to the public for comments on the pros of the potential annexation. Mr. Wilhelm commented that he had previously stated his position and had nothing more to add as he believes the Board accurately understands his request. Mr. Holstead commented that the City is not taking a position on the annexation either way.

Director McClintock gave a summary of the pros for annexing the properties into the District, which included the following points: Annexing the properties would include them in the District's Ad Valorem taxing boundaries which would reduce the percentage paid by other District homeowners. The District's monthly income would increase from two new users on the system. The District may be able to annex in additional properties on Lonesome Hawk and Timberlost. The District would not have to pay any hook up/connection costs (including City impact fees, engineering and construction costs) associated with the annexation – those costs would be paid by the property owners.

Director McClintock mistakenly listed that the public's convenience, necessity, and welfare would be promoted by the annexation as a "pro" for annexation. Mr. Whittington commented that Director McClintock could not list this as a "pro" or as a fact. Finding if the annexation is for the public convenience, necessity and welfare is a legal conclusion and is a Board determination that may be found depending on how the Board votes.

There was no further Board comment on any pros for the annexation of the two properties.

Board Chair Carr then asked the public for any comments or reason to deny the annexation of the properties. There were no public comments on the cons of annexation.

Director McClintock gave a summary of the cons, or reasons for annexation denial, which included the following points: There are a number of properties that fall between the boundaries of the Highland Pines Domestic Water Improvement District and the properties requesting to be annexed. This means the District would need some means of accessing the properties between District boundaries on the petitioning properties for the infrastructure, and those properties won't have access to District water service. There are alternative means for the owners to secure water – via delivery or purchasing directly from the City. The annexation would impose significant legal, administrative, and engineering expenses on the District. Once the determination of how the properties would be connected to the system, the District is responsible for maintenance up to meters. This is a cost the District would have to incur in the future and that cost is unknown at this time. There are difficulties and challenges associated with connecting the properties – either connecting directly to the main line which presents challenges and potential contamination; or the District would have to extend the distribution line to the properties - including securing easements for the new distribution lines.

Director McClintock also stated that the District had a system capability report done in 2008 to determine if the District's had enough water, pumps, and storage tanks to meet its demands. The study found that the lower tank number 3 is not capable of supplying the upper tank during high summer usage. If the District has all properties that are currently in the District connect to the system, the existing pumps in pump house 3 could not keep up. The lower tank falls short of the ADEQ fire requirements as a standalone reservoir, but the District can make improvements to fix this. The District is also currently undertaking the project to replace the main transmission line, so at this time is it not feasible for the District to do any annexations which would make the District liable for providing water to more residents.

Board Chair Carr noted that the Board had asked the petitioners on multiple occasions to provide an independent engineering report on the design and method of how they would access the District's system, and the Board has not yet received any additional information from the petitioners. The independent report would have been helpful to the Board in making their decision. Board Chair Carr then opened the floor to the Board for any further comments and discussion on the matter.

Director Ferguson commented that as much as she would like to give the District additional financial help, she doesn't see how the District is in any position to take on any additional expenses for supplying water to properties outside the District. The District is in no position to incur any expenses for administrative, engineering and legal services towards an annexation.

Director Crossley commented that the amount of financial support the annexation would provide is very de minimis.

Director Cook stated that with the upcoming infrastructure project, this is not a good time for the District to encumber or even chance any additional costs.

Board Chair Carr commented that she has looked through the District's historical records and the expansion of the District has come up many times. In 1996 the District did a study of providing water outside the District boundaries and the Board concluded that the District should adopt the policy not to expand the District's boundaries. At that time, the Board had also received a legal opinion dated January 7, 1997 from Attorney Richard Walraven. That letter was read for the record:

I understand the facts to be such that there are some areas adjacent to the district boundaries which we could serve with water without having to make any significant improvements to the system. I further understand that we may have water at this time to serve such additional areas. I do however, find difficulty in coming up with authority for you to take such chances or risks outside of district boundaries and believe that you are far better off to stick with a policy that no water is served outside of the district. I don't know where it would end once you get into it, and as mentioned above, there seems to be no authority for acts outside the district.

Director McClintock made a motion to deny the request to annex parcel #100-01-134 P (the "Lollar property") and parcel 100-01-134Q (the "Wilhelm property"), and in conjunction therewith, the District finds that the public convenience, necessity, or welfare would not be promoted by the annexation of either parcel described in the petition for annexation; and further, in conjunction therewith, that the proposed findings as set forth in Resolution 2020-3, as corrected, be adopted. Director Cook seconded the motion.

Due to the sensitivity of the matter, Board Chair Carr asked that the Board Members register their votes individually for the record.

Sandra McClintock – Voted Yes, Not to Annex
David Cook– Voted Yes, Not to Annex
Patti Ferguson– Voted Yes, Not to Annex
Bryan Crossley– Voted Yes, Not to Annex
Celia Carr– Voted Yes, Not to Annex

The motion passed unanimously to deny annexation.

Director McClintock made a motion that the Board execute Resolution 2020-3. Director Cook seconded the motion. The motion passed unanimously.

Board Chair Carr commented to Mr. Wilhelm that the Board took this matter very seriously and did a lot of research on the request. The reviewed all the data related to the system and took it under serious advisement, and did not make the decision easily or arbitrarily.

B. Skibiski Easement Matter (Parcel 100-01-009D): Director McClintock made a motion that legal counsel move forward with the Skibiski Easement matter as instructed in Executive Session. Director Crossley seconded the motion. The motion passed unanimously.

C. Water Meter on 5940 W. Sleepy Hollow Drive (Parcel 100-04-085): Director McClintock noted that a letter has been sent to the owner requesting them to remove the obstructions over the water meter box so that Fann Environmental can access the meter to be read, inspected and maintained at the end of August. At this time, the Board has not received a response or know if the obstruction will be removed. Director McClintock suggested that the matter be tabled until the next meeting to be discussed further.

D. Legal Counsel Review of WSDA Forest Service Special Use Permit and/or the Appendix B Operating Plan: Board Chair Carr noted that the Manger of the Mayer Water District had done some work with the Forest Service in the past and had recommended that legal counsel review the SUP and Operating Plan. However, the SUP is pretty much set in stone, while the District could make some revisions to the Operating Plan. Director Crossley noted that if the SUP is set is stone, there is no need to try and fight the Federal Government as it would most likely be fruitless. Mr. Whittington commented that in the past when he’s dealt with the Forest Service, they are very friendly and easy to talk to, but their SUP is very hard to modify. He had previously provided a quick review of the few items of concern in the SUP. If any other those items were worrisome enough to the Board, then they may consider having him review the SUP in detail. At the most, he may be able to get the Forest Service to include an addendum, but it is a hard sell, especially considering the District’s legal fees budget.

The Operating Plan is a three-page document and the District can make some modifications to. The Board discussed that it may be worthwhile to have legal counsel review the document. Mr. Dirren commented that he had not reviewed the Operating Plan recently but will review to see if anything stands out that would need legal review since it mainly relates to ongoing maintenance.

Director McClintock made a motion that Mr. Dirren review the Operating Plan and make recommendations to the Board as to any problems or concerns there may be, then the Operating Plan be submitted to Mr. Whittington for review with Mr. Dirren’s recommendations and comments included. Director Crossley seconded the motion. The motion passed unanimously.

E. New District Agreement with the Girl Scout Camp: Director McClintock has been working on two proposed forms of agreement to update the District’s contract with the Girl Scout Camp.

The current agreement is from 1974 and neither the District nor the Camp have a full copy of the agreement.

The first form of agreement contemplates having the Camp annexed into the District and they purchase their water from the District rather than the City. The second form of agreement keeps the “status quo” of the Camp purchasing water from the City and paying the District for their share of expenses. Director McClintock suggested the Board choose which option they would prefer so that legal counsel will only have to review one form of agreement.

It was noted that the Camp is tax-exempt, so they are not paying towards the Ad Valorem taxes for the transmission project. It appears the District has not been charging enough to cover the Camp’s true share of expenses, so the agreement needs to be revised and reviewed annually to make the District whole. There was lengthy discussion regarding the tax-exempt status of the Camp, what fees they are paying to the City, and how Fann’s time spent filling the Camp tanks affects the District’s invoices.

Mr. McClintock made a public comment that he does not believe Fann has to accommodate filling the Camp’s tank, the Camp could make changes to their equipment to be able to do it without Fann’s assistance. He also stated he thinks any potential annexation of the Camp is a bad idea, and that the District could not be the one to initiate it.

The Board would prefer the option to keep the status quo, with the Camp purchasing their water from the City. The District needs to complete an analysis of what the District’s costs related to the Camp are, and how to determine the Camp’s share of those costs. Director McClintock made a motion to approve the second form of agreement, which was then withdrawn for further discussion.

Director Ferguson commented that she thinks it is better to reach out to the Camp first and have them begin to review the proposed arrangement before having legal counsel review any agreements. This would cut down on the number of revisions needed by legal counsel. Board Chair Carr stated that she has been in touch with the Camp’s Vice President and she will reach out to them to review.

Director Crossley noted that he and Municipal Accounts & Consulting will have to work to identify the “reasonable costs of providing water” before sending the agreement to the Camp so they have some idea what they are agreeing to, and to also include provisions for annual review of the costs. For the November meeting, the Treasurer and MA&C will have a working estimate of what the costs are, and the Board Chair can then reach out to the Camp with a rough draft of the proposed agreement.

Director McClintock made a motion to table the matter until the November meeting. Director Cook seconded that motion. The motion passed unanimously.

- F. FY 2021-2022 Budget – Base Fee vs. Access Fee to include all properties in the District, and Ad Valorem Tax vs. Flat Billing Fee for Funding the Transmission Line Project:** The Board Chair was looking forward towards preparing the 2021-2022 budget and would like to start early looking at the District’s options. There are about 60 properties in the District that do not get monthly water bills since they do not have meters, but they are paying the Ad Valorem taxes for the infrastructure project. She would like to look at possibly removing the base fee from the District’s rates, and instead charging all properties in the District (including those without meters) a monthly access fee to be in the District.

She also commented that several members in the community have voiced their opinion that a flat fee billing would be fairer than the Ad Valorem taxes. The Board Chair asked for a volunteer from the Board to start researching these items so they can be prepared for tax and budget time next year. Director Cook volunteered to spearhead this matter, will reach out to individuals for their input as he sees fit. He will bring back his findings to the November meeting.

9. **FUTURE MEETING DATES:** The Board Chair mentioned the upcoming meeting dates. Pending COVID the next meeting will be held at either the Library or Municipal Accounts & Consulting's office. The next meeting is currently scheduled for November 12th at 10:00 am.
10. **ADJOURNMENT:** There being no further discussion, the meeting was adjourned at 3:26 p.m.