

RIM TRAIL DOMESTIC WATER
IMPROVEMENT DISTRICT
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Draft Minutes of a Public Budget Hearing on June 22, 2013

On June 22, 2013 the Board of Directors of the Rim Trail Domestic Water Improvement District convened a Public Hearing on the proposed budget for fiscal year 2013-2014. The Hearing was held at Station 71 of the Whispering Pines Fire Department located at 10603 N. Houston Mesa Rd. in the community of Whispering Pines, north of Payson, Arizona.

The call to order was made by Chairman Dick Johns at 1:30 pm. The Board members present were Dick Johns and Treasurer Ray Tanner. The Secretary, Don Nelder, was absent due to medical issues. A quorum was confirmed. Also present was District Manager Harry Jones, and 15 members of the public, all of whom are tax payers and property owners in the District.

The Chairman noted that the purpose of the Hearing is for any taxpayer or property owner to be heard in favor of or against any proposed expenditure or tax levy contained in the estimated budget that was publicly posted and mailed to all property owners.

One property owner noted that, although the mailed notices were received sufficiently in advance of the current Hearing, this has not been the case with some other Board meetings in the past, and he requested that meeting notices be sent earlier. Other property owners agreed.

It was also requested that more current balance sheet information be posted on the District's web site, perhaps quarterly, so property owners can track expenditures on a continuing basis and make comparisons with posted or proposed budgets.

The Treasurer showed a projected image of the current balance sheet as of May 31, and identified several areas where expenses were either over or under budget, resulting in the District being slightly under budget for the year to date.

Questions were asked about the expenses for contract services and lab fees. The District Manager explained that there was unexpected freezing that extra work, and the lab fees were high because more water quality testing was required than expected.

The Treasurer then projected the proposed budget for 2013-2014, and asked for input on budget items.

The \$1,600 budget for telephone expenses was questioned, and it was explained that this was due to the cost of the District's two business lines. A third line previously used for conference calls was eliminated due to limited use and to save money.

There was a discussion about the estimated expenses for contract services and operator fees, including whether the District is getting sufficient value from the work, and whether the contracts should be re-negotiated to save costs. The District Manager explained why we are using these particular contractors, and discussed their value to the District. It was noted that certain changes are already being considered in the contracts, and that negotiations should consider the quality of work as well as cost.

There were several questions about the need for, and costs of, the Long Term Projects. It was explained that the storage tanks are very old and that inspections are needed to assure that they do not fail. The estimated amounts for the Payson pipeline negotiations and water rights negotiations are to cover possible legal, engineering and other costs that it appears may be necessary, although the actual amounts are not yet known.

During the discussion on the Payson pipeline, it was noted that the cost of a new 6 inch water line to the future fire station should be borne by the fire department, not the water district.

The Treasurer then opened a discussion on the property tax proposed in the budget. Ray indicated that the funds collected from the tax would be used to increase the district's cash reserve. The reason for a property tax is to spread the cost of maintaining the water system among 137 parcels of land in the district, since all the parcels benefit from the system but 90 water users are the only ones paying the costs. However, in order to avoid different property tax amounts due to differences in assessed valuations, a cap of \$100 would be set so that all property owners, with minor exceptions, would pay the same amount of tax.

A property owner noted that parcels not currently using water are charged a \$3,000 fee to tap into the system, which is partially an assessment for the previous costs of maintaining the system so it will be available for use.

There was a lengthy and detailed discussion on whether a property tax should be levied. A number of property owners indicated that they opposed the tax partly because they had been assured in the past that there would be no additional taxes in the near future, yet a new tax is now being proposed for next year.

As part of the discussion, Fred Wolfe presented a petition signed by 23 property owners opposed to a property tax, which the Chairman read to the group. Fred noted that one property owner he spoke to was not opposed to a tax. The Chairman also read statements from two other property owners who were unable to attend, Buddy Rice and Mike Garcia, opposing a property tax.

On the other hand, two property owners at the Hearing stated that they would not be opposed to a tax if the money was needed to increase reserves to cover unexpected expenses.

The Treasurer noted that there was approximately \$45,000 in cash available for unexpected expenses as of May 31st; and an additional \$5,000 will be added from operational reserves in the 2013-2014 budget. There was then a discussion of how much of a reserve is needed for contingencies such as storage tank repairs, drilling or repairing wells, repairing damaged piping and other expenses.

The question was asked whether the \$14,000 property tax is related to the \$14,220 expense listed as a water holiday refund. The Treasurer said yes, and explained that if the property tax amount was not needed for contingencies by the end of the fiscal year, water users would be credited with the money and their bills would be reduced accordingly.

A number of attendees expressed opposition to this because it would return the property tax funds to water users only, instead of to the property owners who paid the tax. The two statements from Buddy Rice and Mike Garcia noted above, also opposed this concept.

At the suggestion of an attendee, a show of hands was requested from those in favor of, and those opposed to, the proposed property tax. Of the 15 property owners attending, 1 voted in

favor of the tax, 13 voted against the tax, and 1 abstained.

The Treasurer then noted that another purpose, and perhaps even the primary purpose, of levying a flat tax, was to set a precedent in Gila County that it could be done. Even if the proposed tax of \$14,000 is not needed for 2013-2014 expenses, the precedent would allow future flat tax levies to be made when funds are truly needed to cover future expenses. Several property owners expressed support for this concept.

The Treasurer also projected a chart showing the difference between a 4.6% tax levy with a \$100 cap, and a 4.6% tax levy based on assessed valuations. The assessed valuation tax was significantly higher for most properties than the \$100 flat tax. The Treasurer also gave a detailed analysis of what the district's finances would have looked like if a flat tax on all property owners had been levied in the past. The analysis showed an overall lower cost to property owners. Several attendees agreed that this supported the use of a flat property tax.

The Chairman asked if there were any other comments in favor of or against anything in the proposed budget. There being none, the meeting was adjourned.