

# BOARD MEETING MINUTES, PINEWOOD SANITARY DISTRICT

March 9, 2023

## **A. Administration: (Board members only)**

1. Open 2pm
2. Pledge of allegiance
3. Roll Call

Present: Bill Spain, Len Friedlund, Gail Van Deurzen, Tom Eade, Bob Timberman, Dick Drinen, Kass Kral

## **4. Administrative information**

All Board members signed the Workman's Comp claim denial.

## **5. Approval of the Board Minutes for February 9, 2023**

Motion: Bob Timberman

Second: Gail VanDeurzen

Ayes: Len Friedlund, Dick Drinen, Tom Eade, Kass Kral

Nayes: none

## **6. Correspondence**

Lee Krosnicki has been in back and forth contact with Michael Janes with Ardurra and Mindi Cross from ADEQ, nothing specific was stated on the communication.

## **7. Expenses Review. Review of Quick Book accounts and Balance Sheet.**

Hand outs for the Board from Bill Spain included a Balance Sheet, Feb 2023 P&L, and the expense review dated 3/7/23.

Empire Southwest/Generators, Executech, Brown and Brown, Winzer, Magnum Wall and Stoops, were the higher expenses. Capital Pump was discussed because the cost was over \$7,000 just to rent. P&L statement showed a \$12,500 credit refund. This was for the sale of a used vehicle/Bobcat.

Balance Sheet shows our operating costs, O&M account, WIFA, and various other lines.

Bill Spain explained that we have been robbing Peter to pay Paul in the past due to mis categorizing of various expenses. Bill Spain has been working with Lisa Frazier to make sure expenses are now in the correct categories. They have it pretty much cleaned up, but Bill Spain recommended that by July 1<sup>st</sup>, we incorporate a new QuickBooks budget and accounting template set up thru Coconino County Treasurers Dept. We will use the new 5-year budget for this set up.

Bill Spain went thru the 5-year proposed budget with the Board. Bill Spain brought up the budget that was passed in December, and how off the numbers were. Number of properties were off for starters, and many of the calculations were off, forecasted numbers were off.

Bill brought up the fact that we are under consent orders from ADEQ, they gave us 2 ½ years and the orders are up in May and we have not completed those orders. WIFA is concerned that we are not following the consent orders. Bill Spain explained that it is imperative that our field staff work on addressing the consent orders as the highest priority. We must vote today to address these issues and it will be a lengthy meeting.

Bill shared his findings from research about the increases and late fees of various utility companies that are similar to PSD. The increase has been about 15-20% across the board. He is requesting an 8.5% increase in our billing of residential on the East and West. Bill also shared that Anthony with WIFA let us know that we will not qualify for a new WIFA loan until we have paid off our existing loan of 1.9 million.

Bill shared that he broke down revenue by commercial and by residential. He said that we may not even be able to start billing the West side RV Park this spring due to the hook ups not being ready.

Bill suggested an increase in billing for the Pinewood Country Club and other commercial entities to go into effect on July 1, 2023.

Bill spoke about several areas and vendors that we will be changing to save money. He is working with Lisa.

Attorney and Engineering fees will be going up due to the amount of work that needs to be done. The numbers that WIFA gave to us do not match the numbers from our auditor's report. The auditor is only reporting principal and is not factoring in debt service charges/interest. Each year this is in excess of \$50,000.

Bill Spain explained that if we can collect all the money that is owed to us from the West side, we would be very close to paying off WIFA loan #4.

#### **8. Operations Report: Plant – Lee Krosnicki / Collections – Mike Pepe**

Bill Spain pointed out that we violated the ADEQ regulations 2 days in the month of February, and 3 days in the month of January due to heavy water flows into the system from rain and snowmelt.

Bill Spain moved the discussion to the consent order of the televising, we are only averaging 2 miles a month on our televising in the last 6 months. Lee Krosnicki shared that we lost 30,000 ft of televising in the Van. Per Bill Spain we need to average at least 5 miles a month in televising. We need to double the amount of people that are working on this to get these results. We need this done in 2-3 years vs 5 years. Lee Krosnicki discussed adding more shifts.

#### **9. Review of proposed five-year operating budget. Discussion and possible vote on replacement of 2023 Budget passed in December 2022. Schedule April discussion and vote to pass five-year plan. Discussion of cost savings measures to be taken to address budget deficiency.**

Per Bill Spain, discussion was covered under item 7. Bill shared that he did research on various rural Sanitary Districts and shared some of the different processes that are used, how their websites work vs ours and late fees that the other entities charge, a couple of them use RFPs for proposals.

#### **10. Discussion and possible action regarding reapportionment of Pinewood Country Club monthly charges effective 7/1/2023.**

Tabled until next meeting.

#### **11. Discussion and possible action regarding reapportionment of Motel in the Pines monthly charges effective 7/1/2023.**

Tabled until next meeting.

#### **B. Unfinished Business:**

#### **12. Discussion and possible action regarding meeting with Woodson Engineering.**

Dick Drinen shared that he asked Michael Janes with Woodson about the assistance program that Biden has, Michael let him know that because we are a private district, we will never get the assistance.

Bill Spain asked him how he will bill us, Michael Jane said time and materials and not to exceed a certain dollar amount. Michael has ideas on how to work with the Feds on our open, leaking lines. Michael said that we should be dealing with our known problems right now. Michael and Bill agreed that there needs to be a change in the way that our crews are working. Bill wants daily direction from Lee to his staff. He wants to see Lee at the plant in the mornings, maybe Monday, Wednesday, Friday have stand up meetings in the morning for direction. This is not currently happening and this can get the crew focused and moving forward in a quick way. Bill shared that he found out from Dave Richardson about the possibility of renting cisterns for the bypasses that we are experiencing. We can rent during the months that we know the possibility of a bypass will happen.

Motion to hire Ardurra Engineering, formerly known as Woodson Engineering, Michael Janes, Representative; in order to procure the estimates and planning strategy to address the ADEQ consent orders and violations, the extensive repairs to the PSD collections system and develop a plan to address the plant repair and expansion needs going in the next decade.

Motion: Gail Van Deurzen

Second: Len Friedlund

Ayes: Bob Timberman, Dick Drinen, Tom Eade, Kass Kral

#### **13. Discussion and possible action regarding PSD District Capital Budget plans for 2023-2027 and WIFA loan projection by year.**

Per Bill Spain, the westside still owes the following:

Inspire - \$646,151  
Shuster - \$659,694  
Raschke - \$6,536  
Seileman - \$3,269  
Total owed - \$1,315,649 by westside  
Total owed to WIFA - \$1,824,360  
Total shortage - <\$508,711>

Per Bill Spain, we need to stop spending immediately and cut costs wherever we can. Anything over \$500 needs to be approved.

Motion to require PSD personnel to develop a strategy to present to ADEQ regarding and asset management plan to address routine hotspots that need immediate repair in the collection system and share it with ADEQ before they decide to re evaluate the administrative consent orders with a new notice of deadlines. The plan is to include a long-term (20 year plan) to monitor and address the entire collection system every five years.

Motion: Kass Kral

Second: Tom Eade

Ayes: Dick Drinen, Len Friedlund, Gail Van Deurzen, Bob Timberman

Nayes: none

Motion to require PSD personnel to initiate "sample pulls" during events where overflow of the facility occurs with releases into Munds Canyon Creek which flows into the Oak Creek and Verde Valley River. The samples shall be conducted during each overflow period and provided to ADEQ for analysis within 24 hours of each event. In addition to this requirement, the PSD shall inform the communities of Oak Creek/Sedona and Camp Verde of the events and the results of the tests as well.

Motion: Tom Eade

Second: Gail Van Deurzen

Ayes: Dick Drinen, Len Friedlund, Bob Timberman, Kass Kral

Nayes: none

Motion to approve resolution to have PSD enter into a general debt authorization resolution, as a governmental agency in order to pursue up to \$15,000,000 through the Water Infrastructure Finance Authority of Arizona.

Motion: Bob Timberman

Second: Dick Drinen

Ayes: Len Friedlund, Gail Van Deurzen, Tom Eade, Kass Kral

Nayes: none

Motion to request financial assistance from Water Infrastructure Finance Authority of Arizona (WIFA), to allow use of the \$50,000 budget for obtaining the planning and design for a larger WIFA loan in order to address failing collection sources and plant equipment replacement needs.

Motion: Dick Drinen

Second: Kass Kral

Ayes: Len Friedlund, Gail Van Deurzen, Bob Timberman, Tom Eade

Nayes: none

**14. Discussion and possible action regarding status of payments by owners for Westside construction costs and collections enforcement. The Board may vote to enter into executive session regarding this item under ARS §38-431.03(A)(3) for legal advice and/or (A)(4) for negotiations discussions.**

Motion to enter into Executive Session under (A)(3) at 4:11pm

Motion: Kass Kral

Second: Tom Eade

Ayes: Len Friedlund, Gail Van Deurzen, Bob Timberman, Dick Drinen

Bill Spain called the meeting back into order at 4:45p noting that staff and legal counsel are to take action as directed in executive session.

Bill Moore, rep for Shuster asked Bill Spain if we will be sending out a "will serve" letter for Phase 5, Bill Spain responded by saying the Board would consider the issue in April at its Board meeting.

Recess at 4:48pm

Bill Spain called the meeting back into order at 4:53pm

**15. Discussion and update regarding WIFA loan status needs and WIFA meeting.**

Covered by prior items.

**16. Discussion of District Vehicle and equipment needs for consideration and possible action.**

Lee Krosnicki and Dave Richardson assessed all of the PSD vehicles. Many vehicles were purchased in 2013, all are paid off and now are obsolete. Repairs are much higher than we should spend. A new mini excavator is needed, the current one has over 4,000 hours, we should trade the current one or replace it. Also needed is a 5-yard dump truck, new pump/currently renting. The camera van should be fine, Push Cam is needed. Various accessories for the camera van are needed. Bill Spain noted that this item will be handled in the vote on the overall budget.

**17. Update from Lisa Frazier on new billing system. Presentation of other sanitary district operation and billing formats. Discussion of website needs and clarifications and postings.**

Per Lisa Frazier, the online billing program Value Payment System which is available through Coconino County without a fee and would save large amounts expended on postage and mailing invoices. Hopefully we can have this implemented by July 1, 2023. With this system the public can choose how they want to be billed. USPS, email, text, etc. Lisa also met with a new potential IT person, Tom. His quote was 40% less than what we pay now. Lisa was pleased after meeting with him and liked what he had to offer. Only concern was their company only has 2 people that work for them but they are available 24/7. Lisa would like the Board to consider billing every other month or quarterly. Notification will need to go out to let the public know when we make this change.

**18. Discussion and possible vote on PSD district policy implementation for Westside sewer line "TV" requirements and installation of Backflow Prevention Assembly.**

A discussion was initiated on potentially making and passing motions to approve requirements for these items, but it was then determined that more information was needed to be able to proceed.

This item will be tabled until April meeting.

**19. Discussion and recap of ADEQ meeting of March 3, 2023, and advisement of their expectation for status of administrative consent orders.**

This item was covered in earlier discussions.

**20. Discussion of need for sewer ordinance updates and clarifications. Confirmation of recording and posting resolutions in 2017 and 2022.**

Bill Spain asked Dick Drinen how much of what we vote on in Board meetings needs to be updated in the ordinance. Dick said it depends on each item. For example, If a rate increase is approved, the ordinance must be updated.

Per Brandon, we can send prior approved resolutions to be recorded now, even if they were not recorded before by staff. Brandon Kavanagh and Bill Spain to review, Brandon will need to look at the titles and determine whether or not they can or need to be recorded.

**21. Discussion and explanation of how the Shuster strip mall property hooks up to the Sewer District and the needed lateral lines or direction to Shuster.**

Per Bill Spain, Bill Moore needs clarification as to how the main sewer lines run over in front of the strip mall and how they are to be connected. The plans show two laterals right to the north of the main entrance to the RV Park. Their engineer has questions on how to hook up with one or two laterals. If Inspire has an extra

lateral, they would like to use it if allowed. Maybe they will do the project together if there are two lines. Bill Moore to work with Inspire on this.

**22. Discussion of need to publish “Intent to Order Improvements for the Public Benefit Publishing” in April 2023 and to be included in April Billing.**

Per Brandon Kavanagh, we will need to go through a public hearing/meeting for this item.

**23. Discussion of unusually high computer support and services budget line and potential action plan to address, \$27,972.**

Discussed previously in the budget discussions, staff to seek alternatives.

**24. Discussion of planned marketing objectives for second quarter 2023 concerning PSD rate increase, construction planning and expansion capability.**

Website needs to have its information updated as well as the overall structure of the site to include areas to access agendas and minutes. We need to update with taking out NAWs and update with Skyline Waste. We are now committed to placing articles in the Pinewood News to keep the community updated on the budget, system repairs and upgrades, etc., with all articles to be reviewed by management and staff before submitting them to the newspaper. We also want to include these updates in the billing newsletter.

**25. Lee Krosnicki presentation to Board on revised self-appraisal and appraisal process to be implemented. The Board may vote to enter into executive session regarding this item under ARS §38-431.03(A)(1) regarding employment matters and/or (A)(3) for legal advice.**

Motion to go into (A)(1) Executive Session at 6:09p

Motion: Bob Timberman

Second: Tom Eade

Ayes: Len Friedlund, Gail Van Deurzen, Dick Drinen, Kass Kral

Nays: none

The Board came back into open session at 6:48pm. No action was taken but a discussion regarding comments and concerns about the main office schedule were made with possible options for Lee to consider.

**C. New Business**

**26. Discussion and possible action for request for annexation of 17610 Munds Ranch Rd, Animas Properties, LLC into Pinewood Sanitary District**

Motion for annexation: Dick Drinen

Second: Gail Van Deurzen

Ayes: Len Friedlund, Bob Timberman, Tom Eade, Kass Kral

Nays: none

**Call to the public for non-agenda items – no action will be taken on any subject not on the agenda. (Limits to 5 minutes will be enforced)**

Bill Moore talked about the 10-year term to view lateral lines at the RV Park. He wanted to know who does the viewing, Bill Spain shared that PSD will be doing the viewing. Bill explained the reason behind the viewing. He also explained why we do this on the East side with every sell of a home and not every 10 years due to Inspire owning the land (not the tenant) and we have no way of knowing when a spot is leased to a new tenant. Bill Moore wanted to know why PSD owes Smith Partners \$150,000. Per Bill Spain there was an agreement made between Tim Smith and PSD to cost share on an annexed road that had to be installed for the flood plain area. However, they owe us money and we offered to pay the difference. Bill Moore asked about flow rate changes maybe 10 years down the road. Tom Eade shared that we will make adjustments at that time. Bill Moore stated that any new business that comes in, should have to pay part of the past construction fees and the people that paid \$600,000 to \$800,000 should get some money back from these new businesses. Bill Spain explained that this is not how we entered into this agreement. Brandon Kavanagh shared that there is a

significant difference between somebody else that comes along later and the fact that there are already sewer lines in the dirt on the West side that remain unpaid after 10 years of requested work.

**RETURN TO 9.** The Board went back to item 9 to approve the 5-year budget after all the other discussions that impacted the budget.

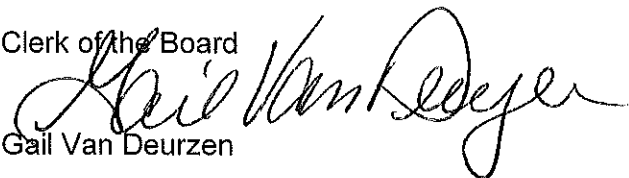
Motion to approve 5-year budget: Bob Timberman

Second: Tom Eade

Ayes: Len Friedlund, Gail Van Deurzen, Tom Eade, Bob Timberman, Dick Drinen, Kass Kral

**Adjourn:** 6:58pm

Clerk of the Board

A handwritten signature in black ink, appearing to read "Gail Van Deurzen". The signature is written in a cursive, flowing style with a large initial "G".

Gail Van Deurzen