

September 2022

ICR Sanitary District Newsletter

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The general election on November 8, 2022 is fast approaching and ballots will be sent to voters on the Active Early Voter List on October 12, 2022. The ballot sent to voters in Inscription Canyon Ranch, The Preserve at the Ranch, Talking Rock and Whispering Canyon will include the following question:

ICR SANITARY DISTRICT QUESTION

Shall the Board of Directors of ICR Sanitary District, be authorized to sell and issue general obligation bonds of ICR Sanitary District, in the aggregate principal amount of not to exceed \$3,463,000, to provide funds to expand the existing Santec system with new sludge management to provide additional capacity recommended as Option 1 in the engineering report of Kimley-Horn including \$429,763 for inflow screening and engineering costs not included in the engineering report and to pay all legal, engineering, architectural, accounting, financial consultant and other necessary costs in connection therewith; said general obligation bonds to bear interest at a rate not to exceed 9% per annum, to mature over a period of not to exceed 30 years from the date of their issuance, with principal payable in such amounts as to produce substantially equal annual debt service and which may be sold at prices that include premiums not greater than permitted by law?

FOR THE BONDS

AGAINST THE BONDS

As noted in the June newsletter, the ICR Sanitary District board is requesting voter approval of the bond ballot question to provide adequate funding for an expansion of the wastewater treatment plant (WWTP) as recommended in the engineering report described below.

An Amended & Restated Development Agreement dated March 1, 2012 contractually obligates the District to expand the WWTP as necessary to meet the needs of the communities it serves and provides that the developers will pay the upfront costs for sanitary infrastructure costs within their development area with a limited reimbursement of these costs by the District over time. The agreement also requires the developers to pay the District a specified lot sale fee when each new lot is sold to provide funding for WWTP expansion. With the passage of time and increased costs of construction, these accumulated fees will be insufficient to completely fund the upfront costs for the recommended WWTP expansion and the District must look to other sources of funding.

The District engaged the services of engineering and consulting firm Kimley-Horn to assess the District's current WWTP operation, estimate future wastewater flows and recommend WWTP improvements to handle these future flows. The Kimley-Horn report, completed in May 2022, was reviewed and accepted at the District's June 9, 2022 board meeting. The most cost-effective option outlined in the report is to expand the existing Santec WWTP processing capacity to 170,000 gallons per day which will service slightly more than the projected buildout of 1,706 home in the four communities. The estimated overall cost for this project is \$3,463,000 including the addition of an inflow screen and a 30% contingency factor for possible inflationary or other unanticipated costs.

The District board has determined the most cost effective means for funding this expansion is through low interest programs offered by the Water Infrastructure Finance Authority of Arizona (WIFA). As part of their funding process, WIFA requires approval of a bond issuance ballot proposal by a majority of the votes cast by registered voters in the District in a November general election.

The amount, interest rate and term as stated in the bond question may all appear high; however, it is important to note that Arizona statutes do not allow the District to exceed the stated amounts approved in the bond question when finalizing the financing program. Therefore, appropriate safety margins have been included in the ballot proposal with the understanding that the District board will make every effort to pursue the WWTP expansion and financing in the most cost effective manner possible. Further, there is over \$500,000 in a District restricted capital account that holds developer lot sale fees that may be used to reduce the amount bond financing amount.

As previously stated, the District is contractually obligated to provide adequate WWTP capacity as the build out of the communities it serves continues. Failure to do so would likely result in a breach of contract and costly litigation that benefits no one. The District board is requesting voter approval of the bond ballot question in November to facilitate completion of the WWTP expansion as recommended in the Kimley-Horn report.

Additional information about the District, including the Amended and Restated Development Agreement, the 2022 – 2023 budget and the complete Kimley-Horn engineering report can be found on the District's website: icrsd.net .

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