

PINETOP-LAKESIDE SANITARY DISTRICT

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**REGULAR SESSION
MINUTES
April 11, 2018**

1. CALL TO ORDER

Board Chair Meier called the Board meeting to order at approximately 6:00 PM.

2. OPENING CEREMONY

Board Secretary Whittle led the Board and Staff in the Pledge of Allegiance.

3. ROLL CALL OF BOARD MEMBERS

Present were: Paul W. Meier, Board Chair; Diana W. Butler, Board Vice-Chair and Neal Whittle, Board Secretary. Staff Members present were: David Smith, District Manager; Mark Heberer, Finance Manager and Linda Lionberger, Executive Assistant. William R. Whittington, Legal Counsel was also present.

Excused: Christopher C. Kengla, Board Member
Patrick B. Place, Board Member

4. CONSENT AGENDA

Board Chair Meier asked the District Manager or the Finance Manager why the amount increased that was payable to Brown and Brown Law Offices, referencing check #14563. He asked would this be the new amount the District would be responsible for each month or was there a different time frame for the billing. The District Manager responded to Board Chair Meier that this billing was for their monthly services. Board Chair Meier asked the District Manager was the litigation starting to ramp up regarding the Little Colorado Coalition Water Adjudication (LCC) or was this what the District's dollar amount would be on a monthly basis. The District Manager responded to Board Chair Meier that the billing has been approximately \$2,000.00, the March billing was increased.

Board Chair Meier discussed with the District Manager that when he was first on the Board the billings were at approximately \$600.00 and they have crept up to \$2,500.00. The District Manager responded to Board Chair Meier that the litigation was starting to ramp up.

Board Chair Meier discussed that he does understand that the litigation was going to ramp up. However, \$30,000.00 for the District's small portion seems substantial.

Board Vice-Chair Butler asked the District Manager who went to the meeting of the LCC on April 6th. The District Manager responded to Board Vice-Chair Butler that he attended along with Board Member Kengla.

Board Secretary Whittle stated that there are very few entities or individuals who utilize the services of Brown and Brown. The way it was phrased in the beginning it scared everyone to death.

The District Manager stated that it was a needed expense and that he had hope that other entities would join in to defray some of the costs.

Board Chair Meier discussed that he wasn't sure how much public discussion there should be and that it was discussed previously should the District continue or discontinue. He attended the LCC meeting last year and he indicated that he knew that litigation would be ramping up and there would be additional expenses, but he recalled the quote in one of the public meetings to be around \$1,500.00, he had also inquired how long could this continue. The response from Legal Counsel Brown that he recalled was possibly not in my life time but because Board Chair Meier was younger possibly in his life time. Board Chair Meier stated that the \$30,000.00 annually is a big number.

Board Secretary Whittle asked what the financial benefit was to the District.

Board Chair Meier responded to Board Secretary Whittle that if there wasn't any water there would not be a District.

Legal Counsel Whittington advised Board Chair Meier that the Board has had this conversation in the past and the Board had decided to continue with the litigation and remain a member of the LCC.

Legal Counsel Whittington suggested to the Board that the discussion of the LCC should be placed on a future Agenda, Legal Counsel Brown could be asked to attend and that he does have several clients that are members of the LCC.

Board Chair Meier stated that he didn't intend to turn his inquiry regarding check #14563 into a discussion his thought was if this was a quarterly bill, was there something that increased the bill or is this the amount it was going to be from this point forward.

The District Manager suggested to the Board that perhaps in the future this should be placed on the Agenda as an Executive Session for discussion.

Board Chair Meier recommended that it was placed on a future Agenda for discussion.

Legal Counsel Whittington suggested to the Board that he would recommend placing it on a future Agenda Board Meeting and perhaps doing that annually to review and discuss the litigation and the costs.

Board Chair Meier suggested that perhaps the Board schedule a discussion and update regarding the LCC on a future Agenda in the next couple of months and invite Legal Counsel Brown.

Board Vice-Chair Butler discussed that she did not know if it was necessary for Legal Counsel Brown to attend to update the Board.

The District Manager responded to the Board that he and Board Member Kengla could update the Board from their attendance at the last LCC meeting. The District Manager stated that he could not discuss any of the legal ramifications.

Legal Counsel Whittington advised the Board that he could discuss the legal ramifications. Legal Counsel Brown is approachable and the Board could have him attend, as they have a vested interest in the LCC.

Board Chair Meier asked that for a future Agenda that the LCC was scheduled and that Legal Counsel Brown could be invited to attend.

Board Secretary Whittle moved approving the Consent Agenda, which included the minutes of March 14, 2018, Regular Session; the Presentation, Approval, and Payment of Bills, Invoices, Warrants and Capital Purchases, as presented by Staff. Board Vice-Chair Butler, seconded. Motion passed unanimously.

5. CALL TO THE PUBLIC

Board Chair Meier noted that there was not any public present.

6. REPORTS AND CORRESPONDENCE

Board Chair's Report.

Board Chair Meier did not have a report.

Board Secretary's Report.

Board Secretary Whittle did not have a report.

Manager's Report.

Update – Collection System Department activities.

The District Manager reported that the Collection System crew report indicated that 18,000 linear feet of sewer lines were cleaned. However, the crew only cleaned approximately 12,000 linear feet of sewer pipe, inspected approximately 17,000 linear feet of sewer lines and inspected 24 manholes.

The District Manager reported that the Homeowners Association was in the process of signing the documents to transfer ownership of the Starlight Ridge Lift Station to the District.

Update – Plant Department activities.

The District Manager reported that the average flows for the month were less than 0.700 MGD, they were currently at .680 MGD, with the Organic removal holding at 98%; the nitrogen results were 1.6 mg/L.

The District Manager reported that the quarterly maintenance on the Digester was completed and repairs were made as necessary.

The District Manager reported that the Composting Facility received 33 tons of paper/cardboard, which was received from Waste Management; compost produced was 43 tons and compost sold was 51 tons. The District Manager also reported that the Staff did not have a number of paper/cardboard that was being received from the recycling bins out front.

Board Chair Meier asked the District Manager how the recycling was being received by the public with the relocation of the bins. The District Manager responded to Board Chair Meier that the District was receiving a lot cleaner product and the public uses the bins daily. Both bins are being emptied daily.

The District Manager reported that he was seeking bids for the influent Building Roof replacement, some of the fascia has rotted from the leaking area on the roof, LED lights for the Composting Building and the Gallery. He has contacted three local electricians. The District Manager also reported that replacement of the lights in the Composting Building was also a safety issue, it is dark and because of the environment they do not work and are subject to falling. He was looking for ideas from the electricians on different types of lighting fixtures. The District Manager indicated that the lighting projects may be done in three Phases.

Board Chair Meier asked the District Manager if any of the electricians responded. The District Manager responded to Board Chair Meier that Fountain Venture Electric had responded and had some good suggestions.

The Manager's Reports and discussions concluded.

Accounting Report

The Finance Manager reported that the District mailed out the final quarterly billing for the District's FYE 2017/2018 and that there should be an approximate surplus of revenue from the residential billing of \$12K and that the commercial billing revenue should be on target with the budget. The District's income revenue is inflated because of the sale of the truck and expenses are on track.

The Finance Manager reported that there were four new connections added to the total of sewer users, bringing the total to 8187.

The Finance Manager's Reports concluded.

7. BUSINESS

Discussion, consideration and possible action regarding, Resolution No. 2018-01, a Resolution Calling Board Member Election.

The District Manager explained that there are two Board Member positions up for election in the November 2018, General Election. The Resolution authorizes the Navajo County Elections Department to conduct the election for the District.

Board Vice-Chair Butler asked the Finance Manager what was the cost per vote. The Finance Manager responded to Board Vice-Chair Butler that depending whether the Board Member positions go to vote depends on the cost. If there are only two that complete their packets for the election then there would not be any costs for the election services. If there are more than two running for the District Board then it does go to election and the costs would be determined on the number of voters plus any publishing or election related costs. The Finance Manager also indicated that there was a flat administration cost that should be charged to the District whether there was an election held or not.

Board Chair Meier made a motion approving Resolution No. 2018-01, a Resolution Calling Board Member Election. Board Member Secretary Whittle seconded. Motion passed unanimously.

Discussion, review, consideration and possible action regarding the District's Operating and Non-Operating Budgets for Fiscal Year Ends: 2016/2017; 2017/2018 and 2018/2019; Rates and Fees; Revenue – Operational and Capital; Recap of Operations; Expenses – Collections, Treatment and Administration; Expenses and Revenue; Capital Funding Sources and Capital Project Expenditures.

The Finance Manager discussed that in the preliminary budget for FYE 2018/2019, he was not projecting an increase to the sewer user fees or ancillary costs. He explained that the increases in the rates and fees structure were; the Connection Fee Formula, the excess density fee and the Annexation Fee. These fees are increased annually per the Board's

direction accordingly with the Consumer Price Index. The Connection Fee Formula includes the excess density fee, which affects the connection fee formula increase.

The Finance Manager discussed that he was working with the Staff to reclassify the commercial accounts by verifying their type of usage. Staff was looking at the five classes; the first priority is making sure that the commercial accounts are in the right classification. Class I – III are normal strength, Class IV – High Maintenance Areas was being added to the rate structure where extraordinary circumstances create a situation where Staff spends an unusual amount of time cleaning or repairing the sewer lines and lift station maintenance/repair due to circumstances that could be deemed preventable by the property owners of the area. The additional maintenance/repair costs would be billable to the sewer user fee customers in that particular area. Class V – Special category for temporary circumstances.

Board Chair Meier asked the District Manager how was the District able to implement this cost to the residential property and/or commercial owners of that area. The District Manager responded to Board Chair Meier that Legal Counsel Whittington did discuss with him the rate/fee structure and that Legal Counsel Whittington suggested that the wording was corrected regarding Class IV.

Board Chair Meier asked the District Manager is Staff able to define to the property owners that this was why your rate increased. Because of the circumstances to the sewer line/Lift Station by providing the consumer with identifiable sources.

Legal Counsel Whittington advised the Board that the Statute states that you can't be arbitrary about it you have to lay out some type of factual foundation established to assess the additional fee to the taxpayer or group. Once this was articulated you could assess the fee.

The District Manager discussed that it would be up to the Supervisor to document that the crew has been out on maintenance or repairs a certain number of times. The Supervisor would need to keep a ledger of the labor to qualify the cost. The cost would then be spread out to the number of sewer users in that area.

Board Chair Meier asked the District Manager in these types of maintenance areas has Staff actively discussed the situation with the local restaurants and/or property owners. The District Manager responded to Board Chair Meier that Staff does discuss the situation with the restaurant and/or property owners. Staff also mails out a formal letter reminding the property owners that the flushable items are not always bio-degradable and that they do cause problems in the Lift Stations. Staff also discusses with the local restaurant owners when the problems arise that they need to routinely clean their grease traps. The District Manager also discussed with Board Chair Meier that if you place a dollar figure on the letter the property owners might react to the dollar figure and become more aware of the flushable items and the grease.

The Finance Manager explained there were no other major changes to the budget. There were some reclassifications of the Staff.

The District Manager asked the Board if they were happy with the format of the budget or would they like to see any changes to the format. The Board responded to the District Manager that they were fine with the format of the budget.

Board Chair Meier discussed with the Finance Manager that he had some highlighted areas for discussion. The area under Treatment this year for the Plant was \$62K and it increased to \$107K, Compost \$137K forecast to \$80K, were the figures flip flopped or were the figures correct. The Finance Manager discussed that it was just a reclassification of the Staff.

Board Chair Meier discussed that the Plant Electricity was decreased significantly and was forecasted at \$97K.

The District Manager stated that along with the decrease to the electricity the effluent has a better quality.

Board Secretary Whittle stated that the electricity may continue to decrease with the installation of LED lighting.

Board Chair Meier reviewed the legal fees and commented to the District's Legal Counsel Whittington his decreased fees and discussed that the Legal Fees for the LCC Water Adjudication may increase over the District's Legal Counsel Whittington Fees.

The District Manager stated that the LCC litigation fees annually could increase from last year \$22K to \$25K.

The Finance Manager discussed that with the increase in litigation for the LCC, the forecast was increased from last budget year.

Legal Counsel Whittington explained that his legal fees have been minimal, because of the District's Staff's knowledge and hands on, there haven't been any Human Resource issues and that the Staff runs the District well.

The Finance Manager discussed the Capital Income and the decreasing rate regarding the Ad Valorem Tax. The rate was decreasing from .2727 to .2642 bringing the capital revenue source close to budget. He also discussed if the Board would like to decrease the rate to let Staff know.

Board Chair Meier stated that continuing to decrease the rate was a good thing for the taxpayers.

The Finance Manager explained that interest income was forecasted with a slight increase.

Board Chair Meier and the Finance Manager discussed a typo to the Budget adjustments on the Recap worksheet and that the figures would be checked in balancing the budget.

Board Chair Meier discussed the decrease in expenses were approximately 5% from 2016/2017 to 2017/2018. He commented that the Staff runs the District efficiently and that sewer user fees rates have not seen an increase over the last 4 years.

Legal Counsel Whittington asked the Finance Manager if he was looking for approval. The Finance Manager responded to Legal Counsel Whittington that he was only looking for direction to continue with the preliminary budget for the May 9, 2018, Board Meeting.

Legal Counsel Whittington advised Board Chair Meier that direction by a Board consensus could be given to Staff to move forward with the preliminary budget preparation for the May 9, 2018, Board Meeting.

The Board directed Staff by consensus to prepare the preliminary budget for Fiscal Year End 2018/2019 for Publishing and Public Notice for the May 9, 2018, Board Meeting.

8. FUTURE AGENDA ITEMS

Board Chair Meier requested that the following Agenda items were scheduled for the Board Meeting of May 9, 2018:

- (1) Board of Directors Officer Rotation.
- (2) Review of the LCC – Executive Session A.R.S. §38.431.03 (A)(3).
- (3) Budget for FYE 2018/2019.

Board Chair Meier directed Staff to review the minutes of the last LCC meeting and schedule a review of the 2018 annual meeting to update and discuss with the Board Members.

Board Chair Meier directed the Board Members if they have any items for the Agenda to contact the District Manager.

9. ADJOURNMENT

Board Chair Meier adjourned the meeting at approximately 6:40 PM.

Adopted and approved this 9th, Day of May, 2018.

/s/ Diana W. Butler

Diana W. Butler, Board Chair