

BOARD OF DIRECTORS
PINE/STRAWBERRY WATER IMPROVEMENT DISTRICT
P.O. Box 134 - Pine, Arizona 85544-0134

MINUTES

Regular Board Meeting, Thursday, January 17, 2013

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 6:00PM by Gary Lovetro – Chairman

2) PLEDGE OF ALLEGIANCE

Ron Calderon led the Pledge of Allegiance.

3) ROLL CALL

Board Members Present:

Gary Lovetro

Ron Calderon

Sam Schwalm

Tom Weeks

Mike Claxton

Richard Dickinson

There was a Quorum – 6 Board Members present.

Also Present:

Brad Cole – CH2MHill District Manager

Dan Torrens – Legal Counsel

Ralph Bossart – District Engineer

4) APPROVAL OF MINUTES

- a. Regular Meeting November 15, 2012
- b. Special Meeting December 6, 2012

Motion to approve Regular Meeting minutes (11/15/2012) and Special Meeting Minutes (12/06/2013) – Ron Calderon

Second – Mike Claxton

Vote – 5 to 0 Minutes approved. (Sam Schwalm new Board Member abstained)

5) FINANCIAL REPORT

Rebecca Sigeti, CH2MHill Accounting Manager, presented the financial report for the period ending December 31, 2012. The District cash flow in was \$235,590.48. Total cash out for the period equaled \$230,643.85. This resulted in a net cash flow of \$4,946.63 for the period.

Total cash in Y-T-D This Fiscal Year is \$1,298,739.32. Cash out this Fiscal Year Y-T-D is \$1,259,746.38. Net cash flow Y-T-D is \$38,992.94.

Total Bank Balance(s) as of December 31, 2012 in the Restricted Account was \$595,625.48. The Non-Restricted Account was \$523,764.84 resulting in Total Bank Balance of \$1,119,390.32. The entire financial report will be posted on the District web site.

6) **DISTRICT MANAGER UPDATE**

Brad Cole updated the Board and attendees on the progress of District Capital Projects.

Meter Replacement Program

Brad reported the program goal is to replace 1600 water meters in Pine and all of Strawberry to more accurately measure water use by customers, minimize water loss, and improve billing accuracy. The program was started about a week ago, and about 60 meters have been replaced. There have been issues with part-time staff hired for the program, and Brad is reaching out to a firm in Prescott Valley for assistance.

Whispering Pines Project

McCauley Construction out of Winslow has been awarded the contract for the work. The contractor needs to submit insurance verification to ADOT. The ADOT application has been submitted, and we're currently awaiting ADOT approval to move forward.

Milk Ranch Well #2

The pump and motor have been ordered, and the production meter has been ordered. Arrow Drilling will install equipment when it arrives. Then a security fence will be installed.

Milk Ranch Well #3

The 10 inch bore hole has been completed down to 400 feet. Next is installation of 8 inch casing to 400 feet followed by additional 6 inch steel casing down to about 800 feet. The well will then be airlifted for clean out and development of the well. That will be followed by production testing, and then approvals for operation will be acquired.

Milk Ranch Well #1

Brad reported that the new VFD has been ordered and is on site. The weather has delayed installation. He reported that turbidity measures have been less than 5 NTU's since November. He indicated that 3 options have been evaluated to address the turbidity issue.

1. Automatic Shut Off

This involves using controls to turn the well off should turbidity get above a certain set point. The concern with this option is turning the well off. MRW #1 has become the District's most important well and we don't want to shut if off, and if turned off there is potential for the pump to lock up if sanding is present.

2. Water diversion

This option involves diverting water into a diversion pond or into Pine Creek should turbidity reach a certain level. The same controls would be used as in option #1, but a diverter valve would redirect the water rather than shut down the well. This would be a better option in that the well continues to run thus helping to clear it out.

The cost to set up all 3 Milk Ranch Wells would be approximately \$70,000. The cost for option #1 would be about \$30,000 the cost of a controller and sensor.

3. Filtration

The "filtration" option was studied by CH2MHill experts in Denver and Tempe. The filtration system would be designed to filter all 3 Milk Ranch Wells. It could involve a one or two stage filter system. This would reduce the turbidity down to 10 microns and then to 2 microns. Using a 2 stage filter system would be very expensive. The stage 2 (cartridge) would require frequent changes. The cost of these stage 2 cartridges ranges between \$8,000 and \$50,000. The annual cost of operation using the \$8,000 version would be as much as \$166,000/yr due to the need to change frequently. The cost for the stage 1 portion is estimated to be \$28,000 (25 microns) to \$30,000 (10 microns).

Brad's recommendation to the Board is to run a test period with the 10 micron stage 1 filter before purchase to determine effectiveness. A portion of the \$533/wk rental can be applied to purchase. The filter system would be designed to accommodate all 3 Milk Ranch Wells to run through the filter all the time.

Brad indicated the cold weather has been responsible for several leaks and pipe breaks resulting in the loss of about 100,000 gallons.

Sam asked Brad if in future presentations he would review accumulation of associated capital project costs, and provide the report to the Board ahead of the meeting. Brad agreed. Sam also asked if cost overruns on Milk Ranch #2 were nearly complete. Brad indicated they were.

Sam also questioned the bidding process associated with the Whispering Pines Project. Gary addressed Sam's questions indicating the bidding and award process were accomplished within District Rules and Regulations. Gary also explained that a portion of the Milk Ranch Well #2 "overrun" was due to installation of infrastructure to facilitate connection of all three Milk Ranch Wells when ready.

Sam asked additional questions related to the difference in cost versus cost estimate for Whispering Pines. Becky addressed the questions explaining that additional costs were accounted for in the "pipe" contingency for the project, and approved by the Budget process for the specific line item associated with Whispering Pines.

7) **BOARD MEMBER REPORTS**

Richard shared data from a recent review of the "MRWRMS" study (Mogollon Rim Water Resource Management Study, 2008). This study was designed to identify and utilize alternatives to water resources to help Pine and Strawberry meet future water needs.

Since the time of publication several potential "alternatives" including trading for CAP water, partnering with SRP for Fossil Creek water, delivery of Blue Ridge water, slant drilling into the Mogollon Rim, and collection of annual rain water have all been determined not feasible solutions to additional water needs. The study recommended that drilling several deep water wells could be another solution that should be evaluated. Richard pointed out that the District has been able to purchase and drill deep wells over the last 5 years with a total of 4 deep wells scheduled to be on line by the end of this summer. In addition the cost of the 4 deep wells will be significantly less than cost estimates in the study.

We are well on the way to securing enough water to satisfy current and short term future water needs for Pine and Strawberry. However, drilling deep wells in northern Gila County has issues. Admittedly management of turbidity associated with drilling deep into the soft limestone in the area is one. Richard asked for patience and community support to allow CH2MHill experts time to address the turbidity issues providing a lasting solution to the community's water needs.

Tom Weeks reported that he noticed fire hydrants along Pine Creek Canyon Road that were not up to grade and questioned if the project was completed. Brad confirmed there was still work to be finished.

8) NEW BUSINESS

- a. Discuss and take possible action related to appointing a new Board Member to fill the vacant seat on the PSWID Board.

Four candidates submitted resumes to the Board Secretary for consideration. Each was allowed time to address the Board members prior to a written vote by the Board to select a candidate for appointment.

Ray Stephens presented to the Board. He also described his experience with turbidity in his water and demonstrated the results of a filtration system he installed for his home and business.

Russ Brock presented next.

Ray Pugel presented next.

Ron Frese was the fourth candidate to present.

After paper ballot the Board selected Ray Pugel to fill the vacant Board seat. Ray Pugel came forward, signed his oath of office, and took his seat at the table.

- b. Discuss and take possible action related to election of officers for 2013.

Gary Lovetro opened nominations for Chairman, and nominated Ray Pugel. There were no additional nominations. Gary asked for a second to close Chairman nominations. Mike Claxton seconded motion to close nominations for Chairman. Ray Pugel was elected as Board Chairman for 2013.

Ray Pugel asked that Gary Lovetro chair the remainder of the meeting. Gary agreed.

Ron Calderon nominated Gary Lovetro for Vice Chair. There were no additional nominations. Gary moved to close nominations for Vice Chair. Mike Claxton seconded. Gary Lovetro was elected as Vice Chairman for 2013.

Gary Lovetro nominated Ron Calderon for Treasurer. Tom Weeks nominated Sam Schwalm for Treasurer. Gary closed nominations for Treasurer. Mike Claxton seconded close of nominations. Vote 5 for Ron Calderon 2 for Sam Schwalm Ron Calderon was elected Treasurer for 2013.

Mike Claxton nominated Richard Dickinson for Secretary. Gary moved to close nominations for Secretary. Tom Weeks seconded. Richard Dickinson was elected Secretary for 2013.

c. Discuss and take possible action related to specific requested topics by Mr. Schwalm that were not included on this meeting's agenda.

Sam expressed his thoughts related to items selected for meeting agendas, ways to build public trust, and transparency associated with Board actions. He did not agree with established procedure as described in the District Rules and Regulations that the Board Chairman and Board Secretary develop meeting agendas with input from Board Members. He indicated that Board Members should be able to schedule any agenda item for Board discussion and vote they desired. He also suggested further investigation into Mike Greer's use of the CH2MHill company credit card issue. He suggested further investigation would help build public trust and promote transparency.

Gary responded explaining that the reason he decided not to add further discussion related to the credit card issue as an agenda item was that the District had concluded an internal audit of the issue, the District Auditor had researched the issue, and there was currently an audit under way by the Arizona State Auditor General concerning the issue. Gary stated that he had explained to Sam that further investigation at this time might lead to confusion and wasn't necessary.

Further Board member discussion related to reasons to minimize use of committees by the Board. Procedures of committees are governed by Arizona Open Meeting Law, and therefore development of committees opens another level of potential liability for the Board related to OML. In addition action of committees has in the past led to confusion and was less efficient when compared to internal policy.

Motion – to put all items requested by Sam on the meeting agenda for March – Gary
Second – Ron Calderon
Vote – 2 yes - 4 against. (Ray Pugel abstained) Motion failed.

(15 minute Break)

Meeting called back to order by Gary Lovetro at 7:30PM.

9) **OLD BUSINESS**

a. Discuss and take possible action related to public access to the District Rules and Regulations.

Sam introduced his motion.

Motion – PSWID post current version of PSWID Rules and Regulations on the website, and provide upon request a paper copy to any customer that requests one – Sam Schwalm

Second – Gary Lovetro
Vote – 7 – 0 Motion approved.

b. Discuss and take possible action related to the new storage tank at Milk Ranch Well #1.

Gary opened Board discussion, and explained that this issue would be put to a Board vote because although money was approved in the Budget to cover the expense, it was not specifically identified as an individual line item in the FY Budget. The Board had previously voted and approved \$49,000 to cover the cost of the new 30,000 gallon tank at Milk Ranch Well #1.

Ralph Bossart, Verde Engineering (District Engineer), further explained the issue. The tank(s) at MRW #1 serve not as storage tanks but as buffers (for all MR Wells) to protect the boosters. Ralph indicated that when he presented the original estimate to the Board he understood the cost would be \$33,000 for a 30,000 gallon tank. After the bid came in at \$60,000 for the project, he confirmed that the correct cost was \$57,000 for the tank. It was determined the new cost estimate would be \$73,000. The District needed to consider an additional \$24,000 for the tank project, and add \$32,000 for the filtration system.

Motion – to approve an additional \$56,000 to cover the cost of the additional tank and filtration system at MR Wells under the condition that if one of the tanks owned by the District on Mohawk Drive could be moved and reconditioned cost effectively, we would use one of the District owned tanks instead. – Gary Lovetro

Second – Tom

Sam questioned where the additional dollars would come from. Brad Cole indicated that it would come from money budgeted for additional capital projects. A discussion of which capital projects should be postponed followed. Ray Pugel asked Brad if the new tank project might be more important and take precedence over some of the various capital projects. Brad indicated that the tank project was very important and should be a higher priority. The cost of the filtration system was included in the consideration because it would have to be installed at the same time as the new tank.

Vote 7 – 0 Motion approved unanimously.

Jessica Barnett (Blue Card submitted on agenda item 8c)

Jessica stated that she felt that any Board member has the right to have anything he might want to discuss added to a meeting agenda. She commented on the bidding process, transparency of Board actions, and suggested the Board have monthly meetings.

10) CALL TO PUBLIC FOR NON-AGENDA ITEMS (3 minutes per speaker)

Rick Hawthorne

Mr. Hawthorne commented that “everything should be on the table” for Board discussion. This would help to promote public trust, confidence, and address transparency.

Wendy Dravillas

Wendy asked if the results of the current audits would be made public. She agreed to discuss with Becky Sigeti, CH2MHill Accounting Manager.

11) CALL TO ADJOURN

Motion to adjourn – Richard

Second – Gary

Vote 7 – 0 Meeting adjourned at 7:55PM

Reports Available directly from PSWID by request for January 17, 2013

1. *File # PSWID – Financial Report - PSWID– 01/17/2013*
2. *File # PSWID – District Manager Update – Brad Cole – 01/17/2013*
3. *File # PSWID – Mogollon Rim Water Resource Mgmt. Study - <http://www.usbr.gov/lc/phoenix/reports/mogollonrim/mrwrf.pdf>- 01/17/2013*