

Blue Ridge Domestic Water Improvement District (BRDWID)
Minutes of the Board of Directors Budget Work Session
June 25, 2022, 1:00 p.m.
Starlight Pines Community Center, 2740 Arapaho Drive, Happy Jack, AZ 86024
Call-in number: 720-740-9623, Access code: 5894439#

1. Call to Order

Chairman John Ritter called the Blue Ridge Domestic Water Improvement District Board of Directors in person Budget Work Session to order at 1:07 p.m.

Board Member Roll Call: John Ritter, Ronald Krug, Sue Davis, Mike Bourne, and Paul Schmidt were present in person.

Quorum: John Ritter determined that five of five members present constituted a quorum to conduct business.

Those present who signed the attendance sheet:

Dave & Suzi Janecke, SP Lot 409

David Wang, PC Lot 80

Theresa Bayer, BRE Lot 134

Naïla Erwin, SP Lot 407

Mike Shiel, SPR Lot 734

Rhody "Roger" Shiel, SPR 659

Alicia Shiel, SPR 659

John Motley, SP 427

Catherine Rogers, BRE 15

Dave Lutz, SP Lot 341

Casey Samsill, SP 37

Those present on the phone by calling in early for the Special Public Meeting following this meeting:

Randy Wood

Robert Campos

Jeri & Laird Mason

2. Accept Agenda as Presented

John Ritter asked for a Motion to accept the Agenda as presented.

Motion: Accept Agenda as presented. **Action:** Approve. **Moved by** Sue Davis. **Seconded by** Mike Bourne. **The Motion Passed unanimously.** Ayes: 5 No's: 0

3. Agenda Items

John Ritter asked for a Motion to discuss, consider, and act on Agenda Item 3.

Motion: Discuss and consider BRDWID DRAFT Budget Plan for FY 2023 as defined by Coconino County. **Action:** Approve. **Moved by** Mike Bourne. **Seconded by** Sue Davis. **The Motion Passed Unanimously.** Ayes: 5 No's: 0

3.A. Background and Future Improvement Projects Handout

Background. Treasurer Mike Bourne reported that BRDWID had received a letter from Coconino County Treasurer Sarah Benatar reminding Special Districts that an adopted budget report was due on July 10, 2022. Given this timeline, the Board of Directors had called today's 2023 Budget Work Session to prepare a FY 2023 Budget Plan followed by a called Special Meeting thereafter to consider and possibly approve a FY 2023 Budget Plan.

The Budget Plan assumed that the Starlight Water Company (SWC) transfer of assets would occur by October 1, 2022 and that \$110,000 in startup funding would be transferred to BRDWID on October 1, 2022. Using Arizona Corporation Commission (AZCC) reports to analyze water sold, Mike anticipated revenue flow for the annual and monthly budget and cash flow plans. Coconino County did not require a monthly plan but Mike liked to use it for his own reference.

Mike had adjusted the Water Infrastructure Finance Authority (WIFA) loan amortization schedule to reflect the new higher annual payment that was a direct result of AZCC delays in approving the sale of assets to BRDWID. The DRAFT Budget Plan included WIFA's required payment and maintenance/repair reserves and the initial expense of installing approximately 183 electric meters offset by an estimated \$150,000 in revenue from a WIFA Loan draw for the meters. Utility Management services reflected no increase.

In their Water System report filed with AZCC, SWC had reported an increase in the number of connections from 737 in May 2021 to 747 at the end of December 2021. The DRAFT 2023 Budget Plan assumed 755 connections for FY 2023. SWC also reported reduced gallons of water sold and reduced revenue for 2021 vs. 2020. 2020 saw more occupancy in the Blue Ridge area due to the Covid restrictions. New construction in Blue Ridge showed a slight reduction.

The proposed DRAFT budget plan could work without a rate increase, but cash flow would be especially tight and require constant monitoring and management.

Future Improvement Projects

Mike Bourne included a list of possible Future Improvement Projects to be addressed in future Budgets.

- Office improvement (\$20K)
- Truck replacement(s) (\$90K)
- Electronic water meters (800 units * \$400/unit = \$320k installed)
- Storage tank inspections/recoating (inspections every 5 years, recoating 10 years)(\$80k over 4 years)
- Mailbox (\$200)
- Bulletin Boards \$1,200)
- Booster Pump (back of Tamarron) – (\$12k)
- Backup Generator for SPR – (\$30K)
- Fire Hydrant Inspections & Testing (ongoing by Blue Ridge Fire Department)
- Building improvements/Repairs at all well sites (\$100K over 4 years)
- Variable pump drives (\$500K at Tamarron Pines, \$500K at Pine Canyon, & \$200K at Starlight Pines Ranchettes)

3.B. DRAFT 2023 BRDWID Cash Basis Budget Plan Handout

Mike Bourne explained the details on each of the nine-page DRAFT 2023 Budget Plan handout that included models for Rate Planning, Power Expense, WIFA Loan Tracking and Amortization, Water Sold Data, and Outsourced Professional Services. The costs for Outsourced services for General Management and Water System Operations increased due to fuel costs and wage increases to retain employees.

Mike replied to unidentified member questions. SWC installed meters at a loss. BRDWID raised the meter install fee to cost. Line item "Contractual Other" is for things BRDWID doesn't have other line items for. The WIFA loan requires BRDWID to have two "Reserve Funds," one as a backup for payments and the other to prepare for future maintenance and expenses.

Board Member Paul Schmidt said he had a list of questions but was now satisfied with the 2023 Budget Plan and appreciated Mike's work putting it together. Sue Davis agreed and was satisfied with the Plan.

In response to David Wang about how to pay for a \$100,000 system failure without a line of credit, Paul Schmidt reminded everyone that when BRDWID received SWC's assets, SWC will also give

BRDWID \$110,000 in cash up front. John Ritter added that well drillers who deal with a lot of little districts like BRDWID would carry a loan for a while. Mike Bourne reported that the USDA had a number of grants and credits available for small water utilities located in rural areas.

In response to Robert Campos on the phone, Mike Bourne stated the BRDWID only had \$3,000 left in the checking account and couldn't afford CPA accounting fees. WIFA doesn't like to include accounting and legal costs as part of the loan and includes attorney fees as part of the sale of assets.

Dave Wang said the Budget was sound but it would be a disservice to ignore capital expenditures and depreciation. Mike responded that once we buy SWC's assets, we could focus on accounting services. We don't want to sell water to other communities to increase our revenue even though Pine-Strawberry DWID would pay us \$1M a year for water. Blue Ridge is only using 18% of its water capacity.

The AZCC last raised SWC water rates in 2003. New water rates will go into effect when BRDWID buys SWC's assets.

Robert Campos questioned the costs on the list of future improvements. Mike responded that those were his ideas and estimates based upon his corporate experience. He believed installing back flow prevention devices was another idea. Our BRDWID general management and water system operator will give us some concrete ideas.

Some Arizona Department of Environmental Quality (ADEQ) inspectors want us to disinfect our water with chlorine, but our water doesn't need disinfection.

Two weeks before the transfer of SWC assets to BRDWID, SWC and BRDWID will have a walk through with HDJ Consulting, our General Operations Manager, and SWC to make sure the system is 100% operational and make a punch list. Meters will be read in tandem at the end of the month. The next invoice would be on BRDWID's new rate plan.

BRDWID will need to establish a Transaction Privilege Tax (TPT) License and continue collecting sales tax at 6.9% from customers for selling water to them as SWC does now. That tax revenue will be paid to Arizona Department of Revenue and Coconino County.

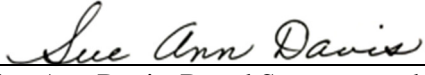
The Board agreed through consensus to move \$101,400 from the 2023 Budget Plan's Net Income/Loss line item to the Reserve Contribution line item, thereby leaving the Net Income/Loss line item at \$0.

Motion: The Board recommends that the final DRAFT 2023 Budget Plan be approved at the June 25, 2022 Special Public Meeting to be held immediately following this June 25, 2022 Budget Work Session. **Action:** Approve. **Moved by** Sue Davis. **Seconded by** John Ritter. **The Motion Passed unanimously.** Ayes: 5 No's: 0


4. Adjournment

Motion: To adjourn. **Action:** Approve. **Moved by** John Ritter. **Seconded by** Ron Krug. **The Motion Passed Unanimously.** Ayes: 5 No's: 0

Chairman John Ritter adjourned the 2023 Budget Work Session Meeting at 2:10 p.m.


Sue Ann Davis, Board Secretary and Clerk
Blue Ridge Domestic Water Improvement District

Prepared on: July 2, 2022


John Ritter, Board Chairperson

Board Approved on: _____

DRAFT