

Tonto Hills Improvement Association

MINUTES
of the MEETING of the BOARD OF DIRECTORS

Wednesday, December 12, 2007
6:30pm- Christ the Lord Lutheran Church

The meeting was called to order at 6:30pm by President Rick Nelson.

BOARD MEMBERS PRESENT: Rick Nelson, Carol Landauer, Curt Blik, Dave Seymour, Billy Hayes, Richard Smail

ABSENT: Denny Maple, Bill Victor, Bob Malliet

GUESTS PRESENT: Phil Maloney, Debbie O'Brien, Cheryl Kaufman, Don Rex, Charles Civer, Gary Hunt, Rick Patterson, Robert Kroger, Eric Luker, Terry Luker, Frank Casanova, Howard Bowker, Louise Day, Rick Ersland, Lori Ersland, Mary Pearson, Rick Pearson, Michael Rockwell, Catherine Rockwell, Nancy Nelson, Terry Glass, Marty Haak, Tammy Seymour

1. **ITEM OPEN FORUM:** Frank Casanova asked if we could obtain a tally of the vote count that elected the current Board of Directors in March, 2007. Mr. Nelson explained that the Board decided last year to not perform a count, but Carefree Executive Services could release that information upon request per Board vote.

Robert Kroger questioned the part of the survey letter sent to property owners that referred to Scottsdale services, including fire service, as an advantage. He asked who from Scottsdale provided that information. Mr. Smail replied that people feel differently about that, but Scottsdale did not provide the information. When asked whether Scottsdale proclaimed a guaranteed Scottsdale water supply, Mr. Smail replied that was accurate, according to Doug Mann. Mr. Smail continued, "If you're a member of Scottsdale, you're guaranteed water." Mr. Smail noted that the current Tonto Hills THUC CAP allotment would go to Scottsdale upon annexation.

Mr. Kroger asked Mr. Blik if he were aware of last year's \$12,000 budget surplus. Mr. Blik replied, "No." Mr. Kroger asked, "Did you suggest that monies come from THVFD to pay for the PER?" Mr. Blik reported he did not, but that he did suggest an assessment to get the \$10,000.

Cheryl Kaufman referred to Mr. Smail's 12/4/07 letter and asked about the discrepancy between what he states in the letter and the information Don Hadder had provided at the Scottsdale Annexation Town Hall Meeting. Mr. Smail replied that Mr. Hadder is representing a political position of the City that varies from information Mr. Smail has obtained from closed door, private meetings with Doug Mann. Mr. Smail also iterated that all specifics of annexation are subject to negotiation. Mr. Smail recounted that his

own experience as a developer who has had past dealings with COS bears this out. Mr. Smail said that in regard to Tonto Hills issues, he has met with COS as a Board member, not an individual, noting that he has had no personal meetings/communications with any Scottsdale officials, but has attended private sessions along with Bill Victor and Robert Kroger.

Don Rex wondered how property owners are to discern facts from opinion, or from interpretation of facts. He asserted we have to stop putting out information as fact, if it's not.

Rick Ersland asked about the P.O.Box address that differed from the official THIA address. Mr. Blik replied that he'd supplied the address labels. Mr. Blik went on to describe the Board as "dysfunctional." Billy Hayes suggested this matter should be discussed in Executive Session, but this request was denied due to the public nature of the matter, as the P.O. Box address appeared on post cards that involved the entire community.

Howard Bowker inquired as to the whereabouts of Bob Malliet and called for his resignation from the Board due to his surmised involvement in the illegitimate P.O. Box.

Rick Patterson pointed out there has already been a breach of trust with the community and asked who is going to represent THIA in negotiations with Scottsdale. Answer: nobody yet. Mr. Nelson again reviewed the due diligence process of continuing to obtain information regarding both annexation and DWID formation. Mr. Smail claimed that it is a misnomer that Scottsdale will buy the water company outright. Mr. Smail then shared comments he had received via email from property owner Thomas Palmer who had worked for Scottsdale and Don Hadder in the past. According to Mr. Palmer, Scottsdale could condemn the water company and take it over.

Mr. Nelson asserted this is not a dysfunctional Board as stated by Mr. Blik, but rather a contentious one.

Ms. Kaufman asked for facts, not hypothetical situations (using the word "might"), in letters sent to homeowners. Ms. Kaufman opined that she felt Mr. Smail's letter expressed his agenda. She stated that homeowners deserve to know who is meeting with Scottsdale; minutes should be provided, and all negotiations should be transparent. Ms. Kaufman averred there should be a record of every meeting/communication with the City of Scottsdale.

Mr. Rex reiterated we want progress reports but no more opinions.

Mr. Bowker questioned Mr. Smail's special interests in annexation, claiming he has "an axe to grind."

Charles Civer stated he believed the Board had the cart before the horse. He recommended that the Board and the Water Committee pursue a sequential approach of first completing the PER and the financial due diligence (the basic information needed to pursue any option); then either annexation or the DWID could be pursued once the THUC facts are obtained. Mr. Civer claimed that discussing the merits of either option at this time diverts efforts from being directed at due diligence information gathering.

In response to a question regarding the Water Committee, Mr. Nelson listed the following members: Bill Victor, Robert Kroger, Rick Pearson, Chris Chartier, Bob Swan, Don Rex, and Tom Bailey.

Eric Luker reported he wanted to see pros and cons of both options, but the Board-sponsored survey letter only listed advantages to annexation.

Frank Villars noted that Scottsdale is going to need the results of the PER and suggested we continue to do our due diligence simultaneously, not sequentially.

Ms. Kaufman inquired about the possibility of selling excess CAP water. Mr. Nelson explained that since we are only half built out, projections indicate we will eventually need the entire 71 acre feet allocation. We currently use 35 acre feet with 131 dwellings built and a total of 235 lots. Ms. Kaufman then wondered about the concern of running out of water. Mr. Nelson explained that there is a convoluted system involving water allotment for seven southwestern states. Drought situations could affect guaranteed water allotments. Scottsdale has both CAP water and deep well water.

Mr. Villars asked if our CAP allotment could be used for anything other than Tonto Hills. "Could it go elsewhere?" Answer: "It's possible." An individual or group could purchase THUC and take the 71 acre feet elsewhere, though they must supply an alternative water source, such as hauling water. Mr. Ronstadt is a lawyer involved in the southwestern water rights situation, and Mr. Victor is trying to arrange a Town Hall meeting in which either Mr. Ronstadt or another knowledgeable official can come and speak to THIA on this matter of water supply.

2. **ITEM SECRETARY'S REPORT:** Bill Hayes motioned to approve November minutes. Mr. Seymour seconded. Minutes unanimously approved.

3. **ITEM TREASURER'S REPORT:** THIA is still in need of a treasurer.

Savings account = \$57,028.40 Checking account = \$13,350.23 Mr. Hayes motioned to approve report. Mr. Seymour seconded. Report unanimously approved.

4. **ITEM COMMUNICATIONS AND REPORTS:** ACC- Mr. Hayes reports he is unsure if an ACC meeting was held, as he arrived at the meeting site but no one was there.

ENVIRONMENTAL REPORT: Mr. Seymour took pictures of storm damage and emailed Mr. Wallace of MCDOT to inquire about what can be done about road repairs. In an email to the Board, Tom Bailey and Lou Frederick requested that we: 1) take pictures of the damage; 2) put more pressure on Maricopa County to get roads repaired; 3) talk to Don Stapley, County Supervisor. It was also suggested that we contact Flood Control Group to see what impact they may have.

Mr. Seymour asked for Board approval to write a letter to Mr. Wallace and Mr. Stapley regarding the following road repair issues: a) significantly lowered grade...Locate original grade maps and compare County specs to current conditions; b) fix grade and determine how to maintain it... lime mix option, etc; c) spillways, esp. at La Plata and dip road, at top and bottom of Blue Wash, and at Deer Trail and Manana. Board agreed to make those contacts with County, seeking repair.

WATER COMMITTEE REPORT: PER contract has been signed. Engineers were in Tonto Hills on 12/11/07, began evaluation process, and met with Don Unthank. The PER should be completed in late January. Don Rex has joined the Water Committee. The financial due diligence task has been defined, and the Water Committee is going to do that work. Mr. Unthank has said all financial records are open for examination. The Board will present all PER and financial due diligence findings at a Town Hall, including how THUC will operate as a non-profit (a business plan).

Regarding the Scottsdale component of fact-finding, if 25% of property owners support exploring annexation, conversations/negotiations will be initiated with COS. Board will decide the best way to pursue this.

5. **ITEM OLD BUSINESS: DRAFT 2008 BUDGET-** Mr. Nelson presented the Draft Budget for 2008. He explained that he transferred the 2007 budget, except for taxes, which have increased due to bank savings interest. Mr. Blik asked what we were earmarking for the reserve legal fund. Answer: \$40,000 as required. Mr. Blik also asked if we may need additional funds for the Water Committee. Mr. Nelson explained that \$10,000 was already allocated for PER, financial due diligence expenses should be minimal (paper supply only), and no audit has been deemed necessary as the Board agreed that Bob Swan had enough expertise to conduct the financial due diligence without an expensive official audit. Therefore the need for additional Water Committee money is not indicated, though to be sure, this question can be posed to Mr. Victor.

Mr. Smail questioned the budget line item for THVFD. He suggested that THIA check with an attorney to see if there is need for concern regarding any liability the community may have in its official ties to THVFD. Mr. Smail referred to the recent Trotter fire and wondered if THVFD should be allowed to fight a structure fire if the property owner has rejected Rural Metro services. Mr. Smail requested an opinion letter from an attorney regarding liability to the Homeowner's Association if someone had died in the fire. The Board agreed to consult an attorney regarding liability when a homeowner is not a Rural Metro subscriber.

Mr. Blik opposed the \$2,700 from draft budget for the scheduled fire hydrant installation. Mr. Nelson explained that THIA had previously agreed to fund and install two hydrants a year. At the '07 AGM meeting, the community voted to transfer monies allotted for three of those standpipes to instead fund the THVFD repeater system. The \$2,700 on the '08 draft budget reflects funding for the remaining standpipe. Regarding annexation negotiations with Scottsdale, will we be required to buy our own fire hydrants? Mr. Smail suggested we wait and see.

Mr. Nelson reported that since the Water Committee is doing the financial due diligence under the leadership of Bob Swan, there is no need for insurance for Mr. Swan.

Mr. Smail motioned to accept the Draft Budget, pending the attorney's answer to the question of Board liability in regard to THVFD. Mr. Hayes seconded. Budget unanimously approved.

2008 ANNUAL GENERAL MEETING PREPARATION- Board discussed whether or not Carefree Executive Services should again be retained at \$40 an hour (not to exceed \$500) to mail ballots, receive and count ballots, attend AGM meeting and do final count. Mr. Smail motioned to accept letter of agreement from Carefree Executive Services. Mr. Hayes seconded. Motion unanimously approved.

Mr. Smail motioned to have Carefree Executive Services release the 2007 and the 2008 vote count election results to the community. Mr. Seymour seconded. Motion unanimously approved.

Mr. Nelson reported he planned to send out the ballot announcement in January seeking "08-'09 Board candidates. Board posed no objections.

Mr. Nelson referred to a Board letter that will be written certifying the survey results, if the community reaches the 25% threshold regarding interest in exploring Scottsdale annexation. He asked to whom should the letter be sent: the mayor, city manager...?

6. ITEM NEW BUSINESS: Mr. Hayes asked the Board to clarify the communication problem with the ACC. Mr. Hayes reported that he called Mike Rockwell to find out about the ACC meeting, but received no return call. Mr. Hayes was neither informed about a meeting being held nor a meeting being cancelled.

7. ITEM ADJOURNMENT: Mr. Hayes motioned to adjourn. Mr. Seymour seconded. Motion unanimously approved. Meeting adjourned at 8:20pm.