

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

MINUTES
Regular Board Meeting – January 19, 2012

1) CALL TO ORDER

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

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

Gary Lovetro
Ron Calderon
Mike Greer
Richard Dickinson

Tom Weeks
Don Smith
Mike Claxton

There was a Quorum – 7 Board Members present.

Also Present:

Dan Torrens – Legal Counsel
Brad Cole – CH2MHill District Manager
Ralph Bossart – District Engineer
Number of public attendees not noted.

4) APPROVAL OF MINUTES

- a. Regular Meeting November 17, 2011

Motion to approve Regular Meeting minutes – Ron Calderon

Second – Mike Greer

Vote 6 – 0 Motion passed. (Don Smith abstained. He was not present at meeting)

5) FINANCIAL REPORT

Mike Greer, Treasurer, presented the financial report for the period ending December 31, 2011. The District cash flow in (revenue) was \$133,033.23. Funds received from tax levy account were \$30,479.78. Total cash in for the period was \$163,513.01. Total cash out for operating expenses for the period equaled \$171,368.40. This resulted in a net cash flow of (-) \$7,855.39.

Total Cash In year to date amounted to \$2,522,671.07, and Total Cash Out Y-T-D equaled \$1,983,823.05 resulting in a Net Cash Flow Y-T-D of \$538,848.02. Total Bank Balance Y-T-D in the Restricted Account was \$574,714.98. The Non-Restricted Account was \$1,350,406.04 resulting in Total Bank Balance of \$1,925,121.02 Y-T-D. The entire financial report will be posted on the District web site.

6) DISTRICT MANAGER UPDATE

District Manager Brad Cole provided a handout, and updated attendees on progress of various District projects via a power point presentation. Meeting attendees were updated on the following District Projects:

1. Water conservation signs have been upgraded and posted at 10 locations as discussed at the last District meeting.
2. Truck Purchase

Two used trucks were purchased at auction in Phoenix. These were both 4WD F350's in very good condition. Total expense was \$13,123 against an allowable budget of \$62,000. A portion of the remaining budget will be spent on registration, servicing the trucks, and adding job related components such as pipe racks.

3. Milk Ranch Well #1

The majority of the work including the tank, pipeline, booster station pumps and piping, and the booster building has been completed. Brad thanked Mike Greer for the donation of his time related to recommendations on the electrical equipment for the booster station. A few items remain to be finished before Approval of Construction from ADEQ. It's estimated the project is \$52,800 under plan.

4. Milk Ranch Well #2

The drilling is complete including installation of 6 inch casing down to 802 feet. Perforation of the casing from 790 to 620 feet is also complete. The static water level is at 520 feet. The DeMinimis Discharge Permit for testing has been extended to March 31, and current estimate has the project at \$117,400 under plan. Brad again thanked Mike Greer for the donation of his personal time and help in developing the preliminary electrical plans and coordination with APS. Outstanding work to be completed includes electrical design and installation, determination of pump size, pump testing, and design and installation of piping from MRW-2 to MRW-1.

5. Generators

The generator program is essentially complete and estimated to be \$81,700 under planned budget. Brad extended thanks from the District to Mike Greer for donation of more than 300 hours of his personal time to this project.

Gary Lovetro recognized Mike Greer with special "thanks" for the donation of his time and efforts related to the Generator Project and the resulting cost savings to the District and community.

6. CH2MHill Agreement

Brad reviewed the 2nd year of the agreement with the District pointing out that there is no price increase to PSWID, and "cost-plus-percentage-of-cost" clauses have been removed from the agreement to bring it in line with the District "Rules and Regulations."

7. WIFA Project Grants

Brad reported that he had applied for four WIFA Project Grants; Digital Mapping System, Leak Detection Survey, Unaccounted for Water Survey, and NEMA High Efficiency Motor Replacements. The District did not win any of the Grants. WIFA reported funding only 6 of 20 eligible projects.

7) **BOARD MEMBER REPORTS**

No Board Member reports provided.

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

Pam Mason asked what work was done by Dale Barnes for the \$89,700 contract awarded to him for the District Generator project. She then addressed Chairman Lovetro, "although it could be argued that the Board members expertise in this area may be of significant value, any benefit is outweighed by the essential requirement that the public officers be unbiased in the performance of their duties. Public officials should avoid situations where their professional or financial concerns might be in conflict with the unbiased performance of their duties. Right now neither Dale Barnes nor Mike Greer has a contractor's license. I am suspicious of the way the contract was awarded. It says clearly in the District Rules and Regulations that no member of the District Board may be interested directly or indirectly in any contract entered into by the District Board. I have documentation showing that Mr. Greer asked the District Manager for the lot description, physical address, and job name. Why would he want that information? Unless, it was to work up the quote. Mr. Barnes was not qualified to respond to the quotation or the level of a K-11 contractor's license without the knowledge of Mr. Greer who was the qualifying party on the license which was referenced on the written quotation."

Mr. Lovetro: "Your point is noted. But I can respond to this. The people on this Board donate to this community hundreds and hundreds of hours of service. They don't get a penny for their service. They come up here and donate time. We just illustrated how much time Mike Greer has donated to this community and how much money he saved us. And I for one, as a Board Member, am getting sick and tired of this critical position that you, and Sam, and this watch dog group present. I am fed up with it. If this community only knew how much you two have cost this District in legal fees and man hours, they would be outraged. Now, I can't speak to your agenda item, but I can speak to criticism. And, I'll tell you one thing, it's very easy for you two to sit back there and make all your observations and criticisms when it's costing the community money, when you don't have a penny of your own money invested in what you're doing. I'm going to tell you something, as public officials, we have to sit here, and we have a very high threshold, we are subject to criticism, we're subject to a lot of things we have to take. But one of these days folks you're going to cross that threshold, and you're going to go above and beyond, and you're going to defame the people on this Board. And at that point in time, I'm not making a threat, I'm making a promise, it's going to cost you both very much personally to defend your actions."

Additionally, Mr. Calderon expressed his personal frustration.

Mr. Smith: "Point of order" recognized.

9) OLD BUSINESS

- a. Discuss and take possible action related to (approval and resolution adoption) the *Intergovernmental Agreement (IGA)* with Gila County for the Pine Creek Canyon Road Widening Project.

Sam Schwalm submitted a "blue card" and asked a question related to functionality of fire hydrants when installed on a separate water line from the customer service water line. What affect would a fire hydrant have on the water line, and would it be metered.

Brad Cole responded that Verde Engineering had done a study on the impact of adding fire hydrants to the project, and it would add approximately \$200,000 to the cost, and was therefore not cost feasible for the District.

Brad reviewed issues affecting the District as related to working with Gila County on the Pine Creek Canyon Road Widening Project. The District water mains and lines are in conflict with Gila County's widening of Pine Creek Canyon Road. It is compulsory that the District move the water lines and absorb the costs related to that portion of the project. Board discussion pointed out that from a cost perspective it's in the best interest of the District to contract and work with Gila County for the District's responsible portion of the project.

Brad discussed the responsibilities of both the District and Gila County if the District should enter into a contract with the County for work on the project. Costs are flexible and by nature Bid dependant. The District is being asked to provide \$245,674 the engineer's cost estimate plus a 20% contingency so that the total cost to the District will not exceed \$294,809. The District approved budget for the project is \$246,700. The contract amount above the District budget is \$48,109. Therefore if the bids came in at maximum it's possible for the District to have a cost overrun of approximately \$60,309. It's anticipated that some of the potential cost overrun would be addressed in cost savings to the District by contracting with the County.

Tom Weeks asked about who will warranty the work approved by the County on the Project. Brad indicated that warranty was not covered in the District contract with Gila County, but that warranty would probably be covered in the contract between the County and Contractor winning the bid.

Motion – to pass and adopt the Intergovernmental Agreement between Gila County and PSWID for construction improvements on Pine Creek Canyon Road with total project costs not to exceed \$294,809- Richard

Second – Tom

Vote – 7 – 0 Motion approved.

10) NEW BUSINESS

- a. Discuss and take possible action related to the election of PSWID Board Officers for 2012.

Sam Schwalm made a request related to the District Treasurer position. He expressed his opinion that Mr. Greer violated trust of the community by his involvement with Hat Creek Electric Company and should be removed from the position of Treasurer.

Mike Greer responded. He explained that Mr. Schwalm did not have all the information. Mike explained that what Sam was missing was his "buy-sell" agreement with Dale Barnes. Sam has no idea what's in the "buy-sell" agreement. "Second of all you're incorrect about the Rules and Regulations of the Registrar of Contractors with whom I've been in contact. Quite extensively Pam, since you've filed a claim about my license. The way it works is this. When you sell a company it takes a little time for things to take place. As a qualifying party of a company, I have to amend the articles of the corporation. Which I did 7 to 9 days after I signed the agreement with Dale. Then I have to wait for those articles to be amended, approved, and sent back to me. The ACC sent those articles back to the wrong address, an old address of mine. This delayed my being able to take my qualifying status off Hat Creek Electric until October 24, because that's when I finally got a copy of it. So the Registrar of Contractors Rules and Regulations states that when a qualifying party disassociates from a company, the other party has 60 days to qualify themselves or find another qualifying party. In the mean time they're able to contract legally. Which is what's happened here. So once again, you guys are incorrect. I didn't receive any money for this in any way shape or form. Dale Barnes did a remarkable job of installing those things with his crew that he paid. Second of all Pam, I'd like to answer this question. The reason I asked for information about addresses and things is because I did all the engineering. I had to pull all the permits. I did it all. And I did it all for free. That's why. It's not because I did a bid. But when somebody's going to bid something they have to have information. Everybody who bid it had to have that information. Where do you think they got that information? They got it from me. So once again you guys have not told the whole story, and I don't appreciate it."

Gary Lovetro: " I'm also going to add to that because of your persistence of misinformation that you put out in the public Sam, Max Foster asked for a response from the District. And again because of your email we responded and of course it cost us money because he wanted it in writing and I don't put anything in writing unless our attorney reviews it. So he responded. He (our attorney) has reviewed all of this information, He has reviewed all of the contracts. He has reviewed everything that this District has done. Everything is legal. Everything is above board. Pam Mason submitted a "blue card" and offered her opinion. "All Board members signed a loyalty oath that states that I will faithfully and impartially discharge the duties of the office according to the best of my abilities so help me God. The election of officers requires a bit more of a litmus test. Some elements you might consider before making your selection of officers of the Board could cover the following; does he or she have equity in attitude, trustworthiness in stewardship, integrity of character, fiscal responsibility, good citizenship, good role model, upholding the law, no criminal record, no issuing of bad checks, and so on. These are positions that require honor and trust, and like everything else your due diligence is required."

Mr. Lovetro: "and with that I make a motion to re-elect all the officers in the positions their holding for the year 2012.

Second – Ron

Discussion

Don Smith: "Yes, I would like to see some other officer changes. Not necessarily Mike. I think he's doing a great job." I think a shake up from time to time with the community looking at us would be great. I would nominate Tom Weeks for the Chair position.

Vote on Motion - 5 aye 2 nay Motion passes PSWID Board Officers remain in position for 2012.

Mr. Dickinson responded to character criticism of Board. "I take the comments of our critics as questioning the character of every Board Member here. I take that as very insulting. As Gary mentioned Board Members spend a lot of their time without getting anything back. So it's tough hearing constant criticism. I guess that's part of being a Board Member. I believe for the most part everyone on this Board does the very best they can. No one's perfect. But when we find that something is out of line.....or needs to be changed to comply with the District Rules and Regulations we readily correct it. We work closely with our legal counsel to keep us out of the fray. I'm very frustrated with the anger expressed, and just don't feel it's necessary. The objective of this Board has been and continues to be to provide and manage as cost effectively and prudently the water resources of this community. As I visited with a neighbor, he wondered why the focus was not on Board accomplishments such as 2 new deep wells coming on line, only one rate increase since acquiring the company, installation of generators to address customers requests for lack of water during power outages, and the opening of a local office with an experienced and professional management team. Why does it have to be harder, rather than working together to make it easier."

Don Smith requested that we have more frequent meetings. Gary indicated that with Budget "season" approaching that is likely.

Gary Lovetro commented on the amount of time required as a Board Member, and it can seem like a thankless job. "I've put in more hours as District Chairman this year than I've put in my business. It takes a lot to keep this going, and people don't realize it. We don't get a nickel Pam. And that threshold I was talking about.....that high level for the Board. Well, Pam following the personal complaint affecting Mike's income, you've crossed that threshold. You really have."

11) **CALL TO ADJOURN**

Motion to adjourn – Tom Weeks
Second – Don Smith
Vote 7 – 0 Meeting adjourned at 7:02PM.

Reports Available directly from PSWID by request for January 19, 2012

1. *File # PSWID – Financial Report(s)- PSWID– 12/31/2011*
2. *File # PSWID – District Manager Update – Brad Cole – 01/19/2012*