

Blue Ridge Domestic Water Improvement District (BRDWID)
Minutes of the Regular Board of Directors Open Public Meeting
November 19, 2022, at 1:00 P.M.
Starlight Pines Community Center, 2740 Arapaho Drive, Happy Jack, AZ 86024
Call-in number: 720-740-9623, PIN 5894439#

1. Call to Order

Chairman John Ritter called the Blue Ridge Domestic Water Improvement District meeting to order at 1:02 P.M. and announced that call-in numbers had been published in the November 15, 2022, meeting Notice.

Board Member Roll Call: John Ritter, Sue Davis, and Mike Bourne were present in person. Ron Krug was present by phone. Paul Schmidt was absent.

Quorum: John Ritter declared that four of four members present constituted a quorum to conduct business.

Non-Board Members present:

In person who signed the Sign-In Sheet: Linda Hammer, SP Lot 118; Bob Dahlgren, SP 145; Dan Pirtle, SP 75; Brian Willia, SP 298; Barbara Nitz, BRE 106; Casey Samsill, SP; Dan Best, SP 595; and Catherine Rogers, BRE 15.

On the phone: Jeanie and Keith Greiner, Tom Osterday, Ann Whitmore, Jeri Mason, and Frank Pettit.

2. Accept Agenda as Presented:

Motion: Accept Agenda as presented **Moved by:** John Ritter **Seconded by:** Sue Davis
Action: Accept Motion **Voting For:** John Ritter, Ron Krug, Sue Davis, and Mike Bourne
Voting Against: None **The Motion passed unanimously. Ayes: 4 No's: 0 Absent: 1**

3. Call to the Public for Items not on the Agenda to be scheduled for another Meeting.

No Items were brought forward to be scheduled for another Meeting.

4. Consent Agenda Items

A. Approve two sets of Draft minutes that were posted on the website:

1. August 17, 2022 Public Hearing Meeting
2. October 15, 2022 Regular Public Meeting

Motion: Approve Minutes from August 17, 2022 Public Hearing Meeting and October 15, 2022 Regular Public Meeting as presented **Moved by:** Ron Krug **Seconded by:** Mike Bourne

Action: Accept Motion to Approve August 17, 2022 and October 15, 2022 Minutes

Voting For: John Ritter, Ron Krug, Sue Davis, and Mike Bourne **Voting Against:** None

The Motion passed unanimously. Ayes: 4 No's: 0 Absent: 1

B. Approve annual payment to the United States Department of Agriculture for a land use permit

Discussion. John Ritter explained that this payment in the amount of \$93.83 was for a forest service permit for connecting the underground pipe between Pine Canyon and Starlight Pines Ranchettes in calendar year 2023. The District has to lease the land from the forest service once a year.

Ron Krug did not understand why the Board owed this amount since they did not have the assets of the Starlight Water Company yet. John explained that the Starlight Water Company had paid the permit cost up through calendar year 2022. Because the District thought the asset purchase would be finalized by now, the District had the permit changed over to the District for calendar year 2023. This payment is for calendar year 2023 beginning on January 1, 2023 and is due on December 31, 2022. If the purchase of assets does not go through, the District could ask for a reimbursement from Starlight Water Company and the name on the permit would be changed to Starlight Water Company.

Motion: Approve the annual payment of \$93.73 to the United States Department of Agriculture for calendar year 2023 forest service land use permit to connect underground pipe between Pine Canyon and Starlight Pines Ranchettes **Moved by:** John Ritter **Seconded by:** Mike Bourne
Action: Accept Motion **Voting For:** John Ritter, Ron Krug, Sue Davis, and Mike Bourne
Voting Against: None **The Motion passed unanimously. Ayes: 4 No's: 0 Absent: 1**

5. Regular Agenda Items. The Board may discuss, consider, and act on these matters separately. Support documents for these items were posted on the website and emailed out to subscribers with the meeting Notice.

A. Discuss status of offer to purchase Starlight Water Co. Assets

Background presented by John Ritter, Board Member and Chair:

The last step to the purchase of the Starlight Water Company Assets is approval of the sale by the Arizona Corporation Commission.

The Arizona Corporation Commission is responsible to ensure two things:

1. Whether the District is a fit and proper entity to take control of Starlight's assets.
2. Whether the transfer will have an adverse effect on service quality or operation of the utility.

The Nov 7, 2022 Hearing was held at the AZCC office in Phoenix. It lasted 1 day with 6 witnesses testifying.

Barb Studnek (owner of Starlight Water) testified:

- Starlight Water was selling the District in order to retire.
- The duties of Southwest [Utility] Management included billing, water quality compliance, ADEQ testing, and customer management.
- Starlight Water had not been approached nor sought other suitors, as she felt they were under contract and wanted to sell to the Water District.

John Ritter (Chair of the District Board) testified:

- The petition process of becoming a District, including over 51% of Starlight Pines and Starlight Pines Ranchettes being 100% incorporated as per ARS rules except for people who asked not to be included were left out
- Qualifications of the current board members
- How the district contracts were reviewed by the board and the Water District lawyer
- How multiple bids were reviewed before making a down select (for General Manager, Operator, and Utility Management Company)
- What depreciation was and how it was not used in the BRDWID budget as a non-taxable entity
- The election process in Coconino County.

Two staff members of the AZCC presented their reports:

- The water system engineering was reviewed.
- The current management of the water system was analyzed.
- The current water company finances were reviewed and all appeared in good order.
- The staff recommended again that the sale application be approved.

Dave Wang (non-district member) testified:

- The budget was not being prepared properly as the current budget left off depreciation and capitol expenses.
- The District was formed incorrectly due to a total of 43% signed petitions.
- He admitted to never complaining to the Coconino County Board of Supervisors.

Matt Porter (non-district member) testified:

- His property was included in the District without his knowledge.
- He did leave the District after petitioning the Board and paying approximately \$85 in processing costs.
- He believes in local control but does not believe the District was formed correctly.

The Judge will render his recommendation to the Corporation Commission. The Judge has 60 days to submit his written opinion to the Corporation Commission. The Commission has to put the issue on their Agenda and we can go forward.

Following the Judge's recommendation the AZCC agenda will be set in order for the commission to hear the case and make a decision about the sale of the Water Company Assets to the District.

Fiscal Impact:

These continuing delays will add legal costs to the District, which were not budgeted for and may result in a rate increase to all the customers of the water district.

The November 8, 2022 Corporation Commission Election results could be finalized and newly elected commissioners sworn into office on January 2 before the Judge finishes writing his opinion. The Commission staff will then be educating newly elected commissioners. The judge's ruling will be filed on the Docket. Staff has 60 days to schedule the ruling into the Commission's calendar. The longest period of time for the AzCC to settle the purchase of assets would be 120 days from November 7, 2022 or in March 2023.

B. Discuss Board Election results, swear in new board members with Oath of Office

John Ritter believed it was premature to swear in new board members with an oath of office since we don't have the official election results yet.

Lindsay Daley, Clerk of the Coconino County Board of Supervisors, explained to Sue Davis the requirements DWIDs needed to complete after elections. After receiving election results from the Coconino County Elections Department, the District is required to "canvass" the results by holding a public meeting to announce receiving the Election results, passing a resolution of acceptance, and sending the resolution to Ms. Daley so she can report the official DWID canvass to the Supervisors at their December meeting. The BRDWID public "canvass" meeting could be held on December 10 or 17 to give Ms. Daley time to prepare her report to the Supervisors' at their late December meeting.

C. Set Hearing date for Pine Canyon Lot 214 to exit the District

Mike Bourne described slow mail delivery problems with the current USPS mail contractor that was affecting timely receipt of petitions to meet the 45-day processing deadline.

Ron Krug reported similar problems with mail delivery in Sedona.

The Board came to a consensus to hold two separate meetings on Saturday, December 10, 2022, at the Community Center. The Regular Meeting for the Election Canvass would be at 1:00 P.M. and the second meeting for an Exit Hearing would be at 2:00 P.M.

D. Financial Review

Treasurer Mike Bourne presented a financial review as of November 14, 2022.

The checking account was reconciled through October 31, 2022. Current balance with last deposit was \$3,045.38.

Financial changes since last report:

- + \$463.61 – payments received from Boundary Alteration case invoices
- + \$20,760.00 – WIFA loan draw #3 for Legal expenses
- \$20,760.00 – attorney Riley Snow paid for Legal services up through July 31, 2022

-\$650.00 – payments for website maintenance, updates, and SSL purchase

Mike shared:

1. BRDWID General Journal Update 2022-11-14
2. BRDWID Checking Register update 2022-11-14

Once the water company assets were transferred and an accountant hired, more formal reports would be shared.

6. Announcements

A. Future Meeting Dates

1. December 10, 2022, Regular Open Meeting for Election Canvass at Community Center, 1:00 P.M.
2. December 10, 2022, Exit Hearing for Lot 214 at Community Center, 2:00 P.M.

B. Future Meeting Agenda Items

1. Election Canvass
2. Status of purchase of Starlight Water Co. Assets
3. Potential quorums at community gatherings presenting conflicts of interest

7. Adjournment

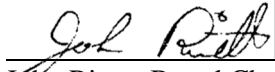
Motion: Adjourn the meeting **Moved by:** John Ritter **Seconded by:** Mike Bourne
Action: Approve **Voting For:** John Ritter, Ron Krug, Sue Davis, and Mike Bourne
Voting Against: None **The Motion passed unanimously. Ayes: 4 No's: 0 Absent: 1**

Chairman John Ritter adjourned the Meeting at 1:32 P.M.



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

Prepared on: November 22, 2022



John Ritter, Board Chairperson
Blue Ridge Domestic Water Improvement District

Board Approved on: _____