MINUTES OF MEETING
BOARD OF DIRECTORS
FOUNTAIN HILLS SANITARY DISTRICT

The Board of Directors of the Fountain Hills Sanitary District met in a **Regular Meeting** on **Tuesday, November 18, 2008** at **5:45** p.m. in the District's Board Room located at 16941 E. Pepperwood Circle, Fountain Hills, Arizona.

Agenda Item No. 2
Tour FEB/Interim Digester Mods project construction at the WWTP.

The meeting was originally scheduled for 5:15 p.m. beginning with a tour of the project construction at the WWTP. Due to the absence of a quorum at that time, the tour was conducted without calling the meeting to order. Chairman Thomson and Vice Chairman Reski were joined on the tour by Director Panaro, completed the tour and elected to call the meeting to order when they returned to the Board room.

Agenda Item No. 1
Call to order and roll call – 5:45 p.m.

Upon roll call, the following Directors were present:

Chairman Bob Thomson, Vice Chairman Tom Reski, Director Glenn Panaro, and Director Bruce Hansen. Director Michael Howard arrived late.

The following Executive Staff members were present:

Ron Huber, District Manager, Bill Sullivan, Legal Counsel, Tori Sawyer, Controller, and Penny Cook, Assistant Secretary.

Agenda Item No. 3
Approval of Minutes: Regular Meeting: 11/18/08

A motion was made by Director Hansen to approve the minutes of the Regular Meeting of October 21, 2008 as presented. Vice Chairman Reski seconded the motion which passed unanimously.

Agenda Item No. 4
Call to public.

There was no public comment.

Agenda Item No. 5
District Manager's report; items to be discussed include plant and recharge statistics for October, permit compliance, progress on ASR Well No. 5, status of former State Trust Land, Pump Station No. 4 Modifications, Force Main Replacement, Flow Equalization Basin Expansion/Interim Digester Mods project and addition of fifth microfiltration rack, Saguaro Woods Property, Town Square Project, Maintaining the concrete "Collar" surrounding manholes in public roads, WWTP Air Quality Permit Mods, and general direction from Board.

- District Manager reported the District's total recharge credit available as of October 31, 2008 was 279,850,979 gallons.

Director Hansen requested that Desert Vista Park and Golden Eagle Park be separated on the report graphs.

- All facilities were in compliance with permit requirements for the month of October.

- CDM is still working on plans and specifications for the ASR Well No. 5 project.

- There has been no further contact with the Ellman Companies on the former state trust land.

Director Hansen requested the letter to the Ellman Companies be finalized and sent. Legal counsel advised the letter will be mailed the week of November 24, 2008.

- The influent piping into the new wet well at Pump Station No. 4 is under construction. The crane system for lifting the pumps in and out of the wet well is in place. The electrical underground and wall conduit are being placed for the pump station and there should be a pour for the floor of the pump station building on November 19, 2008.

- All remaining issues regarding the Force Main Replacement project have been resolved. The final pay application was submitted and paid to T & T Construction. Trees were planted in the wash on Friday November 14, 2008.

- Portions of the wall for the clarifier have been poured for the FEB Expansion/Interim Digester Mods and Addition of Fifth Microfiltration Rack project. The sub-roofing has been placed on both the storage building and blower building electrical room addition. Protective coating has been applied on the inside of the concrete walls of the equalization basin.

- The preliminary title report was received for the Saguaro Woods property. Legal Counsel is reviewing and should be complete by the end of the week. District Manager is checking on an easement issue with SRP.

- A preliminary plat on the Town Square project was submitted. The submittal was returned to the Town with comments. A second submittal was received and it addressed comments from the Town but did not address the District's comments.

- The District Manager had previously discussed a situation when a street maintenance project is done by the Town and requires a manhole to be raised, it would be the Town's responsibility to raise the manhole to grade to provide a smooth road surface.

A recent incident brought up a question of which authority is responsible for the "everyday" maintenance of the concrete "collar" surrounding a sewer manhole in a roadway. After discussions between the District and Town staff (Public Works, Streets, and Engineering), there was a consensus that unless there was a structural defect in the manhole, the maintenance should be performed by the Street Dept.

Chairman Thomson requested the District Manager send the Town a letter confirming the conversations.

- The district is being required by Maricopa County to amend its WWTP air quality permit to include the replacement of Plant Generator No. 1 (PG1) even though the unit is being replaced with one that emits fewer pollutants and uses less fuel.

Agenda Item No. 6
Controller's report; items to be discussed include status of income and expenditures, billing, report on collection efforts to date, and general direction from Board.

The Controller reported the Fund Income Statement for October was slightly unfavorable to budget.

The number of new Sewer Service Agreements is below budget.

Billing is on track.

Chairman Thomson informed the Controller that it was not necessary to include the Consolidated Balance Sheet in the monthly report.

Agenda Item No. 7
Discussion concerning draft financial statements and preliminary audit report and findings for the fiscal year ended June 30, 2008 and consideration to approve additions to the District's Financial Accounting Policy as presented.

The Controller went over the statements that were added to the 2007/2008 rep letter that is to be sent to the Auditor.

Angela Bertram, District Auditor, informed the Board that the letter is a management letter and it is not necessary for a board member to sign. Chairman Thomson suggested that the District Manager and Controller sign the letter.

Chairman Thomson requested that a meeting be set up with himself, District Manager, and Controller to review and answer questions regarding the audit.

Tori Sawyer, Controller, pointed out minor changes to the Draft Financial Statement.

District Auditor explained a couple of issues that had come up during the audit and that the District's Financial Accounting policy has been modified to reflect these issues.

Tori Sawyer, Controller, explained the changes to the District's Financial Accounting & Capital Assets Policy and is asking the Board for approval of this policy.

Director Hansen made a motion to approve the additions to the District's Accounting & Capital Assets Policy with changes. Vice Chairman Reski seconded the motion which passed unanimously.

Agenda Item No. 8
Public hearing concerning changes to the District's 2008/09 Fee Schedule.

Chairman Thomson opened the public hearing for the FY 2008/2009 fee schedule. There was no public comment.

Chairman Thomson closed the public hearing.

Agenda Item No. 9
Discussion and consideration to approve changes to the District's 2008/09 Fee Schedule.

After a discussion, Vice Chairman Reski made a motion to approve the District's 2008/09 Fee Schedule with changes. Director Hansen seconded the motion which passed unanimously.

Agenda Item No. 10
Discussion and consideration to approve Change Order No. 1 to FEB Expansion/Interim Digester Mods Project in the amount of $138,076.00.

District Manager explained that there were some conflicts from the original design with some electrical duct banks. The electrical subcontractor has proposed a way for the replacement of electrical switchboard #1 in a different location. This change will enable the District to run its standby generators for less time, basically a change from 25 days to 5 to 10 days. The cost of the fuel would be reduced and the total District savings would be between $3,706 and $50,967. Even though this represents an increase to the contractor, the net result would be a savings to the District.

District Manager requested authorization to execute Change Order No. 1 to the FEB Expansion/Interim Digester Mods project in the amount of $138,076.00.

After a discussion, Vice Chairman Reski made a motion to authorize District Manager to execute Change Order No. 1 to the FEB Expansion/Interim Digester Mods project in the amount of $138,076.00. Director Hansen seconded the motion which passed unanimously.

Agenda Item No. 11
Discussion and consideration to approve engineering proposal with Valentine Environmental Engineers in an amount not to exceed $38,842.00 for a study of the District's reclaimed water distribution system.

District Manager explained that it would be beneficial to have a study performed to determine the capabilities of the District's reclaimed water distribution system.

District Manager requested authorization to enter into an agreement with Valentine Environmental Engineers in an amount not to exceed $38,842.00 to do a study which would look at the capabilities of the existing system and come up with some recommendations. A model would be done of the system.

After a discussion, Vice Chairman Reski made a motion to approve the engineering proposal with Valentine Environmental Engineers in an amount not to exceed $38,842.00 for a study of the District's reclaimed water distribution system. Director Panaro seconded the motion which passed unanimously.

Agenda Item No. 12
Discussion and possible direction to staff re: Saguaro Woods property appraisal.

There was no discussion.

Agenda Item No. 13
Discussion and possible direction to staff regarding annexation of former state trust land.

There was no discussion.

Agenda Item No. 14
Consideration to authorize the District Manager to purchase gift cards for employee Christmas gifts.

Director Hansen made a motion to authorize District Manager to purchase gift cards for employee Christmas gifts. Vice Chairman Reski seconded the motion which passed unanimously.

Agenda Item No. 14
The chairman, the individual members of the board and the district manager will each be permitted to provide a brief summary of current events. The Board will not propose, discuss, deliberate or take legal action at the meeting on any matter addressed in the summaries, unless the specific item is otherwise properly noticed.

District Manager explained that a call was received by the fire department which stated that smoke was coming from a manhole cover on Jacklin Drive. Field Services staff discovered that when doing line cleaning resulting from an odor complaint, one of the staff had put granular chlorine in the bottom of a manhole thinking there was adequate flow. It was later determined that the chlorine was put into the manhole at the end of the line where there were no connections. Air currents forced the chlorine powder out of the pick hole in the manhole cover. This appeared as smoke. Field staff, with the help of the fire department, then flushed the dry chlorine downstream.

Agenda Item No. 13
Adjournment.

Director Hansen made a motion to adjourn the meeting at 7:18 p.m. Vice Chairman Reski seconded the motion which passed unanimously.

Dated this 19th day of November, 2008.

Fountain Hills Sanitary District

Minutes Prepared By: Penny Cook

Penny Cook, Assistant Secretary