

**MINUTES FOR THE
BLACK CANYON CITY WATER IMPROVEMENT DISTRICT
APRIL 19, 2007 REGULAR BOARD MEETING**

Chair Robert Marley opened the meeting at 7:35 PM welcoming the Public and noting the absence of two of the Board members. The Chair explained, for the Public's benefit, that the meeting is primarily a Board meeting with most of the discussion between Board members and Management; it would be unusual to take any input from the audience on the agenda items and an open call to the public will be at the end of the meeting.

The Chair called for the customary reflection period to be observed by the Board and Public.

Roll Call showed a quorum present with three of the five Board members present:
Bob Marley, Chair Jim Evans, Vice Chair Ron Lee, Secretary
Absent: Floyd Ballinger, Treasurer (injury) and Mary Brown, Member-at-large (family member hospitalized)

Also in attendance

Management: Randall Hrabina and Sarah Hrabina

Public: Marlene Evans and Susan Marley- Owner/Users. Also in attendance Cindy Brannan and Larry Miskol

Media: None

Agenda Item #4: Board Member Reports - None

FYI-Book - The Chair indicated the FYI-Book was available for Public inspection, noting each month the book includes items of interest. This month the FYI-Book contains the (1) Financial Report as of 3/31/07; (2) The March meeting summary; (3) Water Line Replacement Project correspondence and inspection reports; (4) Budget Committee report; (5) CCR (Consumer Confidence Report) Certification to ADEQ; and (6) copy of current Policy & Procedure Manual that will be discussed later in the meeting.

Agenda Item #5 Approval Board Minutes

Chair Marley asked if the Board members had had an opportunity to read the minutes, noting the minutes are now available on the website. The Chair indicated he had read the minutes, but J Evans indicated he had not. With the only other Board member present the Secretary the approval of the minutes were tabled until the May meeting.

Agenda Item #6 Treasurer's Report (as of 3/31/2007)

In the absence of Treasurer Floyd Ballinger, Chair Marley called upon Sarah Hrabina/Management to give the report. The beginning and ending balance for each account was provided:

Account	Beginning	Ending
General Fund	\$263,544.42	\$170,883.91
Security Deposits	\$39,710.00	\$39,710.00
Capital Reserve	\$160,293.38	\$168,957.78
Arsenic Sinking Fund	\$65,219.18	\$68,745.48
Bank of the West	\$8,481.75	\$9,690.98

It was noted the 3rd quarter transfer (for capital expenditures disbursed through the General Fund) was overlooked by the County and not included with the bank reconciliation. The Transfer was faxed to the County and should appear on the next statement.

March billing totaled \$27,569.68 with 834 active accounts. The gallonage for the month was reported at 5,043,000 as compared to 4,494,200 the previous month. The March '06 comparison was 4,703,000 gallons; and total year-to-date (9 months) was reported at 57,127,000 gallons.

The cash management reports show total receipts for the month of \$30,667.33 and total disbursements of \$114,648.64 which includes capital expenditures to DCI Contractor and meters and other project materials). The financials include audit #7801 through #7850 and QuickBooks invoices #785 to #791 with the accounts receivable balancing in both at \$23,169.37. No impact fees were collected during March and both the budget report and monthly general journal entries were included with the report for approval. The data was respectfully submitted by Sarah Hrabina/Management for approval by the Treasurer, Floyd Ballinger and for final Board approval.

Chair Marley thanked Sarah (Hrabina) for the report and J Evans moved to approve the report. R Lee seconded the motion and upon vote the Financial Report for the period ending 3/31/07 was approved without opposition.

Agenda Item #7 Operations Report (as of 4/16/07)

R Hrabina presented an overview to the Board and Public: 21 Completed Work Orders, 21 Blue Stakes marked and 22 "Pink Slips" for past due accounts were processed. Water samples, for bacteria, for the month were negative.

Well Stats – R Hrabina stated our wells are dropping with the levels reported for the past two (2) months:

Water levels:	LAST MONTH	THIS MONTH
Big John #1	22'; Draw to 26';	25'; Draw to 28'
Big John #2	22'; Draw to 44';	25'; Draw to 48'
Running time 4 ½ -6 hrs a day		Running time 4-6 hrs/day
GOA #1	21'; Draw to 24';	24'; Draw to 27'
GOA #2	23'; Draw to 40'	25'; Draw to 40'
Running time 5 ½ - 7 hrs a day		Running time 7 ½ to 12 hrs/day
Oasis #1	30'; Draw to 52'	35'; Draw to 73'
Oasis #2	27'; Draw to 44'	35'; Draw to 50'
Running time 3 ½ -4 ½ hrs a day		Running time 3-4 hrs/day

It was noted Oasis #1 is a deep well at 204-ft. R Lee inquired about the gallons per minute from the Oasis Well with R Hrabina indicating Oasis #1 produces about 300 gallons per minute.

Total gallons pumped from the period 3/14/07 thru 4/13/07 were 6,925,000 gallons.

Note on the written report, R Hrabina stated the Hill Street Project (George Fish property owner/line extension) was complete (Tony Chandler/Contractor for property owner). Water samples were just taken and the test results are expected tomorrow. The lines have been flushed and if the samples are good we'll be activating the line. These improvements were paid for by the property owner, including a new fire hydrant. The District supplied approximately 20-ft. of pipe and the last valve for a future tie-in to Vine Street, noting it was strictly for the District's advantage for future development.

Ending the report, Chair Marley asked for any questions on the Operations Report or a motion to accept with R Lee so moving. The motion to accept the Operations Report was seconded by J Evans and upon vote passed with no opposition.

Agenda Item #8 Progress Review of Line Replacement Project

Chair Marley opened the discussion noting it was his understanding the project is now complete and asked Randy (Hrabina) to report on the project. R Hrabina stated the project is complete. It was required to be completed prior to May 1st and both Management and the Yavapai County inspector signed off on the project, as complete, on Monday the 16th (April). It went extremely well; can't say enough about the contractors. We had two complaints about dust and both were addressed immediately. We also received a complaint from the owner of the apartment building. He (Mr. Robinson) sent a registered letter indicating the contractor was infringing on his property where dirt was piled. The contractor thought it was within the county right-of-way and upon notice the dirt was removed and the property restored to its original condition with crushed granite hauled in. We haven't heard any other complaints from him so we assume he is satisfied. I was very pleased with the entire project. We had no major shut downs for any length of time; it went extremely well. This was a major project with lines running every direction. R Lee stated he was impressed with the finish clean up. It was mentioned the gas company may be considering replacement of their gas lines as well which would cause a delay for the County's plan to repave; but we're done.

No Board action required; informational presentation only

Agenda Item #9 Discussion, including possible approval, of how the District will pay for the Line Replacement Project from which accounts & amount

Chair Marley opened the discussion noting a portion of the project has already been paid and called upon Sarah (Hrabina/Management) to address the financial options and asking what Management is recommending. S Hrabina stated during the budget work she reviewed the cash funds to determine the amount of cash anticipated to be on hand at the end of the fiscal year.

What I am suggesting is instead of transferring all the funds from the Capital Reserve to the General Fund for the disbursements of the capital expenditures that \$100,000 be appropriated from the General Fund cash reserves to pay towards this project. We will still have reserves in both the Capital Reserve account and the General Fund. I estimate at year end, June 30th, we will have approximately \$70,000 in the Capital Reserve and still have \$167,000 in the General Fund. The General Fund, typically, pays for the operation and maintenance and we have had more than sufficient funds in our budget the past eight years as well as in the upcoming budget. I believe we show about \$25,000 (ordinary gross profit) and it is why I am making this recommendation. J Evans inquired about the estimated cash reserves for year end with S Hrabina stating the Capital Reserve is estimated just under \$70,000, at \$68,000 and the Operating (General Fund) at \$167,000 after all expenses have been paid. J Evans inquired about the Operating funds for 2007/08 with S Hrabina stating with the projected beginning balance at \$167,000 an additional \$25,000 would be added to that as the amount of income over expenses by year end (6/30/2008). J Evans moved to approve the appropriation of \$100,000 from the General Fund for capital expenditures for the Line Replacement Project. R Lee seconded the motion and upon vote passed unanimously.

Agenda Item #10 2007-2008 Budget Committee Report

Chair Marley opened the discussion indicating the committee was well attended this year with five members of the public plus the Chair, Treasurer and Management. Floyd (Ballinger/Treasurer) was suppose to give this report, but in his absence called upon Sarah (Management) to give the report. S Hrabina stated she served on the the Budget Committee along with Chair Bob Marley and Treasurer Floyd Ballinger. This year public participation included Tony Chavez, Jack Horton, John O'Daniel and Ralph and Lavon VanDusen. The Committee met on April 3rd and again on April 9th at the Water Office with management supplying much of the financial data to review.

The Budget is divided into two parts – The Operations & Maintenance (O&M) Budget and the Capital Improvements Budget. The Committee feels the O&M Budget reflects a continuation from this fiscal year with just a slight increase in overall expenses. Income, however, is projected to be lower due in part to lower water sales and less meter and connection fees. It is projected to still have a net ordinary income of about \$27,000.00 with rates remaining at the current rates.

The Capital Improvement Budget is a little more complicated. Income for Capital Improvements comes from two sources: (1) Impact Fees and (2) monthly billing with the current residential rate at \$10.00. Like the O&M Budget, it is anticipated revenues may be down for Impact Fees due to less new connections. This number is, of course, estimated and is due in part to a slowing real estate market.

The GOOD news is the amount of funds set aside to date in the Arsenic Sinking Fund for the media replacement is currently over \$68,000.00. It is anticipated the Big John site will need the first media replacement this fall and AdEdge Technologies has estimated the cost to be just \$5,000.00 for material, labor and disposal. The GOA site may need to be replaced later, perhaps January of 2008. With the costs far less than first anticipated the Committee has reduced the amount to be set aside monthly (from \$3,350.00 a month to \$1,250.00)

Our biggest concern is the potential for additional County road projects like we are experiencing right now with the Line Replacement Project for Albins, Phyllis, David and Church Street. Jack Horton reported at the most recent Community Association meeting our Supervisor, Tom Thurman, announced the County wants to repave all the streets in BCC in the next 5-years! Floyd (Ballinger/Treasurer) contacted the road department and it appears the plan is mostly for currently non-paved roads and won't have quite the impact on the District as first thought. Never the less, the Committee feels planning needs to be implemented at this time and for the same reason as the plan for implementing the arsenic systems. By planning ahead, the overall cost will be significantly LESS then borrowing money later for more line replacement projects in the future and adding the cost of financing to the project costs.

Therefore, the Committee is submitting TWO Capital Improvement Budgets. Budget #1 is with the rates remaining at the current level and Budget #2 is with a suggested \$5.00 increase (\$5.00 per customer/per month across the board). This increase will generate approximately \$50,0000.00 in additional capital and is the budget the Committee is unanimously recommending to the Board for approval. If the Board approves this budget we would also need to set the date for a public rate hearing as well (as the public budget hearing). Chair Marley called for Board discussion with R Lee noting the decrease in the amount needed for the arsenic media replacement would increase funds for other needed capital improvements. Chair Marley added

the funds on had will also be an added windfall because it is more than what will be needed. J Evans stated that was very encouraging because in the beginning we were concerned it would go the other way and could be higher. It was noted the increase competition for the media product has kept the price down. It was also noted AdEdge (Technologies) had provided the price verbally.

Chair Marley inquired if the Board was ready to make a motion, suggesting the Committee's recommendation for the budget with the \$5.00 rate increase. J Evans inquired about the capital improvements needed for the next five years, in particular the roads the County plans to pave, with R Hrabina stating the next County project within the District will be in two years (Fiscal year 2010-2011) – Cholla and Roadrunner. Both of these are PVC pipe but will need to be replaced. The County has hit the lines several times with the grader, noting some areas are less than a foot deep. Reynolds Road is (tentatively) scheduled for the following year and that, too, will need some improvements. These projects will be considerable and there are, of course, some other projects that will also need to be considered by the Board. R Hrabina stated he could put some estimates together for the Board on these road projects so they can be added to the Proposed Capital Project 5-Year Plan. Additional discussion followed regarding a rate increase including R Lee inquiring if \$5.00 was sufficient and Chair Marley noting the Committee had felt it was the minimum needed to recoup from this year's project, but had also looked at the possibility of a \$10.00 increase. The uncertainty of the County projects, however, was the reason the Committee did not feel it would be justified at this time.

The Chair inquired if the matter could be tabled until Management could supply the additional cost estimates for the road projects next month with S Hrabina indicating the Board needed to take action. It was explained the Board would be approving the preliminary budget with the final Board approval to be after the Public Budget Hearing. In order to publicize the hearing you need the preliminary budget. R Lee motioned to approve the budget with the proposed \$5.00 rate increase as suggested by the Budget Committee with J Evans seconding the motion. Upon vote the Preliminary Budget with the \$5.00 rate increase was approved unanimously with Management instructed to advertise as required.

Agenda Item #11 Setting Date for Public Budget Hearing and Rate Hearing

Chair Marley opened the discussion noting both he and Vice Chair Jim Evans would not be available for the next regular scheduled Board meeting May 17th. Additional discussion followed regarding possibly changing the date to the 24th whereby the Vice Chair would be available. It was noted for advertising purposes a public hearing needs to be a minimum of 30 days and the June 21st meeting was suggested to hold both the Public Rate Hearing and the Public 2007-08 Budget Hearing with J Evans so moving. The motion was seconded by R Lee and upon vote passed without opposition.

Agenda Item #12 Future Capital Improvement Projects Review

Chair Marley deferred the opening discussion to Randy (Hrabina/Management) with R Hrabina stating Management provided the Board members with two projects, each with a diagram of the sites. The first one is for a 4" main line replacement on Garnet Lane at a cost estimate of \$19,000.00. It was noted the map shows the existing line and the proposed new line. The problem is the old line crosses a wash and is exposed. We have tried to re-enforce it with concrete and posts. It's difficult to get to and since re-enforcing it the line has bowed and is in danger of breaking during a heavy rain storm. We discussed this about a year ago at a cost of \$2,925.00. That was just to dig down and lower the line across the wash. My fear, however, is over time the bank will continue to erode. I took Bob (Chair Marley) for a tour to show him my concerns. If this line ever goes (breaks) behind the house, it will be extremely difficult, almost impossible, to get to because of all the "stuff" on the property. What I am proposing now is to totally re-locate the line, with the property owner's permission, and run the line down his driveway. The property owner is totally for this and he will give us whatever easements we need to do it. J Evans inquired of other customers served by this line with R Hrabina indicating the line continues, serving Garnet and Old Mud Springs Road estimating there are about 15 additional services. The cost of \$19,000.00 is probably on the high side. I'm not looking for approval tonight, just wanted to make you aware of the situation and will give you a more accurate breakdown next month. R Hrabina stated he felt this should be a high priority project for Board consideration.

The second project is more costly for a 6" PVC main line along Old Black Canyon Hwy from (near) Byler's Amish Kitchen south to K-Mine Road. The project just completed has created a problem with R Hrabina explaining we discovered one of the existing 4" steel lines does not "feed" the system as thought, but dead ends. Therefore, the only line we have coming from Big John is a 6" line reduced to a 4" line feeding this whole area. It wasn't a problem until we replaced all the 2" lines (on Phyllis, Albins, David and Church Street). Now we don't have a restriction and what is happening is Big John is not running as much. It use to be our #1 well and as the Operations Report indicated, GOA is now running almost twice as much as Big John. In fact, when we first noticed this, Big John ran only one hour in a 24-hour period. I don't look at this as an emergency, but this summer will tell with the peak demand. If we continue to see a drop in the wells, we want Big John to run more, not less. The cost may be about \$30,100.00; it's only 380-feet of pipe and five valves. The biggest thing will be crossing the parking lot of Javalina Crossing and it's all blacktop across the county easement. We may have to slurry and blacktop which adds considerably to the project cost.

Additional discussion followed recapping both the existing lines and proposed new line with R Hrabina indicating we (the District) have no map of this area and it was always thought the 4" line tied into Abbott Street, but it does not. Extending the 6" line all the way to K-Mine will eliminate any restrictions from Big John and getting the water to this area. As an interim solution the Board and Management discussed throttling down certain lines through the existing valves.

This evening these projects are just for your information and will be refined in greater detail. Vice Chair Evans indicated it would appear both projects would be needed this summer. No Board action required or taken at this time.

Agenda Item #13 Completion of Board Policies and Procedures Manual Updating

Chair Marley opened the discussion inquiring of the other Board members if they had an opportunity to review the manual. It was noted it was on the agenda in March, but tabled at that time with no action taken by the Board. Chair Marley outlined areas he felt needed updating and supplied copies of the manual with the revisions he proposed. Vice Chair Evans indicated all the items the Chair mentioned appeared reasonable and suggested, for better review, the proposed changes should be color coded with any wording eliminated in the original document shown with a strikethrough to expedite the review. J Evans also inquired of the Bookkeeping Policy & Procedures, asking if it is suppose to be a part of the manual with Chair Marley indicating he thought it was a separate document. The Chair also indicated he had asked the Treasurer to review that document for his recommendations and could be handled at a later date. S Hrabina stated originally it was done at a separate time but added to be part of the manual with J Evans suggesting combining all the revisions and update all at one time as one complete document. J Evans also suggested including a revision to the accounts receivable collections section of the policy regarding service disconnected for non-payment and the lien process in light of the situation that occurred last month to address foreclosure property. Additional discussion followed regarding the policy and procedures outlined in the ordinance. J Evans indicated four months is too late. If an account is in arrears and the property is in default, in foreclosure, the meter should be pulled. It was noted although the District would not receive written notice of a foreclosure, typically the property is posted. S Hrabina indicated according to the Ordinance the District must follow, the property owner must be notified by certified mail and the lien hearing placed on the agenda. The ordinance does not provide a provision to pull the meter because the property is in foreclosure and may need Board action to revise the ordinance to address the issue. J Evans indicated he felt the Board should consider looking into such a revision. Susan Marley from the Public was given the floor asking if a meter was removed would the new owner be responsible for the cost of a new service with J Evans indicating the new owner would be buying the property "as is" and, therefore, with no meter would have to pay for the new service. J Evans indicated he felt it did not necessarily mean a revision to the ordinance, just to the policy manual. S Hrabina suggested considering legal advice for proper wording to avoid any problems noting a public hearing for changes to the ordinance can be held at any time, as needed, and did not have to be held at the same time as the budget hearing or rate hearing in June. J Evans suggested reviewing the ordinance with the Board coming up with the wording and giving the revisions to the attorney for final review to reduce the attorney's time and fees. Additional discussion followed with the Chair indicating he would make the revisions discussed with the matter tabled for final review at the May meeting.

Agenda Item #14 Planned conversion from DOS based TAABS (water billing system) and approval for training at a cost of about \$700

Chair Marley opened the discussion noting he has the newest version of the Harris windows XP billing program up and running on one the (District) computers and is ready to transfer it over to the office computer for Sarah (Hrabina/Management). J Evans inquired if the Taabs name has been changed with Chair Marley indicating Taabs was the DOS-based program and the new program is referred to as a small business program (In-Hance) and basically does the same function. Training for the conversion can be done by going to a training seminar, having a representative come to us, both very expensive, or use on-line training at a much lower cost. I am recommending the on-line training at a cost of about \$600.00. Additional Board discussion followed regarding the DOS program becoming obsolete necessitating the need to convert. J Evans inquired of the cost of the new program with Chair Marley indicating with the on-going (annual) support there is no additional cost to upgrade to the new software. J Evans motioned to authorize the approval of the cost for the on-line training for the conversion and the motion was seconded by R Lee. Upon vote the motion passed without opposition. Chair Marley noted the time line for the conversion should be some time in July or August.

Agenda Item #15 Approval of small hardware expenditure to upgrade the District computers from 256 MB to 512 MB of RAM memory and able purchase for continuous DSL at a cost of less than \$60.00

Chair Marley opened the discussion indicating for this new program it is recommended the computers have 512 MB memory and currently only have 256. The Chair indicated he is recommending the upgrade with Vice Chair Evans indicating he did not think it was necessary to ask for Board approval for minor expenditures such as this. S Hrabina indicated she felt the reason Bob (Chair Marley) included the item on the agenda was for Board awareness of the upgrades and noted the budget certainly does have funds available for such an expenditure. J Evans indicated he felt no Board action was necessary and it was just for informational purposes. Chair Marley stated he felt it is probably somewhat unusual for a Board member to be making an expenditure and felt a little uncomfortable without Board approval. J Evans indicated he had made minor purchases at the local hardware store in the past and it was also noted R Lee purchased tapes for recording the minutes in the past and was reimbursed. It was deemed no Board action was required.

Agenda Item #16 Call to the Public

Chair Marley welcomed Larry Miskol to address the Board, noting the Board would, however, be unable to take any action during Public Call. Mr. Miskol stated he owns property at the end of Lisa Drive. He split the 8-acres into two parcels, noting there is a well and listed the property offering a shared well for both parcels A and B. Through his Realtor he was informed the District does not permit shared wells. Mr. Miskol provided a written summary of his situation asking the Board to review and placement on the agenda in May.

With no other business to come before the Board, Chair Marley thanked those in attendance for coming out and the meeting adjourned at 8:52 PM.

CERTIFICATION:

I, Sarah J. Hrabina, certify that the Agenda for the April 19, 2007 Regular Board Meeting was publicly posted at the Black Canyon City Post Office Bulletin Board, on Friday, April 13, 2007 at 11:30 AM.

Sarah J. Hrabina
Sarah J. Hrabina

ATTESTED:

I, Ronald E. Lee, Sr. for the Black Canyon City Water Improvement District certify that the minutes, as transcribed, are true and correct to the best of my knowledge and belief. Respectfully submitted,

Ronald E. Lee, Sr.

Transcription of minutes completed by Sarah J. Hrabina on 5/5/2007

Amended: YES NO

Minutes of the Regular April 19, 2007 Board Meeting approved as herein transcribed by Board action on: _____