

were attached to the report. The data was respectfully submitted by Management, Sarah Hrabina, and approved by Treasurer Floyd Ballinger for final Board approval.

Chair Marley questioned the taxes (sales tax) – are we actually taxed on the capital improvement money (collected)? S Hrabina (Management) indicated sales tax is currently calculated including the capital improvement collections. She noted the previous CPA (Pat Thomas) had indicated the State sales tax should be calculated in this manner. This was discussed at the recent Budget Committee meetings and the question was raised. Management contacted CPA Darlene Wood and statute requirements were obtained on-line. There is an exemption that the capital improvement charge may qualify for and Darlene had suggested getting it in writing from the State before altering the calculation method. S Hrabina indicated a letter was drafted and sent to the State regarding the matter but did not know how long it would take for a response. With no other questions, the Chair called for a motion and J Evans motioned to accept the Financial Report presented. R Lee seconded the motion and upon vote the Financial Report for the period ending 04/30/2008 was approved without opposition.

Agenda Item #7 Operations Report (1) as of 04/16/08 & (2) as of 5/14/08

Chair Marley called upon Randy (Hrabina/Management) who indicated the previous month's report water stats was updated to include the running hours and total gallons. A recap of the current month was given. It was reported the Kings Ranch lower booster pump was replaced. Both Kings Ranch boosters were installed back in 1999 shortly after Management came on board for the District. At that time we took out the over-sized boosters and replaced them with 2-HP boosters. We replaced (last week) the lower one and got parts to rebuild it to keep on hand as a spare. Chair Marley inquired of the failure mode with R Hrabina indicting sometimes it's the motor, but this time the seals were leaking. 10-years is a good service life, with vice-Chair J Evans agreeing. Monthly water samples for bac-t's were taken and analyzed by the lab with negative results reported. It was also reported the state map test results for nitrates received indicated the two locations were both higher than the allowable limits. R Hrabina stated Management had tested back in September and both were extremely low and he felt they may be an error and Management would re-sample immediately.

Well Stats – No change was reported in the well depths from last month, with the exception of a slight increase in running time. Total gallons pumped from 3/11 to 4/11 (2008) was 7,481,000 gallons compared to 6,905,000 from the previous month.

Chair Marley asked for any questions from the Board or motion to accept the two reports with R Lee moving to approve the Operations Report for both April and May. F Ballinger seconded the motion and upon vote the reports were approved unanimously.

Agenda Item #8 Letter of Appreciation – Lavon Van Dusen

Chair Marley indicated the letter of appreciation had circulated for signatures and expressed regrets regarding the resignation. She did an excellent job in the short period she served on the Board. The Chair asked Management to mail the letter of appreciation and no Board action was required.

Agenda Item # 9 2008 Budget Committee Recommendations for:

(a) 2008/09 Proposed Budget

Chair Marley called upon Sarah (Hrabina/Management) to recap the budget recommendations. S Hrabina indicated a copy of the 2008/09 Proposed Budget was provided to each Board member in their board packets. She stated the committee met several times to work on the budget and the budget is divided into two segments; operations and maintenance, and capital improvements. The only significant change from the current year is a drop in the impact fees and related income centers because there has been a significant decline in new connections. With the slowing real estate market, the committee did not think the market would improve and, therefore, decreased these income centers accordingly.

The Proposed Budget, as recommended by the Budget Committee, is submitted for Board review and approval. The process would then require the budget to be presented to the public at a public hearing before final Board approval and adoption. Chair Marley called for any questions from the Board. J Evans inquired if the budget called for any rate increases with S Hrabina indicting the proposed rates to be a separate issue for discussion. It was noted,

however, the rates proposed are designed as a restructure and not intended to increase revenues. It will redistribute where the funds come from. On this note, Chair Marley asked Floyd (Ballinger) to address the proposed rates.

(b) Rate Review

F Ballinger stated the Committee did not want to increase the amount of revenue coming into the District. An observation, however, by the Committee indicates we have 60 commercial accounts and (approx.) 760 residential accounts; or 8% commercial vs. 92% residential customers. If you look at the capital improvement revenues 92% of the income is generated from the residential customers and only 8% from the commercial, but the commercial customers are using 27% of the water and the residential customers using 73% of the water. Statistics from the new In-Hance billing system allowed us to do a lot of number crunching and come up with three plans for consideration. R Marley noted some of the statistics and averages used by the Committee to develop the plan with F Ballinger noting the first plan total was higher than needed, plan #2 was under and plan #3 at \$149,638 coming in just under the target number. The proposal is for residential customers to be billed with both a fixed and variable component to determine the capital improvement contribution with the suggested amount of \$5.00 fix plus \$1.00 per unit (1,000 gallons) paid monthly. The recommendation for commercial customers is with only a variable component only at \$1.70 per unit (1,000 gallons) paid monthly.

Chair Marley indicated this plan moves us away from the residential customers paying for the greater share of the capital improvements and moves us to a more equitable arrangement between residential and commercial customers (based on use). J Evans inquired if the proposal keeps the residential customers basically the same as the current rates with R Marley responding there is a "break even point". If a (residential) customer is under 10 units or 10,000 gallons (monthly) the customer will actually be paying less. The same is true for the commercial customer. Over (10,000 gallons) will pay more and high usage customers will be paying a lot more. J Evans suggested considering increasing the commercial tiered rates for conservation reasons. R Marley stated the commercial rates currently have a moderate tier increase. It was noted the Committee felt large commercial customers will be impacted heavily on the capital improvement portion of the rate change and, therefore, did not recommend an increase in the commercial tiered water rates. It was also noted, as an example, the RV-parks which represent some of the highest water users are actually some of the most efficient water users; per household use only 3 to 4,000 gallons per unit – far less than the average single-family residential customer at 10,000 gallons (monthly). R Marley stated to penalize them for being efficient users wouldn't make sense. Tiering to encourage conservation in the residential area makes sense with J Evans concurring.

(c) Ordinance Revisions

R Marley presented the changes to the 98-3 Ordinance as recommended by the Budget/Ordinance Committee. It was noted the Committee was comprised of Bob Marley (Chair), Floyd Ballinger (Treasurer), Sarah Hrabina (Management) and volunteers from the public included Jack Horton, Tony Chavez, John O'Daniel and Ginger Gray. The Chair noted the complete ordinance is on-line (www.bccwid.org). The six sections to be edited or corrected were reviewed. The section titled Well Head Protection was discussed noting it is included only in the index. The Committee decided much of this is covered by ADEQ and other regulations and, therefore, tabled any recommendations regarding it. S Hrabina noted recollections from years ago the District talked about establishing an area where septic systems, as an example, would be prohibited to safeguard the District wells. She also indicated (AZ) Water Resources have such guidelines regarding the distance wells need to be from septic systems. Additional discussion followed including R Hrabina stating his concern regarding horses in close proximity to the wells and the potential danger. Management just received notice, which will be included in next month's operation report, the nitrate samples done through the Map Testing Program (State) exceeded the trigger point of 5 (mg/l). Management plans to resample tomorrow because nitrate samples were just taken last September and were only 1.5 and 2.4 (mg/l) and it seems strange that they are so much higher in such a short time. There could be an error; we'll know when we get the results back. Regardless of the results, it's still a concern. R Marley indicated the problem is no one knows how to write it; if you can help us with this we wouldn't be opposed to addressing it. R Hrabina indicated needing to know if it would have "teeth" (to enforce). J Evans suggested contacting ADEQ to see if they could be of any assistance with R Hrabina indicating he would contact them. The Chair noted the Ordinance is a combination of rules and information

and perhaps that's all that should be included; a statement addressing the potential hazard to the community. It's something we could probably handle at a later time. S Hrabina stated she would like to recommend the Budget Hearing be scheduled for June and have the Rate Hearing and Ordinance Revisions in July or August. Due to the major changes also recommended the rate and ordinance revisions be mailed out to all the customers instead of just advertising it in the paper to make sure the public is very aware of the changes. The cost would be similar to that of the Consumer Confidence Report that is mailed out annually.

Chair Marley indicated scheduling the date for the hearing(s) was getting ahead of the agenda and inquired if the Board was supportive of the Budget/Ordinance Committee recommendations with M Brown moving to accept the budget and other recommendations as presented by the Budget/Ordinance Committee. J Evans seconded the motion and upon vote the Proposed Budget for 2008-09 was approved unanimously, the recommended rate changes and the Ordinance revisions as proposed were also approved without opposition.

Agenda Item #10 Scheduling Public Budget Hearing

Chair Marley opened the discussion by indicating protocol for the 2008/09 Proposed Budget requires a public hearing before final approval by the Board. J Evans moved to hold the Public Budget Hearing at the June 19, 2008 Board meeting. The motion was seconded by F Ballinger and upon vote passed unanimously.

Agenda Item #11: Scheduling Public Rate Hearing & Ordinance Revisions

Chair Marley opened the discussion and at the recommendation of Management the July 17, 2008 Board meeting was selected to hold the public rate hearing with ordinance revisions and as previously discussed information on the hearing should be mailed for greater public awareness. Costs would be similar to the annual Consumer Confidence Report mailing. J Evans motioned setting the Public Rate Hearing & Ordinance Revisions for July 17, 2008 with public notification by mail. The motion was seconded by R Lee and upon vote passed unanimously. The Chair will work with Management and have the information in the mail to the public on June 1, 2008.

Agenda Item #12 Capital Improvements – Computer Upgrades

Chair Marley opened the discussion, as the District's "IT guru", his observation that the District (2) computers are now six years old and he recommends updating them. Additional discussion followed including the need for additional RAM. Dell has units with ten times what we have now with R Marley indicating with sale prices two new computers could be purchased for about \$1,000.00. The Chair asked if the Board would be supportive of upgrading the computers with F Ballinger indicating he thought it was a necessity and J Evans noting it would be a good investment. R Lee moved to approve Bob Marley make the purchase of two new computers at a cost not to exceed \$1,000.00. M Brown seconded the motion and upon vote the purchased was approved without opposition. Chair Marley noted he would "scrub" the old units and post them for sale, noting he felt they could be sold on Craig's List or elsewhere for a couple of hundred dollars or so.

Agenda Item #13 Purchase of handheld device for meter reading

Chair Marley opened the discussion noting this is perhaps a "wish list" item and not sure how difficult or costly it may be. Preliminary discussion included estimating the number of hours it takes to read meters and hours spent inputting the data and processing. Management indicated the newer meters are "auto read" meters. Meters are purchased from Dana Kepner and they have offered to have a representative give a presentation on all the options available to the Board. The matter was tabled with Management to make arrangements for the presentation at an upcoming Board meeting. No action taken.

Agenda Item #14 **Public Call** None

With no other business to come before the Board the Chair thanked the Public for attending and the meeting adjourned at 8:45 PM.

CERTIFICATION:

I, Sarah J. Hrabina, certify that the Agenda for the May 15, 2008 Regular Board Meeting was publicly posted at the Black Canyon City Post Office Bulletin Board, on Friday, May 9, 2008 on or before 4:30 PM.

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.
Ronald E. Lee, Sr., Secretary

Transcription of minutes completed by Sarah J. Hrabina on 6/18/2008

Amended: YES NO

Minutes of the Regular May 15, 2008 Board Meeting approved as herein transcribed by Board

action on: _____