

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 Wednesday, May 22, 2019 at 5:30 p.m.** in the District's Board Room located at 16941 E. Pepperwood Circle, Fountain Hills, Arizona.

Agenda Item No. 1 **Call to order and roll call**

Upon roll call the following Directors were present

Chairman Gregg Dudash, Vice Chairman Jerry Butler, Director Michael Maroon, and Director Tom Reski, Director Robert Thomson arrived at 6:00 p.m.

(Note: Unanimous votes refer to all Directors present)

The following Executive Staff members were present:

Dana Trompke, District Manager, Bill Sullivan, Legal Counsel, Tori Myers, District CPA, and Penny Cook, Assistant Secretary.

Mr. Robert Shelstrom, resident, requested to speak to Agenda Item No. 2 and 3.

Agenda Item No. 2 **Public hearing concerning the FY 2019/2020 fee schedule.**

The public hearing concerning the FY 2019/2020 fee schedule was opened by Chairman Dudash.

Mr. Shelstrom stated, "I apologize for some of my numbers if they are not accurate as the Sanitary District is the only district in Town that doesn't post a budget on line. It's really good news, taking a look at page 9 of the draft budget that he has, it shows that we are growing our balances from about \$8 million dollars to about \$12.598 million dollars over a period of four years. How does this relate to fees; that means we're taking in a lot more money than we're spending. Now we may have some plans in the distant future, but the bottom line is it would certainly seem that we have a situation here where either a tax rate cut or a fees cut would be in order because nobody has those kind of things basically increasing your reserve by 50 percent could be considered by some to be gauging the taxpayers unless you can show an immediate or near future need for it. So, I would recommend that perhaps not for this year, but in ongoing years since we show the same balance next year in this, to be considering how much reducing fees to keep a reasonable margin of cash. Yet not the over-gauging and over-taxing to build unnecessary amounts of cash balance."

Chairman Dudash stated that, on the fee schedule, there is no increase in monthly user fees proposed, there is no increase in the tax rate proposed, there is no increase in the capacity fees proposed, and, in the interest of the fee schedule, no increase is being proposed.

There were no further comments.

Chairman Dudash closed the public hearing.

Agenda Item No. 3

Public hearing concerning the FY 2019/2020 budget.

The public hearing concerning the FY 2019/2020 budget was opened by Chairman Dudash.

Mr. Shelstrom stated: "My concern, after studying over the budget that I received the paperwork some months ago, once again I hope it's still accurate, I can't care about it because it isn't on line. I was taking a look at the ASR project budget this year, you're showing \$2,100,000. It appears to be for that project because it's the only thing on the titles on page 26 that appeared to apply. Now, just approved construction contract for \$2,444,000 for Hunter alone, and money was apparently shifted over to Wilson Engineering in the amount of \$266,000 because they cut \$300,000 from the budget for management administration and the Wilson contract was also for engineering administration during construction. Now that comes to about \$2.7 to \$2.8 million. In reviewing the latest budget for \$2,444,000, I assume, that I was given a lot of things were taken off budget and put on to the responsibility of the Board and so it's not included in that \$2,444,000. So, my concern is this, it looks like we're about \$600,000 on budget listed differently than what we know to be the actual costs from the proposals. If this is underestimating by \$600,000 or so, what other issues do we have here that they have also been so underestimated. Now if you have increased this number to \$2.7 or \$2.8 million on the current budget, that's fine, but otherwise there's a serious concern about the accuracy of the budget. Without an accurate budget, what good is this budget? There's also a question where you're going to take \$600,000 from. It doesn't appear to be already allocated to this project. That's all my comments, thank you."

There were no further comments.

Chairman Dudash closed the public hearing

Agenda Item No. 4

Approval of Minutes: Regular Meeting: April 17, 2019

A motion was made by Director Reski to approve the minutes of the Regular Meeting of April 17, 2019 with discussed changes. Director Maroon seconded the motion which passed with Chairman Dudash, Director Maroon, Director Thomson, and Director Reski voting aye. Vice Chairman Butler abstained since he was not present at the April 17, 2019 meeting.

Mr. Shelstrom requested to speak to Agenda Item No. 4 but was declined since it was being requested during the Board discussion of the item and not submitted before the start of the meeting.

Agenda Item No. 5

Call to public.

Mr. Shelstrom requested to speak to Agenda Item No. 6 pertaining to off-budget costs. Since Agenda Item No. 6 did not pertain to off-budget costs, Chairman Dudash determined it to be more appropriate to let him address this issue in the call to public.

Mr. Shelstrom stated: "One of the questions that I started up with and why I wanted to give on item 6 and how it does apply is that it applies to project updates and off-budget costs associated with those but this way you don't have to answer questions, so I can understand why you don't want to do it. The issue was as I have gone through the estimates and did the comparisons based on what you mentioned in the item, this was a \$2.1 million dollar project, you could wind up spending \$2.8 million dollars on and you consider that 'freakin' great', anyway the bottom line is I see some problems, with looking into the estimates that I went through and the issue was that there are so many items that are taken off-budget it's not clear what scopes are being

transferred to Overton. A lot of costs were taken out and it might appear that we might be giving other things that are currently off-budget which forced us to expect others as well. The other problem that I have is take a look at ARS 2018, March 31, 2016, chapter 14 for sanitary districts article 1 in general, section B which says 'A contract for performance of work or for furnishing materials shall be let to the lowest responsible bidder submitting a sealed bid in response for call for bids published once each week for two consecutive week in a newspaper of general circulation in the county. The call for bid shall include the detailed plans and specifications covering the work to be done and the materials to be furnished. If materials to be purchased without the letting of a contract cost ten thousand dollars or more, they shall be purchased from the lowest responsible bidder after publication of bids.' This relates to the performance of work as well as purchasing the materials in which we are going to have to do some significant work on according to latest estimate. The question is that this seems to have, this process that you have gone through for the ASR vaults, seems to have completely bypassed the requirements of ARS 48, 14, 1B, and I just wondered, you must have discussed this and had legal counsel. How is it you are not able to do this now? Obviously you don't answer in public comment, you would have answered in 6 but bottom line here is, it seems like we went far off the usual path and what happened by just hiring Hunter rather than doing competitive bid based on the plans and specifications and it appears we're paying about \$600,000 to \$700,000 at least above what the estimated cost of this project to date, an estimate that was prepared by engineering and architectural professionals. So, it seems like this was done to the detriment had we followed these requirements, it was quite blatant, you weren't saving the District as much as half-million to \$700,000."

Agenda Item No. 6

District Manager's report; items to be discussed include plant and recharge statistics for April, permit compliance, new and existing sewer services, active project updates, recent activities, public communication efforts, Town communication and/or coordination efforts, and general direction from Board.

District Manager reported for the month of April: The average daily influent flow was 2.050 MGD, total WW treated was 61,496,000 gallons.

District facilities were in compliance with all permit requirements for the month of April.

April Reclaimed Water delivered to reusers was 61,348,900 gallons.

District Manager reported the District's total recharge credit available as of April 30, 2019 was 748,987,036 gallons.

There were no new sewer service agreements issued in April.

The contractor has delayed mobilization to the Well 2 and Well 4 sites by two weeks for the ASR Well Vault Replacement Project. They are waiting for the block to be delivered and plan on mobilizing the week of June 3rd.

There are no updates to report on the Master Plan Study.

Contractor has begun cleaning the TV inspection of the lines to be slip-lined for the Sewer Rehabilitation (slip-lining) Project FY 18-19. Actual slip-lining process is scheduled for June 18 – June 24.

A request for authorization to purchase the needed replacement air compressors is on a separate agenda item.

Directors and District Manager met with the golf course owners and managers to discuss the reclaimed water supply anticipated in the next few years. All of the meetings went very well.

The District hosted the AzWater professional association providing a tour of the WWTP and overview of the District for 27 water/wastewater professionals. District Manager received quite a few comments on how clean and well maintained the plant is. Director Reski indicated one of the attendees contacted him after the tour and indicated how he thought it was a beautiful plant and was very impressed with District Manager and her staff.

The District has purchased the necessary hardware and software to begin using a Computerized Maintenance Management System (CMMS). Staff spent a significant amount of time creating a detailed inventory of the District's equipment assets. The software is being configured and training and roll-out is anticipated over the next two months.

The well vault project engineer and District Manager met with the Town's Park Superintendent and Interim Community Services Director to discuss landscaping at the Well Control Bldgs and to expedite the building permit review process.

A total of 92.2 pounds of prescription drugs were turned in at the National Drug Take Back Day on April 27, 2019. The District is a significant promoter of the event by means of flyers, newsletter article, and newspaper ad.

Staff is working on ways to commemorate the District's 50th Anniversary, which will be July 21, 2019. The District will host an open-house event at the AWTF on Monday, July 22. In addition, there will be staff and Board celebrations on Wednesday, July 17.

Agenda Item No. 7

District CPA's report; items to be discussed include status of income and expenditures, billing, report on collection efforts to date, and general direction from Board.

District CPA reported the General Fund Income Statement for April was favorable to budget.

Agenda Item No. 8

Direction to staff regarding implementing interest charges on unpaid fees.

At the request of Director Thomson, staff has reviewed the current application of the "Interest" portion of the District's Fee Schedule. It has been determined that the District currently and in known history has only applied interest charges to accounts with unpaid availability fees.

After a discussion, direction was given to staff to charge simple interest on unpaid balances beginning July 1, 2019. Interest will not be charged for accounts less than \$30. Legal counsel will check the statute if compound interest can be charged.

Agenda Item No. 9

Discussion and consideration to revise the purchasing policy to allow for service lease agreements for copying and postage equipment.

District Manager is requesting authorization to revise the purchasing policy to allow for service lease agreements for copying and postage equipment for a period longer than one year.

After a discussion, Director Thomson made a motion to authorize District Manager to revise the purchasing policy to allow for service lease agreements for copying and postage equipment for a period longer than one year. Director Reski seconded the motion which passed unanimously.

Director Thomson requested an additional item be added to the Purchasing Authority category indicating the lease agreements would be for copying and postage equipment.

Agenda Item No. 10

Discussion and consideration to authorize District Manager to purchase replacement air compressors and accessories at AWTF for the amount of \$291,391.31.

District Manager is requesting authorization to purchase replacement air compressors and accessories at AWTF for the amount of \$291,391.31. Three quotes were received, and the selected vendor was found to be the most cost effective.

After a discussion, Director Thomson made a motion to authorize District Manager to purchase replacement air compressors and accessories at AWTF for the amount of \$291,391.31. Vice Chairman Butler seconded the motion which passed unanimously.

Agenda Item No. 11

Discussion and consideration to permit a vote of "Present" on Board Motions.

Chairman Dudash deferred this item until a later date if needed.

Agenda Item No. 12

Consideration to approve Resolution No. 277, Call for Non-Partisan Election November 5, 2019.

Director Thomson made a motion to approve Resolution No. 277, Call for Non-Partisan Election November 5, 2019. Director Reski seconded the motion which passed unanimously.

Agenda Item No. 13

Discussion and consideration to approve District CPA's contract for FY 2019/2020.

After returning from executive session, Director Maroon made a motion to approve District CPA's contract for FY 2019/2020. Director Reski seconded the motion which passed unanimously.

Agenda Item No. 14

VOTE TO GO INTO EXECUTIVE SESSION FOR THE FOLLOWING PURPOSE: Pursuant to A.R.S. Section 38-431.03(A)(1) discussion and consideration of District Manager's performance and annual salary for FY 2019/2020, and to review and revise the salary range for position, as appropriate.

Director Thomson moved to go into executive session to discuss and consider District CPA's contract for FY 2018/2019 and discussion and consideration of District Manager's performance and annual salary for FY 2019/2020, and to review and revise the salary range for position, as appropriate. Director Reski seconded the motion which passed unanimously. Regular session adjourned into executive session at 6:41 p.m.

Agenda Item No. 15

RETURN TO REGULAR SESSION

Regular session resumed at 7:14 p.m.

Agenda Item No. 16

Discussion and establishing District Manager's salary for FY 2019-2020.

Director Thomson moved to adjust the District Manager salary range from \$124,000 to \$163,000. Vice Chairman Butler seconded the motion which passed unanimously.

Director Thomson moved to increase District Manager salary by a merit increase of three percent plus two percent cost of living, included in the budget, for FY 2019-2020. Vice Chairman Butler seconded the motion which passed unanimously.

Chairman Dudash congratulated District Manager and stated that she has done a great job.

Agenda Item No. 17

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.

Chairman Dudash informed the Board that he had the pleasure of addressing the Town Council members on Tuesday at the Town Council meeting. He gave them a quick update on the progress of the restrooms. He complimented the fine job that the Mayor was doing, talked about community values, and striving to do better for the Town which is what the District is doing, and got into the issue of toxic narcissism and how that corrosive negativism needed to be defeated. He suggested to the Town Council members, that if somebody comes to you and starts insulting your integrity and your intelligence, you're allowed to speak back.

Director Thomson stated that the Board recognized that substantial improvement was made this year by the District CPA and the Board appreciates it and acknowledges it.

Agenda Item No 18

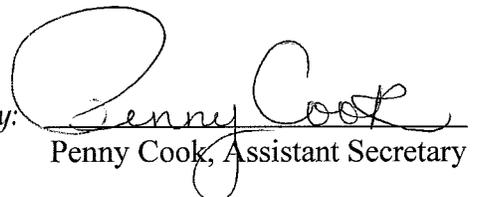
Adjournment.

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

Dated this 23rd day of May, 2019.

Fountain Hills Sanitary District

Minutes Prepared By:


Penny Cook, Assistant Secretary