

PINETOP-LAKESIDE SANITARY DISTRICT

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**REGULAR SESSION
MINUTES
March 13, 2019**

1. CALL TO ORDER

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

2. OPENING CEREMONY

The District Manager led the Board, Staff and Legal Counsel in the Pledge of Allegiance.

3. ROLL CALL OF BOARD MEMBERS

Present were: Diana W. Butler, Board Chair; Neal Whittle, Board Vice-Chair; Patrick B. Place, Board Secretary and Christopher C. Kengla, Board Member. Staff Members present were: David J. Smith, District Manager, Mark Heberer, Finance Manager and Linda Lionberger, Executive Assistant. William R. Whittington, Legal Counsel for the Governing Board was also present by telephone.

Board Member Paul W. Meier was to attend later in the meeting.

4. CONSENT AGENDA

Board Vice-Chair Whittle made a motion approving the Consent Agenda, which included the Minutes of February 13, 2019, Regular Session and the Presentation, Approval and Payment of Bills, Invoices, Warrants and Capital Purchases; as presented by Staff. Board Secretary Place, seconded.

The vote was as follows: Board Chair Butler, yes; Board Vice-Chair Whittle, yes; Board Secretary Place, yes and Board Member Kengla, yes. Motion passed unanimously.

5. CALL TO THE PUBLIC

Board Chair Butler did not read the Call to the Public statement as there wasn't any Public present.

6. REPORTS AND CORRESPONDENCE

Board Chair's Report.

Board Chair Butler did not have a report.

Board Secretary's Report.

Board Secretary Place did not have a report.

Manager's Report.

Update – Collection System Department activities.

The District Manager reported that Rick Alcorn's spouse passed away on Monday, March 11, 2019 and that Mr. Alcorn had returned to work.

Board Chair Butler asked the District Manager if there were any services planned. The District Manager responded to Board Chair Butler that Mr. Alcorn indicated that he was planning a memorial service around the middle of May 2019. Staff would keep the Board informed of any planned memorial services for Mrs. Alcorn.

Board Member Paul W. Meier was present from here forward.

The District Manager reported that the Collection System Staff cleaned approximately 4,200 linear feet of sewer lines in the Rainbow Lake area, televised 5,700 linear feet of sewer lines and inspected 30 manholes.

The District Manager reported that the crew located water leaking into a manhole by Woodland Lake, which was quite substantial. The crew will be repairing the manhole.

Board Member Meier asked the District Manager how much water was going into the system. The District Manager responded to Board Member Meier that he didn't have a measurement in gallons the manhole was leaking quite a bit with all the recent snowmelt and rain.

Update – Plant Department activities.

The District Manager reported that the average flows for the month of February 2019 averaged 1.4 MGD and with the current weather events it did bump up to 3.5 MGD, the difference in the flows was the Inflow and Infiltration (I/I). The inflow will produce an immediate increase and decrease this was surface water; Infiltration was normally due to bad joints in the pipes and increases and decreases at a slower rate. Staff was experiencing Inflow and that was what the crews were out and about looking for.

The District Manager reported Organic removal was staying steady at 98% and the nitrogen level was still at the good level and the settleability was looking better.

The District Manager reported that the paper/cardboard received for February 2019 was 30 tons, compost produced was -0- (not taken out of the building) and compost sold was 192 yards to Show Low Schools.

Board Member Kengla asked the District Manager how the wet weather affected the District's settling ponds. The District Manager responded to Board Member Kengla if he was indicating the Marsh ponds. Board Member Kengla responded to the District Manager yes the ponds at the Marsh. The District Manager explained to Board Member Kengla that the effluent was pumped to the Ponds at the Marsh. Board Member Kengla then asked the District Manager were the ponds filling up to capacity, since the Lakes State wide appears to be filling up due to the recent weather events. The District Manager responded to Board Member Kengla that the Marsh Ponds are filling, but the District's largest pond was 35 acres and had minimal water. The District Staff has made this pond readily available to take in any overflow. There was only 3 foot of water in it. An acre foot of water is 326k gallons of water, the District was doing all right with the water, and there is about 60 days that we could pump water into the Pond.

Board Member Meier asked the District Manager at the same time as we are pumping into the Pond are other ponds decreasing in water. The District Manager responded to Board Member Meier that was correct.

Board Member Kengla asked the District Manager if there would be a major issue if the ponds did overflow. The District Manager responded to Board Member Kengla that there could be, because the District only has a no-discharge permit and whatever was sent to the Marsh stays there and if there were an overflow in the basins the District would be in violation. There are seven ponds plus the basin and the basin was at approximately half full.

Board Chair Butler asked the District Manager if the height of the ponds was high enough not to take in surface runoff. The District Manager responded to Board Chair Butler yes.

Board Member Meier asked the District Manager if there was any good information that he received from attending his conference in Laughlin, NV. The District Manager responded to Board Member Meier that there was a different format with meeting with the vendors and signing up with the vendors for their presentations. It was more one on one with the vendors to understand what they were offering and the advantages of their products. One item that he discussed was the motor savers for the control panels; they provided information on the number of trips, amperage and now the availability of the phone apps. He indicated that there were some interesting items this year.

The Manager's Reports and discussions concluded.

Accounting Report

The Finance Manager reported that there was one new connection, bringing the total to 8,226. The Finance Manager also reported that next month the numbers of connections could change, because he does a physical count of the sewer connections.

The Finance Manager reported that with the automatic payments the District was capturing 80% of the sewer user fee payments in the first month of the billing cycle. The budget numbers were looking good and on track.

The Finance Manager Reports concluded.

7. BUSINESS

Discussion, consideration and possible action relating to the following: Rotation of the District's Board of Director's Positions: Board Chairman; Board Vice-Chairman; Board Secretary; Board Member and Board Member.

Board Chair Butler stated that this was the time of the year that the rotation of the Board takes place. This was scheduled per the Board's direction every ten months.

Board Member Meir made a motion approving the Board Rotation as follows: Board Chair, Neal Whittle; Board Vice-Chair, Patrick B. Place, Board Secretary, Christopher C. Kengla; Board Member Paul W. Meier and Board Member Diana W. Butler. Board Chair Butler seconded.

The vote was as follows: Board Chair Butler, yes; Board Vice-Chair Whittle, yes, Board Secretary Place, yes; Board Member Kengla, yes and Board Member Meier yes. Motion passed unanimously.

Board Chair Butler asked Board Vice-Chair Whittle if he would like to continue with the meeting. Board Vice-Chair Whittle asked Board Chair Butler to continue with the meeting.

Discussion, consideration and possible action relating to a request from Mr. Tim Kendzlic, property owners address of 2661 S. Richardson Lane, Lakeside, AZ 85929, requesting a deferment of the quarterly sewer user fee account number 2 6201002.

The District Manager explained that Mr. Kendzlic was unable to attend the meeting this evening. Mr. Kendzlic is building his home located on Richardson Lane in Pinetop and he did not feel that it was right for him to pay a sewer user fee until his home was occupied, which could be around August of 2019. Mr. Kendzlic would like the Board to consider a deferment of his sewer user fee payment.

The District Manager then explained that Staff did inform Mr. Kendzlic in writing and verbally that he had one year to make the sewer connection and once that the sewer connection was made he would have to pay the sewer user fee. Once a property was connected to sewer there was not anyway to check when the property owner is using the

sewer service, whether the property owner occupies the property or not. The District has practiced that once you are connected you start paying.

Board Secretary Place asked the District Manager if water service was on. The District Manager responded to Board Secretary Place that water service was on.

The District Manager explained that Staff did offer Mr. Kendzlic to cap off his sewer under a no-charge permit and Staff did not hear back from Mr. Kendzlic.

Board Chair Butler asked the District Manager wouldn't that cost him more than the sewer user fee. The District Manager responded to Board Chair Butler that it could cost more than the sewer user fee.

The District Manager explained that his conversation with Mr. Kendzlic was that he could have installed all of his underground work and waited to install the sewer connection. The District Manager then explained that he does understand that when a structure was being built the underground contractors do want to install all the utilities at the same time.

The District Manager explained that there wasn't any way for the District to monitor the use of the sewer.

Board Member Kengla stated that in relation to trash service you are charged whether you use your trash receptacle or not.

Board Member Meier stated that from a best practices standpoint that it was already clear once you're connected you start paying. If there was any way it could be made clearer, which he thought there wasn't. The flip side was he's connected and water could be used at any time and discharged into the sewer.

The Finance Manager stated that the property owner's are verbally told and a receipt copy was given at the time of permit.

Board Member Meier stated there was a comment from Staff regarding a temporary inspection, but on the permit it was clearly stated once your connected sewer user fees begin.

The Finance Manager stated that there are property owners that only do a partial connection and they do not have water service. Once water service is initiated then the property owner would pay the sewer user fees.

Board Chair Butler stated that once you have water service the water has to go somewhere.

The District Manager stated that if you don't have water then Staff could evaluate the sewer service and offer options.

Board Member Meier stated that he has been on the Board for approximately 5 years and it has never been an issue before the Board.

Board Member Meier stated that the Board respectfully declines the request.

The District Manager stated that a letter could be written and signed by the Board Chair.

Board Vice-Chair Whittle stated the District already has an express contract written into a contract.

Board Secretary Place asked the District's Legal Counsel for an opinion.

Mr. Whittington, Legal Counsel for the District advised the Board that the fee cannot be waived because of the District's State Statute that the District must stay within the parameters of the District's policy.

Board Member Meier suggested that per the advice of the District's Legal Counsel could be referenced into the letter.

Board Member Meier made a motion that based on conference with the District's Legal Counsel the Board was unable to make a concession to waive the monthly sewer user fee and respectfully decline Mr. Kendzlic's request. Board Secretary Place seconded.

The vote was as follows: Board Chair Butler, yes, Board Vice-Chair Whittle, yes, Board Secretary Place, yes, Board Member Kengla, yes and Board Member Meier, yes. Motion passed unanimously.

Discussion, consideration and possible action regarding attendance for the Little Colorado Coalition Meeting on April 5, 2019, located at the Show Low City Hall, Show Low, AZ 85901 from 8:30 AM to 12:30 PM.

The District Manager asked the Board who would be attending the Coalition meeting, this would be in Executive Session and if a quorum was present an Agenda would be posted.

The Board Members that plan to be in attendance were: Board Secretary Place, Board Member Kengla; Board Member Meier.

Discussion and update of the replacement of the CCTV Equipment and Vehicle.

The District Manager discussed that there has been a lot of research done for the CCTV Vehicle and the Staff went over to the U-Haul Store to check out the vehicles and that the used U-Hauls mileage was 125k miles, with a pricing of \$9k to \$10k.

Board Secretary Place asked the District Manager if the vehicles were Ford's. The District Manager responded to Board Secretary Place that they were Ford Vehicles.

Board Member Kengla asked the District Manager if the vehicles were regular gas or diesel. The District Manager responded to Board Member Kengla that they were regular gas. He thought they had the Ford V10 engine, which was a well rated engine. The vehicles ranged from the years 2002 to 2004 models and the trucks had a 14 foot box. However, the Staff indicated that the vehicles were too wide for the easements and too top heavy, they were 8 feet wide.

The District Manager stated that it has been difficult locating a 2 to 3 year old truck, the majority of the vehicles were 2010 to 2012, and there was a few Sprinter Vans that were approximately \$18k to \$26k.

Board Member Meier asked the District Manager was the 150k miles to 250k miles a typo. The District Manager responded to Board Member Meier that it wasn't a typo.

Board Member Kengla asked the District Manager what was the mileage on the District's vehicle. The District Manager responded to Board Member Kengla that it was 56k miles.

The District Manager discussed the Nissan Van with about 40k miles and Staff went out and measured and the Nissan Van was smaller on the inside and so Staff passed on the Nissan.

Board Member Meier asked the District Manager was the Nissan Van the one that was being recommended to the District. The District Manager responded to Board Member Meier that was one of the choices that was being recommended to the District.

The District Manager stated that he discussed with the Staff that the decision that was made to purchase the replacement equipment and vehicle was a 10 year decision and not a two year decision.

Board Secretary Place asked the District Manager the Nissan that was being considered what was it too narrow. The District Manager responded to Board Secretary Place that the Nissan was not too narrow, but didn't have enough length it would be tight for the Staff.

The District Manager stated that you could make it work but you like to keep your equipment dry in the instances of wet weather in case of maintenance requirements when you are out in the field.

The District Manager discussed that he starting checking out the Step Vans through the Post Office, that they use for delivery. There were quite a few ranging from \$10K to \$22k, the mileage was running 75k to 125k and Staff indicated that they were too wide. The next vehicles being considered are the Sprinter Vans and the Ford Transit Van. The Sprinter Van has a 170" wheel base, the District's Van has a 139" and the Ford Transit has a 148" wheel base. Staff was leaning towards the Ford Transit Van; it has a workable width, longer on the cargo area by approximately 3 foot. It just has been tuff to find.

Board Member Meier and the District Manager were looking at photos of the Transit Vans and discussed the Dodge Sprinter Vans indicating that they looked similar to the Mercedes Van and that he was having a hard time finding a used Sprinter Van.

Board Member Kengla asked the District Manager if the pricing was government contract pricing. The District Manager responded to Board Member Kengla that it was the government contract pricing.

The Finance Manager stated that government purchasing pricing does not have the power it use to have, there may only be a savings of approximately \$200.00.

Board Member Kengla asked the District Manager if there was a dealer that worked with the District on vehicle pricing. The District Manager responded to Board Member Kengla that he didn't have anyone that he worked with. The District Manager discussed that the price he received on a Ford Transit Van for the State contract pricing was \$44k and back in the Midwest it was \$38k to \$40k. He wasn't convinced that State contract pricing was the best price.

Board Member Kengla stated to the District Manager that he would give him a name of an individual that he works with and see if his pricing came in close to the State contract pricing.

Board Member Meier asked the District Manager if the vehicles he was researching were anywhere close to Petaluma California where the CCTV Equipment would be installed in the vehicle. The District Manager responded to Board Member Meier that he did find a Step Van 75 miles from Petaluma that was \$19k, but Staff feels that the Step Van are too big.

Board Secretary Place asked the District Manager why the District's current van was not being used for the CCTV Equipment. The District Manager responded to Board Secretary Place that the Staff has indicated that the odometer indicates 56k miles, the original equipment was taken out and the last equipment was installed, there is a short in the wiring and it has been looked at by a technician and it can't be located. There were two switches installed to disconnect the wiring so that the battery doesn't go dead when it's not being used, this has been going on for a few years.

Board Member Meier asked the District Manager what was the year of the van. The District Manger responded that it was a 1998.

Board Secretary Place asked the District Manager has it been checked out to be rewired. The District Manager responded to Board Secretary Place that the rewiring that was done was for the camera equipment it wasn't the original wiring. Board Secretary Place asked the District Manager then do you think this was when the issues started. The District Manager responded to Board Secretary Place that he did think that was when it started. The original CCTV equipment was run off a hydraulic pump and when the new

equipment was installed they left all the old wiring. Board Secretary Place then asked the District Manager then if you install new equipment shouldn't all the old wiring be removed and solve the issue. The District Manager responded to Board Secretary Place that hopefully that would happen. It was taken to a Mr. Rova that specializes in electrical for a week and then he installed another switch, he could not locate the issue.

Board Member Meier stated then what I am hearing from Board Secretary Place is then wouldn't we have everything pulled and basically have it installed from scratch and not leave any old wiring in.

The District Manager responded to Board Member Meier that's what I'm hearing is that we have it taken out and not leave any of the old wiring in the van.

Board Secretary Place stated that's what I think would have to be done.

Board Member Meier asked the District Manager if the motor was still strong in the van. The District Manager responded to Board Member Meier that the motor was a diesel and it is the V8 regular motor that they decided to make a diesel motor out of it was not reliable. The other vans we are looking at with 150k miles have a Cummings engine and other reliable motors. We could put new equipment in an old van, but at sometime the van was going to lie down, the motor idles a lot, bottom line it is 20 years old.

Board Member Meier stated that ideally we put about 4k miles a year, if we could find something with 75k to 90k miles that has a strong engine it could last another 10 to 12 years. But it sounded to him that the District Manager was having a hard time finding that engine.

The District Manager responded to Board Member Meier that he did find two 2015 Transit Vans in Fontana California one with 48k and one with 40k miles for about \$43k and \$37k. The District Manager indicated to Board Member Meier a new van could be purchased for about the same price. There was lots of Sprinter Vans and he was having a hard time finding the Transit Van, which was medium sized and this was what the Staff indicated they would like.

Board Member Meier stated that he was struggling with spending six figures on new CCTV Equipment and installing it into a 20 year old van, but at the same time it's hard to say let's look at a new used vehicle that has 36k to 38k miles on it. If used are running price wise higher than the new ones.

The District Manager stated that was his research and that the commercial truck type was hard to find, because they are so new, maybe in the future there could be a larger inventory.

Board Member Meier asked the District Manager what was out there in the 2010 to 2012 market. The District Manager responded to Board Member Meier that they are out there

with the mileage. The District Manager said that you want to take a test drive and not purchase off the internet sight unseen, not driven or checked out.

Board Secretary Place asked the District Manager if you purchase a new vehicle what would the warranty be. The District Manager responded that the warranty on the vehicle would be 36k miles or 36 months. Board Secretary Place asked the District Manager would there be any trade in value.

The District Manager responded to Board Secretary Place that the representative took pictures and would get back with the District on a trade-in value.

The District Manager stated that with the CCTV equipment that the District has is obsolete. In the near future repair parts could not be available or very pricey.

Board Member Meier stated that if the District receives a trade in value of \$10k from the vendor then we should consider taking the offer.

Board Member Meier stated then there is a potential secondary market.

The District Manager stated that one thing that the Staff was considering was the value of the customer service when a repair or repair part was needed. So many companies are being purchased for instance RST just recently was just purchased by TORO.

Board Member Meier suggested that it could be advantageous to get the Ford representative and see what kind of pricing for a replacement vehicle was available.

The District Manager stated that if the dealer has a Ford transit van on the lot they will work with you to get it where you need to take it and work with the CCTV vendor.

Board Secretary Place asked the District Manager then the Ford Transit Van isn't too wide or long. The District Manager responded to Board Secretary Place the Staff has indicated that it looks just right not too wide or long and has more cargo space, 148" wheel base.

The District Manager showed a layout of the CCTV Equipment in the cargo space of the van.

Board Vice-Chair Whittle asked the District Manager do they want diesel running while they are around manholes. The District Manager responded to Board Vice-Chair Whittle that he wouldn't want that.

The District Manager stated that this was where the Staff was leaning and having long conversations with the Staff reminding them this was a 10 year decision. The Staff has decided a Transit Van would be the way to go and we could keep looking.

Board Secretary Place stated if the District purchases a new van with the 3 year warranty and unloads the old van then that's something to consider.

Board Member Meier stated that if you start having issues with the old van you can't unload it and then you are stuck with it. It's a 25 year old van and you are installing new equipment worth \$100k +. At the end of the day the Board has to make the decision of what will work and was best for the District.

The District Manager stated that Staff looks at all the bells and whistles and then he lets them know the pricing and then Staff indicates they don't need all the bells and whistles.

Board Member Meier stated that was the kind of thing that we appreciate that the District Manager does for the Board steering the Staff in the right direction.

The District Manager stated that he was obtaining pricing on an extended cable and also the regular cable. Very rare does a camera get down a 1000 foot of sewer line without some issues.

Board Member Kengla stated he would contact the District Manager with the vendor for the Ford Transit Van to obtain information and pricing.

The District Manager stated that the compromise would be what they want, what works and the pricing.

There was no action this item was only for discussion.

Discussion, consideration and possible action regarding bid proposals for the District's Annual Audit.

The Finance Manager explained that the District uses the services of the Certified Public Accounting firm of Fester/Chapman, for the past six years, since 2012. Previous to Fester/Chapman the Accounting Firm of Hinton/Burdock were the auditors until the District went out to bid due to their annual fees increasing from \$10k to \$16k. The State Auditor General does not dictate the auditing format it was up to each government entity. Fester/Chapman has currently held their fees from \$10k to \$12k. The Finance Manager indicated the last time the District went out to bid the bid proposals were sent to six Certified Public Accounting Firms in Arizona that provide Governmental Auditing services.

The Finance Manager continued to explain that the Auditor's check his numbers and it was nice to have Auditor's familiar with the District's Books and Staff. The Auditors do question why line items indicate a change of an increase or decrease from the previous years. The Auditors will physically check the documents for the backup of the numbers. A new Auditing firm will ask more questions, because they are not familiar with the District or the Staff.

The Finance Manager stated that Staff was open to go out to bid for the District's Auditing Services.

Board Member Meier asked the Finance Manager what would be the downside if the District could possibly save monies by going out to bid. The Finance Manager responded to Board Member Meier that there wasn't a local auditor they would come from the metropolitan area. That was where the Auditors travel from now.

Board Member Kengla stated that since they have audited the District for six years it doesn't hurt to go out shopping and receive some bids.

Board Member Meier stated that would show the public that we are on the right track and doing our fiduciary responsibility.

Board Secretary Place asked the Finance Manager if he could make the bid proposals specifications stringent enough. The Finance Manager responded to Board Secretary Place that what he would do would reference the District's Financial Statements on the website and have them viewed by the companies looking at submitting a bid. This is what they have to do per the State Attorneys General Office, this was required. They spot check controls in place, they pick an area and look at the physical documents and the assets inventory that the District claims on the books. Each year they look at different areas and calculate to make sure that the District's programs are calculating accurately.

Board Secretary Place asked the Finance Manager then you are okay with the specifications. The Finance Manager responded to Board Secretary Place that he was comfortable with that.

The Board by consensus directed the Finance Manager to obtain bid proposals for the District's Annual Audit.

Discussion, consideration and possible action regarding District Budget Planning for Fiscal Year End 2019/2020.

The Finance Manager did a power point presentation on the trends of the District Expenses and Revenues. The sewer user fees were staying steady with limited increase, expenses decreased from \$2.3m to \$2.0m this was because of the decreases in the liability insurance, the old blowers were retired and the electrical. This was the full first year of the Plants replacement equipment, which should stabilize; there should not be any radical changes from 2018/2019. Workman's Compensation premiums should not increase, because of zero claims from the District, wages were decreased because of some positions were not replaced or replaced with a lower wage rate; this offsets any COLA increases over the next five years.

The Finance Manager stated he did not see a need to increase the sewer user fee rates.

The Finance Manager stated that he would have a recap of the budget out to the Board over the next couple of weeks and asked if the Board would like an email copy or hard copy.

Board Chair Butler, Board Secretary Place and Board Member Kengla requested hard copies.

The Finance Manager stated that for the April 10, 2019, Board Meeting he could have the Resolutions finalized for approval for publishing of the public notice. That the final approval for Publication would have to be no later than the May 8, 2019, Board Meeting. The criteria for publishing were not more than 30 days and no less than 20 days.

Board Chair Butler directed Staff to plan to have the Resolutions ready at the April 10, 2019; Board Meeting.

8. FUTURE AGENDA ITEMS

Board Chair Butler reminded the Board of the Joint Meeting on Tuesday, March 19, 2019, at 6:30 PM, with the Town of Pinetop Lakeside at their Town Hall.

Board Chair Butler requested that the following Agenda items were scheduled for the Board Meeting of April 10, 2019:

- (1) District's Budget FYE 2019/2020.
- (2) CCTV Replacement Equipment and vehicle.
- (3) Possible Audit bid proposals for the District's Annual Audit.
- (4) Possible Annexation request located in the Wagon Wheel area of Lakeside.

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

9. ADJOURNMENT

Board Chair Butler adjourned the meeting at approximately 7:20 PM.

Adopted and approved this 10th, Day of April, 2019.

/s/ Neal Whittle

Neal Whittle, Board Chairman