



BUCKSKIN SANITARY DISTRICT

P O Box 5398
Parker, AZ 85344

Board of Directors:

Shelly Rohde Gary Hansen Gary Svider William Risen Robert Troxler

MINUTES

OF THE BUCKSKIN SANITARY DISTRICT BOARD OF DIRECTORS

Worksession

Friday, March 12, 2010 – 5:30 p.m.

Boat Safety Building, 8484 Riverside Dr. Parker, AZ 85344

Elected Board Members and District personnel present: Chairperson Gary Svider, Vice-Chairman Gary Hansen, Secretary/Clerk Rob Troxler, Treasurer Bill Risen, Director Rohde. Other attendees: Administrative Assistant Pam Stark, Pat Jones, Dennise Jones, Terry Jones, Lin Bachtel, James Gorman, Sam Siar, Gene Ohlendorf, Sharon Siar, Jeff Daniel, Dan Miller and Legal Counsel Paul Harter

Call to Order

Chairman Svider called the Budget Worksession to order at 5:35 p.m.

Report from Mr. Pooler on a number of items.

Mr. Pooler talked about the Holiday Harbor Project with ADOT and an agreement is pending with ADOT and there is an Inter Governmental Agreement between ADOT and Buckskin Sanitary District which includes a line to be built as part of the ADOT project and this would reduce future costs for the Phases in that area. The line that is proposed is necessary to service Phase 4 & 5. It includes 3 segments, short segment of pressure line, a long segment of gravity line and a long segment of pressure line. The important part is the gravity line because it is very deep. The agreement calls for Buckskin Sanitary to deposit with ADOT \$1.3M with the source of funds coming from an EPA grant of \$485,000 and matching funds from the District of \$396,000 + and then the District pays the difference between that amount and the \$1.3M. There is an investigation to look for other sources of funding as well. We had a conference call on your behalf with Frank Patane who is out of the office in Yuma that included Chairman Svider, Director Troxler, John Bishop and myself from Pooled Resources and David Fabiano from Stanley Consultants. The discussion was to get a feeling of what ADOT would do to help us and to see if there was any flexibility with ADOT to front that money with a repayment plan. ADOT was very congenial and were receptive to work with you and are committed to going forward with their plans and we have time to make some determination if we need to modify the IGA. We asked that they take the EPA grant and matching funds totaling \$881,818, using that to initiate the project and go ahead and bid it. There is some thought that the bid could come in lower than the original bid in this environment. They aren't quite willing to do it quite that way. They asked if the Board would consider limiting the scope of the work, for instance eliminating the pressure line. We have looked at that. If we do that, which is a shallow line, go ahead and put the gravity line in and it would reduce the cost to \$950,000 which is closer to what we have. ADOT is willing to carry your request forward to the State Engineer, but they want us to consider the limitation of the work, and if they end up fronting the difference of the money you need and the money you have, they want a modification of the IGA that includes a payback plan. We didn't talk about the number of years, but they want a definitive payback plan thinking it would come from future revenues. We have it on the Agenda for a couple of Agenda Items later on.

Director Rohde wanted to know why it was originally a pressure line and it's no big deal to make it a gravity line now. Mr. Pooler answered, No we would only build a gravity line now and build the pressure line later. We still need the pressure line. He explained the differences between the two lines and their construction limitations. Director Hansen asked what the timeframe for starting construction and Mr. Pooler said he didn't pursue that, but knowing there process, if they bid it in June they would probably start in August and I don't know the term of the construction. It's pretty quick and they needed an answer for the funding by April 30, 2010 and actually wanted to move that forward to March 30, 2010 because if we choose to remove the District from the project then they need to go back and redo their bid package and change their plans. I think the fact that they heard us and agreed to carry it forward warrants some consideration.

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Director Hansen asked where would the match come out of. Mr. Pooler said that you only have 2 sources of funds that have any funds in them, one is your General Fund that comes from your ad valorem tax and the other is your plant fund that comes from your operational revenues. Suggestion is that it would come from the ad valorem tax. Director Hansen said that fund has \$811,000 in it. Mr. Pooler said you need to keep in mind that you have \$200,000 - \$300,000 in commitments to come out of it and Director Hansen said that makes it about \$511,000. Mr. Pooler said that is correct. We have been able to go back and update what your audit report says. You are virtually neutral, so we have not depleted your funds from when the audit was presented to you. Director Hansen said we have potentially \$450,000 and the match is \$400,000 and that leaves us about \$50,000. Mr. Pooler said that if we don't make the commitment to the project, you have to go back and start over with the EPA grant. When the EPA grant was given you are required to file an environmental impact statement and because we rode the coat tails of ADOT we got the benefit of their environmental impact statement. Now if you go back you still need to have the matching funds and you would have to do a new environmental impact statement. Chairman Svider said plus all the engineering costs that we have spent. We looked at your current financial condition with Mike Cafiso, Dan Jackson, Mark Reader and myself and looked for a way to borrow some money. You don't have any assets to pledge and you only have the plant and you don't own it outright. Your source of revenues in the future will be to sell bonds, and from those bonds deal with project needs, whether it be this, or do a new master plan or build a new sewer treatment plant which you will have to do to continue to expand service. Director Hansen said we have the ad valorem tax. Or it could be used to payback the difference on the Holiday Harbor Project. The EPA won't pay that money up front, and ADOT is willing to work with that. We are in the process of preparing a letter of request. Director Hansen asked when the next infusion of ad valorem tax is received. Mr. Harter stated that it would be May and then again in the fall. Director Rohde stated that we get the money in this area as it comes in. Chairman Svider stated that the county was late in getting the bills out so it was late in October. Mr. Pooler asked for any other questions.

2. This is a discussion regarding a WIFA grant and permissive use of the funds. We have an application to apply for a \$35,000 grant and they are due very quickly and are due by April 15, 2010. The project that makes the most sense is the master plan update. They give you a \$35,000 grant and you have to match it with \$58,000. The concept is the master plan for a sanitary district is a very good project and shows plans for servicing the entire area. They did say we need to include in the application that it would facilitate possible removal of all the septic tanks in the district. There are very limited funds and a competitive process and there is another wave in September 2010. Director Hansen stated that Stanley has done a master plan. Mr. Pooler said that it was in 2006 and it needs to be updated and it is not current enough to go for more funding because there may be new technology and so forth. There have been a lot more sites investigated since that master plan was done. In the technology of today we want to build expandable facilities. Mr. Pooler gave an example of an over built plant in Camp Verde. Director Hansen asked the definition of current. Mr. Pooler said it would be in the year that you are applying for the funds. I haven't priced out the cost of doing a master plan. Director Hansen stated that the match is what we have left after the EPA Grant match. Mr. Pooler stated that you don't have to produce the money up front so you have time if you are awarded. Chairman Svider asked the public if they had any questions. Terry Jones asked about the cost for the lines in Holiday Harbor. He believed that Phase II & III paid for a portion of Phase I that ran down Riverside Dr. Mr. Pooler stated that the assessment in your Phase did not include any costs of Phase I although you are using them Terry asked what the \$106.00 that he was paying was for then. There is an assessment that is levied for the sewer treatment plant. Terry said that the line upriver, who is financially responsible for that line. Mr. Pooler explained that the costs would be to the property owners in that Phase. If we do it now, the grant would buy down what there assessment would be. Director Hansen asked if we get paid back for the match. Terry Jones wants to know if that money gets paid back from the people that are going to use it. Mr. Pooler said that is up to the Board to decide that. It is do-able. Terry Jones said he didn't see where we have enough money unless we get a kick in from other sources and 2+2 doesn't equal 4. Mr. Pooler agrees.

3. This item deals with the treatment plant site acquisition, replacement, etc. You have a plant that has a fixed capacity. That plant does not have the capacity to serve the customers beyond Phases I, II & III. You will actually be over the capacity at peak hours but are within the guidelines. This plant is a small site and in a neighborhood and no capability to expand. This is why we need the master plan so we know how to fund this. Everyone that pays for the plant now and in the future will pay for the new plant. Director Risen asked so the money that the people have paid for this plant that they will never use will pay for a new one that they may never use. Mr. Pooler said yes. Director Rohde said she believed that only the people in Phase I, II & III were the only ones paying for the plant. Mr. Pooler believed that everyone in the District pays for the plant. Director Rohde said you are saying everyone that is hooked up to the plant is paying two payments. The sewer plant is an assessment.

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All the people in Phase II & III have been paying for the plant and are now just getting ready to use it. Director Rohde said so you are telling me that everyone is being billed monthly two payments. There was clarification between the Board and the public as to what the assessments, ad valorem tax and monthly fees were and who is paying what. There was considerable confusion as to what fees are what. Chairman Svider asked Mr. Harter for some input in this discussion. He explained how the Budget is done and then sent to the County and they set a tax rate that goes to everyone in the District. The second explanation was the money collected for the plant and it comes from the group of people in Phase I, II & III to pay for the plant which is borrowed money. In addition there are collector lines that are paid for by the people in their Area. That money is also borrowed money and they have an option to pay in full or finance. The District bills for that and pays the debt. The final bill is the monthly usage bill to pay for the collecting of waste. Those are the obligations. Whether it is a small district or large district that is just the way it works. Dennise Jones asked that the ad valorem tax is going to operating the district and the assessment is going to pay for purchasing the plant, not the operation. So what you are saying that it takes over \$1M for day to day operation of this District who employ 4 people. Mr. Pooler said that there is a Budget and will be presented at a public hearing and shows each area of the operations of the District. The Budget has to be adopted so that the ad valorem tax rate can be determined to operate the District. Jeff Daniel said the biggest concern is that we are spending all that money and we are broke. Where is all that money going? Director Rohde said the Budget is online at the website. Mr. Pooler said that we have done a financial report through June 30, 2009 and showed all the expenses and balances in the accounts. It is difficult to compare to the Budget but we haven't dipped into any reserve accounts that is available for other issues. The Budget determines the tax rate and can go up or down based on revenues used. Terry Jones asked if there is a guideline that mandates the proper amount of reserve that you have. Mr. Pooler said typically you want to maintain some amount, but I don't know what that amount is. Mr. Harter said it really is a policy matter. There is a constitutional prohibition in AZ that public bodies cannot spend more than it takes in. There are exceptions as to Capital Equipment which can be bonded. Mr. Pooler said he will get a better handle on these assessments and show who pays what. A question is asked about what the amount is going to be when we are going to be hooked up. Mr. Pooler said there will be increased costs to build a plant due to technologies and I can't tell you what the amount is.

Chairman Svider adjourned the Worksession at 6:35 p.m.

Minutes approved _____ Date _____
Chairman Gary Svider