

RIM TRAIL DOMESTIC WATER IMPROVEMENT DISTRICT

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Minutes of Regular Meeting of the Board of Directors on 7-3-11

The Board of Directors of the Rim Trail Domestic Water Improvement District met in regular session on Sunday July 3, 2011. The meeting was held at the home of Harry Jones in Rim Trail.

I. Call to Order: The meeting was called to order at 2:33 p.m. The telephonic connection available to the public had been activated at 1:55 p.m. It was checked periodically to see if anyone had called in to join the meeting telephonically, and John Tanner was there at 2:00 p.m. Due to late arrivals, Tanner called back in twice until other District members and a Board member arrived. No others were connected by telephone after checking several times during the meeting. District members and guests signed in were Rich Eneim, Chris Oberg, Mark Parrish, Melanie Davis, Brad and Christine Hatch, Lillian Barker, Beth McElhiney, Larry and Carol Clapham, Larry and Mary Lou Culver, Al and Marilyn Fuzat, Hamid Salari, Fred and Wendy Wolfe, Mel Bramley, Tom and Pat Melcher, Jeremy Rhodes (Puntenney), Bob and Cheryl Seiler, Tom Johns, Shannon Branstetter (Johns), Jessie Johns McGuire, Michael Garcia, Greg Steinhilber, Mike Tanner, Jessie and Lynn Off, and Colleen Mantz.

II. Roll Call and Determination of a Quorum of Members Present: Harry Jones, Chairman; Ray Tanner, Member; and Don Nelder, Treasurer, being all the Board members of the District Board were in attendance. Harry D. Jones of HDJ Management, LLC attended as the contracted District Manager. A quorum was in attendance.

III. Approval of minutes of prior meetings: Chairman Jones indicated that draft minutes had been posted. Treasurer Nelder indicated he wished to make a comment about a difference in the minutes as presented compared to notes he had made during the meeting in terms of the amount of tax levy proposed in the budget discussion at item XIV in the minutes. He indicated that even though his notes indicated something different, he would in the spirit of cooperation approve the minutes as presented based on Harry's notes and recollections of Board member Tanner. When the Chairman requested a motion regarding approval of the minutes, Tanner then questioned the minutes in terms of the description of the discussion related to pursuit of grants versus loans. Since there was a concern by Tanner on the exact wording related to any change in direction on that topic from the directions provided at the 3-23-11 meeting, the Chairman suggested the topic be tabled and any vote be delayed until all board Members had a chance to further review any notes they had. All Members agreed to take that action.

IV. Reports:

A. **Chairman's report:** Several items were reported:

1. Board member Tanner has notified the Board that he wished to be removed as the Clerk/Secretary due to a lack of available time, but would stay on the Board as a valuable member. Chairman Jones asked Treasurer Nelder if he would be willing to assume the Clerk/Secretary duties and Nelder replied we needed to expand the Board to obtain more help and to involve more District members.

Chairman Jones indicated we need to adopt District bylaws that were discussed several years ago that would define the various officer positions and duties and describe the process for making such transition. Tanner agreed. No firm commitment was received from Nelder who only indicated “he can assist when he can” and he did point out “Harry wears too many hats” already. Jones then conceded to do the duties of the Clerk/Secretary since those duties (agenda preparation he was already doing and preparing minutes of meetings mainly) must be done timely and by statute. Jones commented that the bylaws similar to what he proposed in 2008 needed to be adopted to better define duties of officers.

2. The annual Consumer Confidence Report is now available for review. No violations of quality standards were noted and water quality remains excellent. The report is available on-line.

3. The transition of functions and duties from Dave McKibben and Chris Bailey is now complete: Meter reading is being done by A Quality Water Co, our operators; the transition from the McKibben billing and accounting systems is now done and the billing, bill paying, and accounting work is being performed by Pat Watson, an independent contractor familiar with the new systems.

4. The new website at www.rimtrailwater.org is up and running with all basic information.

B. *Treasurer’s report:* Upon a call for presentation of the Treasurer’s report, the Treasurer suggested the Chairman who had notes on his financial documents, present the Treasurer’s report. The Chairman noted the financial statements for FYE 12-31-09 and 12-31-10, as prepared by Meg Turlukis, CPA, (as included in the Board materials) were completed and available on line. Also, the 6-30-11 preliminary financial statements as prepared by the District Manager were included in the Board book.

Cash positions were reported as follows:

	12-31-09	12-31-10	6-30-11
Chase General Checking	\$2,423.05	2,193.01	2,675.67
Chase Savings #4590	13,859.48	12.39	12.39
COMM Ckg-PF 4599 Inactive	89.85		
Chase WIFA Chk #1278	3,638.55	2,651.16	51.16
Chase Savings #4599		50.98	50.98
Total	\$20,010.93	\$4,907.54	2,790.20

The Chairman reported the 6-30-11 accounts payable balance of \$22K consisted of about \$4K of regular vendor payables and about \$18K mostly for District Manager’s work on WIFA project done at the direction of the Board in 2009 and 2010. The Chairman indicated a new fiscal year-end of June 30 was being established so we could match the County’s budgeting system which allows the District to have the County collect any property taxes that may be levied by the District. The sales numbers for six months were reported to be slightly above one-half of what had been the case in all of calendar years 2010 and 2009. Net loss for the six months was reported to be \$18K, which included \$10K of depreciation for the six months, leaving us with an \$8K cash flow deficit for the six months. Nelder made a motion to approve the Treasurer’s report, Tanner seconded, and it was approved unanimously.

The Chairman reported that a question had been asked by a Board member as to how the \$88,560 of assessment money in 2008 was spent. Mr. Jones indicated during 2008 the following uses of cash were:

1. \$31,166 in repair parts for new filter media, all new piping and valves, and new backwash controllers were installed. This compares to \$6,571 in repair parts in 2007, which was a more typical amount.
2. Additional operations labor in excess of Wayne Bench’s retainer, and the retainer for A Quality Water Co. (Wayne died in early May) totaled \$11,135 versus normal amounts of \$5K to \$6K.
3. Cash balances increased during the 2008 year to \$50,898 at year end from \$1,206 at the end of 2007.

4. Total net change in the financial position was caused by the above higher expenses and additions to cash balances were ~\$80K.
5. The \$50.8K cash balances left at the end of 2008 were used in 2009-2010 to fund normal operations and capital improvements as indicated in the financial compilations covering those years.

C. Clerk/Secretary's report: The Chairman reported that a few days ago Ray Tanner had asked to be immediately removed from the Clerk/Secretary officer position, and that he had indicated 2.5 years ago that there was a severe lack of available time on his part. The Chairman indicated therefore, since the Treasurer had also indicated a lack of time to take on more duties, the Chairman would temporarily assume the Clerk/Secretary duties and make the Clerk/Secretary's report. Within these minutes, the Chairman, acting as the Clerk/Secretary, is reporting on both verbally presented materials and summaries of written documents provided to Board members in their meeting study book, all of which was considered and pertinent material to the discussion of how and why it occurred that Jones (in the past and continuing today) and Dave McKibben (in the past) had both served the District in more than one role, a topic that was the minds of numerous property owners.

When Tanner indicated a lack of time in late 2008 when he came on the Board that was the point when Dave McKibben, former Treasurer was assigned to carry the work load of two positions, including preparation of meeting minutes. After Board approval with McKibben abstaining, we started paying him \$300/mo. for carrying the extra work load related to Clerk/Secretarial duties, bill paying, and accounting functions as well as maintaining the billing and accounting software systems he had developed at no cost to the District. This was all done after posting on 1-30-09 the open position of Record keeper to which no one else responded. The same occurred for Jones after a 17 day posting period after 1-30-09, where no one else responded to possibly fill the District Manager's role that was slated to pay \$800 per month for basic day-to-day management duties.

Thereafter, in Nov. 2010 when McKibben resigned from the Board, all of the balance of the Clerk/Secretary duties fell to the District Manager who had also assumed in late 2008 the Clerk duties of agenda preparation which had been a function of Judge Harry McFate who had resigned earlier that year. When McKibben left the Board in November 2010 (after Don Nelder had been appointed by the Board of Supervisors to the Board because of a lack of opposition in the general election), Jones had to pick up all the day-to-day Treasurer and all Clerk/Secretary duties so the Board could move forward with its activities coming into 2011. In addition, Jones, as the District Manager engaged by the Board in February 2008 (but the written agreement left unsigned), commented that he had held off for up to almost two years on payment of invoices for services agreed to by the Board in 2009 for managing the "out-of-scope" WIFA project from its award in 2009 to its completion in October 2010.

Jones then explained how 2.5 years earlier what steps had been taken by the Board of Directors, in an abundance of caution, to avoid any conflicts of interest on both Jones' and McKibben's part related to dual roles they were needing to fill when others volunteers (or those who could have taken paid positions as indicated in the detailed job postings) did not step forward. The steps to avoid the perception of a conflict of interest that the whole Board saw as a concern were:

- Tanner, with the other board members agreeing, had requested the Board seek a written legal opinion (see Board meeting of 12-28-08) related to how to avoid potential conflicts of interest related to the dual roles of Jones and McKibben. The Chairman indicated the Gila County Attorney had notified the District in 2007 they would no longer be able to be the legal counsel of the District due to insurance limitations.
- Therefore, the Board asked that a legal opinion from a private attorney be sought to investigate how formal agreements with Jones and McKibben could be structured to avoid any conflicts of

- interest if they were to hold both a Board position and a staff position (District Manager and Record keeper).
- David Davis (legal counsel for Pine-Strawberry Water Improvement District) issued a written opinion basically indicating if the Board duties and the Staff duties were separate functions, the joint responsibilities would be fine and would not violate any statutes. However, he suggested his opinion be passed by the County Attorney to see if she expressed any concerns.
 - Deputy Attorney Bryan Chambers replied in behalf of Daisy Flores but refused to issue an opinion because of no insurance coverage for his office and no way to legally provide services to the District, and because it would violate ER 4.2 of the Rules of Professional Conduct of attorneys. He expressed no objections.
 - Therefore, beginning in February 2009, after receiving the written opinion letter from the attorney and no objections from the County Attorney, and after having posted the positions for two+ weeks with no responses, the Board actions approved at the 12-28-08 Board meeting were put into effect and McKibben and Jones were engaged since the funding for those basic positions was included in the Budget for 2009. Jones' proposed formal written agreement (very similar to the management/consulting agreements he had with Gila County, Pine Creek Canyon DWID, Tonto Village DWID, and Pine-Strawberry DWID) was left on the table without formal action, with Jones agreeing orally to work for his home District for a reduced rate; therefore, both he and McKibben continued on with the extensive old and new duties they had previously performed at no cost to the District--McKibben six + years and Jones a total of 14+ years (now a total of 16+ years).
 - Jones immediately became full engrossed by the American Recovery and Re-establishment Act seeking "stimulus" funds for Rim Trail and four other communities, while the written agreement for "special project" outside of day-to-day duties of District management remained on the table for another 2.5 years. Other than the invoices related to the WIFA funded stimulus projects, Jones did not bill the District for any non-day-to-day activities for the next two years, knowing the District was running short of funds and someone might consider some of the activities he handled as being "day-to-day" and covered under his base monthly fee. Invoices related to the re-hab of the water treatment plant "stimulus" program under WIFA are still outstanding (~\$16K) and were deliberately held back for payment by Jones to keep the District solvent while it faced costs of (a) the new ADEQ required leach field, (b) bringing well #2 back on line after 25+ years, (c) making major repairs to the river pump house made unusable by the January 2010 flooding, (d) adding a storage shed needed to empty the water treatment plant of spare parts, equipment, etc., and (e) adding a bag filter to the treatment process so the worn out ceramic filters could be eliminated from the ADEQ approved process.
 - As the District Manager, Jones has sought to adopt any of three or four adjusted agreements that the other Board members (Clerk/Secretary and Treasurer) have asked be kept off the table again since November of 2010 due to lack of time to study the agreement or see how it fits in the budget. Jones is acutely aware of the limited time of Board members at all the Districts he represents, but is especially cognizant and appreciative of the limited time available from office holders at the Rim Trail District, all of whom have far more than full-time employment situations.
 - Jones has consented, but not happily, to wait for one more Board meeting beyond the July meeting, to put a Management Agreement in place, again relying heavily on the ultimate fair treatment of the other Board members, with Jones always abstaining from any votes or discussions on the topic, other than to answer questions and discuss, propose and negotiate potential terms of a Management Agreement.
 - Recently, on numerous occasions, Jones has offered to step down from his elected position in order to avoid any potential conflicts of interest between his two roles. Jones feels he is valuable in both roles, since water district management is his paid profession; however, he thinks his role as District Manager is most important to the property owners of Rim Trail, since from that position he can continue to help guide overall direction of the District during both the near-term and long-term when so many serious issues and opportunities lay before the District. However, he is interested in who his replacement might be prior to agreeing to submit his resignation from an elected position.

At the end of the discussion related to the District Manager's role and contract status, it was agreed that the form of the written Management Agreement be tabled one more meeting until the budget matter was solved.

- D. District Manager's Report: The District Manager reported that he would be making comments related to his current and potential future activities that had a significant effect on the proposed budget to be voted on later in the meeting. He addressed three topics that all dealt with continuing out-of-the-ordinary, non-day-to-day special projects including (1) investigating and pursuing potentially available grants and loans, (2) water rights and additional resource issues, and (3) Town of Payson pipeline issues, all authorized to be pursued by the District Manager at the 3-23-11 Board meeting. Future payment for these District Manager services and other undefined projects not yet approved by the full Board were included in the proposed budget to be funded out of the \$24,000 line item titled "Long-term Special Project-Management Fees" during 2011 and 2012.

--Status of Potential Loans and Grants: The Manager indicated several alternate courses of funding were already being investigated and evaluated as part of the budget planning process and as approved by Board actions at the 3-23-11 Board meeting. Few questions and no real focus on any debt financing occurred during the District Manager's presentation to the Board and property owners, even though it was pointed out that interest rates are at historical lows and grant and low cost loan funds may not be as available in the future, and banks and government entities are seeking funding programs with quality participants like RTDWID that currently have significant valuable assets and minimal debts on the books.

- The Manager reviewed an application for a potential bank line of credit for \$250K to be drawn down as needed with BBVA Bank. After several weeks, this source was eliminated as a possibility because senior lenders at the bank were going to require upfront expensive governmental bonding opinion letters and other fees amounting to \$15K-\$25K before proceeding further with the application; therefore the BBVA lending manager suggested we go see National Bank of Arizona that had programs that more closely fit the District's situation.
- Next, potential terms of a similar loan with National Bank of Arizona were presented. Their preliminary terms were relatively acceptable with requirements the District (a) always set any needed tax revenues high enough to pay the debt service costs, and (b) be willing to pledge the District's infrastructure assets to secure the loan. NBA needed Board confirmation of the general acceptability of those terms to proceed forward at no cost or fees with the application that had preliminary approval of the senior lending staff in the region. Use of funds under this potential loan was detailed within the credit applications contained in the board study books prepared by the District Manager at prior meetings.
- Next a no cost loan against future tax collections (up to 45% of budgeted taxes) was described. This is a loan package under state statutes that allows earlier use of tax proceeds, rather than waiting for tax collections to occur on Nov. 1 and May 1 of each year. Approval of this is done and only two simple docs need to be signed if the Board approves.
- A United States Department of Agriculture Rural Development loan/possible grant program was reviewed. It was pointed out that the RT DWID has a 30+ year history with this type of low cost financing, and that NBA is interested in a possible joint program that NBA will pursue in our behalf if we want to proceed with them.
- As authorized on 3-23-11, and as seen in the application form sent to all Board members, a loan/grant application is in process with the Water Infrastructure Finance Authority of Arizona. Attractive terms of 20 years (may be more), interest rates at about 3.5%, and some chance of debt forgiveness with draw downs over several years. The approving staff would basically be the same people that handled the WIFA loan of the filtration plant. We need to send in a preliminary debt authorization form and an updated Project Finance Application to keep this process moving forward.

The District Manager completed this update with no request for actions since a later agenda item would cover this topic. Nelder commented that we would need the loans if the District did not obtain the tax revenues or grants that were being investigated as the preferred sources of funding.

--Water Rights and Possible Addition of Cragin Water: The District Manager indicated there is a limited time window of opportunity to decide if the District wants to acquire additional water resources from the C. C. Cragin water transfer system controlled by Salt River Project and the Bureau of Reclamation. He commented that significant issues on water rights in the District need to be clarified in discussions with SRP so that we can determine how many acre feet we can project we really have available for Rim Trail. The Manager indicated he finally had some solid no-cost legal assistance in this area from Mike Johns, a local family owner in Rim Trail, and a U.S. District attorney that had made a trip to SRP water Rights Group with the Manager in order to support District inquiries (although not representing the District) and to be able to outline his family's stand on various issues. The District Manager indicated Mike Johns would like to see the District take a sure thing (an absolute water right issued by the Arizona Department of Water Resources) by acquiring a "right" from SRP, rather than rely on our "claims" that are not absolute, assuming the cost is affordable.

Extensive questions about the price of water, the cost of participation in the SRP delivery system, and how much water Rim Trail might need in the future all took place with heavy audience participation. Mr. Jones indicated, as an example, 20 a/f of additional water might cost somewhere around \$28,000 to acquire the severed and transferred right from SRP, and the annual operations, maintenance, and replacement costs might be \$3,000 per year.

Substantial discussion occurred related to the need to take action relatively quickly, and Mr. Jones indicated SRP is trying very hard to nail down all users by year end, and if not agreed to by then, the opportunity to obtain indisputable water rights (by sever and transfer from SRP) may no longer exist. The Manager indicated that between the Town of Star Valley and Brooke Utilities (in behalf of Mesa Del Caballo), they might just take all the 500 a/f allocated to northern County, and our District would be left to exist on current resources. Jones indicated the adjudication process may take many years and that private property claims to E. Verde River water would need to be settled at the same time, with about 11 of the about 24 total claims being on lands in Rim Trail. Tom Melcher, former Board member and a voice easy to identify, made the comment 20 a/f of Cragin water is a cheap insurance policy at \$28K up front and \$3K per year for operations, maintenance, and replacement cost.

Numerous comments were made by the audience and Board members that they have watched the river flow gradually slow down over the years to far less than normal years. The Manager indicated the same for the two District wells that frequently go dry in the summers if over pumped, mainly due to drought conditions that may persist or periodically return. John Tanner, on the telephone questioned the fact Rim Trail water cost more than his Phoenix water per year, while he uses his Rim Trail home on 60-90 days per year.

The District Manager completed this update with no request for actions since a later agenda item would cover this topic.

--Town of Payson Pipeline Project: The District Manager highlighted the fact we don't need to do anything with the Town of Payson immediately (over the next few weeks), but we need to be ready at any time to negotiate how the Town will handle digging up, disturbing, and replacing about 4,000 feet of the District's water mains. Again it was

noted this item was not on the current agenda for discussion and/or action, but we need to be ready to protect ourselves in the near future.

The Manager covered the fact that the current status of many factors will affect current and future budgets, therefore additional questions and comments were allowed during the above discussions,

V. Motion to Adjourn to Budget and Rate Hearing: Tanner made a motion to adjourn to the Budget and Rate hearing and Nelder seconded it. The motion passed unanimously.

VI. Open Budget and Rate and Fee Hearing for public comments on the 2011-2012 proposed budget: The Chairman opened the floor to the 42+ attendees. Many comments were made, and it was difficult to know who was making which comments, but the recap of points related to the proposed budget is as follows:

- More notice needs to be given to the public in terms of scheduled Board meetings.
- Ed Hunter had e-mailed in a set of comments and questions. See the attachment to the minutes for questions and answers by the Chairman.
- Jeff Manley e-mailed questions and comments. See attachment and answers from the Chairman.
- Eliminate all taxes in the proposed budget.
- Eliminate all assessments in the proposed budget.
- Cut all expenses to the bone.
- Higher taxes, if not paid timely to Gila County, risk the loss of homes to tax liens. Some owners can't stand the twice per year hit on the property taxes and would like a smaller amount due and payable on a monthly basis, probably by adding something to the base water bill.
- Taxes on higher value homes would be unfair, since the larger homes do not use that much more water than the other homes, and if they do use more water than average, they pay for it in terms of the higher commodity rates.
- Objections to the assessment level were expressed, but not as strongly as the tax levels, but it was suggested that it would be good if it could be spread out over several months or eliminated.
- Harry Jones doesn't like the idea of being both a Board Member and the District Manager, but has had little functional support for day-to-day activities or long-term special projects due to lack of time by other Board members and due to members of the public consistently over the years failing to run for or be willing to be appointed to public office. Some of the public, based on comments made, don't like Jones' dual role either, nor do some like paying him currently or for the outstanding invoices for prior years' services, implying he should personally continue to carry the District financially and carry a huge proportion of workloads related to Board activities, future planning, and management services.
- Participation by property owners on a volunteer basis would be good, but responses in years prior to 2011 (especially the last 12 years) have not generated any meaningful participation.
- Raise base rate to breakeven on operating expenses.
- Significant questions and comments were made about assessed values of properties and how taxes on the property would work and would be unfair to high values properties.
- The District would need funding to be able to engage engineers and financial experts to project costs of improvements, future water demands, and other expenses.
- One comment was why pay for a 50 year asset over a 5-10 year period. Wouldn't a more palatable option be to spread the financial burden over a much longer period of time?
- The public needs more time and information to go over the posted budget line by line. Also Nelder indicated the same need.
- Explanation of depreciation expense and how it affects cash flows and operating income.
- Can the proposed budget be tabled? What are the dates that it must be submitted by?
- The District needs the tax vehicle to improve our collections efficiency. Some part of the revenue has to be in the form of taxes.
- Seasonal shut off of meters, or complete shut off of meters, reduces revenues and is unfair to everyone else since the District must make water available 24/7 to every meter.

- Advantage of spreading out cost of smaller projects that need to be done (engineering studies, tank repairs, dealing with SRP on water rights and available Cragin water, dealing with Payson pipeline project, etc.), the items possible with the bank line of credit or WIFA loan/grant, would cost \$8-\$11 per month per water meter for 20 years depending on interest rates and the money could be drawn down as needed, not all at once. Use other funding sources for the long-term capital improvements. Does not generate revenue from vacant properties.

VII. Motion to End Budget and Rate hearing and return to regular session. Nelder moved to end the Rate hearing and return to the regular session. Tanner seconded and vote was unanimous.

VIII. Discuss and take possible action related to the District Budget and Rate and Fee schedule for the period 7-1-11 to 6-30-12. Board discussion was as follows:

- Jones indicates window of opportunity for Cragin water is getting closer, probably needs to be completed by 12-31-11.
- Jones clarifies required time to get the budget to the County for collections of any taxes we specify is first Monday of August (August 1, 2011) with taxes collected about 60% in October-Nov. and 40% in April-May.
- Tanner mentions some possible use of debt if operating costs are covered by operating revenue, not by debt. Nelder says the question is about borrowing to pay basic operating bills.
- Nelder and Tanner comment the District is in a new period of time in terms of technical complexity, financial needs, and management needs.
- Nelder comments we must take action and the Board is not going to walk away from the issues it faces.
- Jones explains the government budgetary process and what can and can't be done.
- Tanner suggests it is time to vote and we need all property owners to contribute to the costs of operating the District whether they use water or not, indicating some taxes necessary. Tanner surprised at so much opposition to taxes that are really only a one year deal. Doesn't want to have to be short of funds every year and keep coming back to water users saying we need to assess you again. Does want to raise monthly rate so far to cover all costs and not have other property owners pay nothing at all when a better water system benefits every piece property in the District.
- Jones, we need to work on tanks as well as distribution piping.
- Jones reviewed quality of systems with Tonto Village, Geronimo Estates, and Pine Strawberry Water Improvement District. Review rates at several other districts.
- Jones again reviewed extra-ordinary expenses incurred the last two years that ate up our cash reserves (Rehab well #2, new ADEQ required leach field, repair flood damage that made stream pickup useless, add bag filter to replace Katadyn filters, new storage building).
- Tanner states it takes money to the special projects and we could go hire lots of help. We can go outside to hire that expertise, but "why do it when we have Harry sitting on the board and willing to give us a cut rate".
- Jones suggests we can (a) modify the current budget, (b) adopt the budget as is, or (c) table the budget and have another meeting.
- Nelder says he would prefer to modify the current budget after running other scenarios.
- All agree to another meeting and to try to get the e-mail addresses up for a notification to those who have provided e-mail addresses to the District.
- Nelder suggests USDA Rural Development may be best source and Jones reminds him that traditionally has involved expensive bonding.
- Tanner states in term of major funding we need to know what we want before we go looking further, so we know what loans/grants we want to pursue.
- Tanner indicates that Cragin water is no better drought protection than our local springs,

so it is not that much of an insurance policy.

IX. Call to the Public for items on the current agenda: The Chairman moved this up ahead of\ item XIII because most comments were gathered at the end of the District Manager's report or came up in the Budget Hearing, no other questions or comments were taken.

X. Discuss and take possible action related to organization, responsibilities, and possible replacement or engagement of staff or management services personnel performing the following functions: District management services. Because no final action was taken on the budget, this item was tabled until a later meeting just for that topic.

XI. Discuss and take possible action related to authorization of a District official to further pursue preliminary terms and conditions of potential loans and grants from various government agencies, individuals, or other financial resource firms to strengthen the District's cash and credit position: This item was tabled until the next meeting since we needed time to complete the budget and determine what direction we want to go in terms of loans/grants.

XII. Discuss and take possible action related to authorization of a District official to pursue preliminary terms and conditions related to water rights issues to surface and ground water and to the possible acquisition of additional water rights to C.C. Cragin water available from Salt River Project. This item was tabled until the next meeting since we needed time to complete the budget.

XIII. Call to the Public for non-agenda items: No further public comments were heard in addition to those offered earlier in the meeting.

XIV. Call to Staff and Board Members for non-agenda updates and recommended topics for future meetings: No additional agenda items were suggested by the Board members in addition to the current agenda items that were tabled until the next meeting. Tanner suggested separating the water rights issues from the Cragin water opportunity on the next agenda. Also have District Manager determine process to go to five Board members from the current three so action can be considered. Review of insurance policies should go on agenda. Nelder moved to set another Board meeting for Tuesday June 5, 2011 at 7:00 P.M. at the Jones residence in Rim Trail. It was seconded by Nelder and passed unanimously by the Board.

XV. Motion to adjourn: Motion by Nelder, Tanner, and Jones. Motion passed unanimously at 7:44 p.m.