

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

MINUTES

Regular Board Meeting – January 20, 2011

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 5:35PM 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
Danny Stephens – CH2MHill District Manager
Number of public attendees not noted.

Motion to move to Executive Session – Don Smith
Second – Mike Greer
Vote 7 – 0 Motion passed.

4) EXECUTIVE SESSION

Motion to open Executive Session – Don Smith
Second – Mike Greer
Vote 7 – 0 Motion passed.

- a. Get legal advice from District Attorney related to complaints filed and District procedures.
- b. Discuss negotiating points related to acquisition of the Milk Ranch Well.

(Executive Session minutes are confidential and kept on file by Board Secretary).

Motion to adjourn Executive Session – Don Smith
Second – Mike Greer
Vote 7 – 0 Motion passed. Executive Session Adjourned.

Motion to open Public Session – Tom Weeks
Second – Mike Claxton
Vote 7-0 Motion passed. Public Session opened by Chairman @ 7:30 PM.

5) APPROVAL OF MINUTES

- a. Regular Meeting December 16, 2010

Motion to approve Regular Meeting minutes – Mike Greer

Second – Mike Claxton

Vote 6 – 0 Motion passed. (Tom Weeks abstained)

6) FINANCIAL REPORT

Mike Greer, Treasurer, presented the financial report for the period ending December 31, 2010. The District cash flow in (revenue) was \$133,614.64. Funds taken from tax levy were \$60,000. Total cash in for the period was \$193,614.64. Total cash out for operating expenses was \$179,389.33 resulting in a net cash flow of \$14,225.31 for the period. The Bank balance in the Restricted account was \$520,729.71 and the Non-Restricted account balance was \$128,235.44 resulting in a total Bank Balance of \$648,965.15. The entire financial report will be posted on the District web site.

Sam Schwalm submitted a Blue Card and asked a question related to the Tax Levy Account. He wanted to know if the balance in the non-restricted account included the money from the tax levy. Mike Greer answered "no".

7) DISTRICT MANAGER UPDATE

Danny Stephens addressed the Board and attendees. He reported they have completed the installation of the CMMS software and a couple of employees have been trained on it. Additional training for employees has been completed including one associate sent for operator training in the Valley. He also commented on the water loss due to broken pipes in homes during the recent cold weather. He asked that in the winter months residents turn off their water if they plan to be away from home for an extended period. He offered field staff support for those residents who don't know how to turn off their water. Danny reported that none of the leaks and broken pipes had been found to be on the District side of the meter.

8) BOARD MEMBER REPORTS

Don Smith, Supplemental Water Committee, indicated there had been a committee meeting this afternoon and that minutes would be posted shortly. Gary asked the Board that Members plan committee meetings at least 5 days either side of the Regular PSWID Board meeting day.

Tom Weeks reported that an insurance adjuster was in his store and reported that the insurance company had approximately 200 claims due to broken water pipes from the cold weather.

Sam Schwalm commented that the agenda points out that there is nothing that limits him to one question, but that he is limited only to 3 minutes per question. Dan Torrens, PSWID Attorney, indicated that the Chairman has the ability to place reasonable limits on time, place, and amount of questions and comments from the public.

Sam asked who are the citizens and outside advisors who make up the budget audit committee as referenced in the District Rules and Regulations? Gary responded that the budget audit committee has not been formed yet.

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

Sam Schwalm referenced the District's Rules and Regulations document, and asked that an agenda item related to the Rules and Regulations be placed on the agenda for the next meeting.

Gary Lovetro noted his request.

10) OLD BUSINESS

- a. Discuss and take possible action related to the acquisition of the Milk Ranch Well.

Gary opened the discussion providing a brief history of the planned testing recently completed on the Milk Ranch Well.

Chuck Dickens the District Hydro-geologist was introduced for a presentation on the Testing Plan for the Milk Ranch Well. Handouts for the presentation were provided to the Board Members and public attendees. Chuck discussed the location and various parameters related to the Milk Ranch Well (MRW). He provided a brief history of deep wells in the area, and discussed the various early short term pump tests attempted on the MRW. He then described the 30 day pump test plan and the rationale for it. The 30 day pump test was completed on November 29, 2010 and the well was shut down. The plan was to pump the MRW for extended periods of up to a week at a time at various production rates to determine the production rate that produced a minimal amount of sanding. The goal of sand content and turbidity of the water was 5mg/l and 5 NTU units respectively, the recommended criteria for public drinking water. After pumping over 3 million gallons of water over 30 days at rates from 45gpm to 117gpm it was determined that the well could sustain pumping at 85gpm (about 120,000 to 125,000 gallons per day), and keep sanding below recommended limits for drinking water. Chuck also indicated that the water samples passed all water chemistry test standards. He indicated that if pumped at 85gpm filtration would not be needed for connection to the PSWID system.

Public question and answer period followed. Chuck reported that the aquifer in which the MRW is located is relatively resistant to fluctuation due to drought conditions.

Ralph Bossart (and Dan) from Verde Engineering were introduced, and they presented an Engineering Report covering the anticipated cost and method of connecting the MRW to the PSWID system. Ralph indicated that final costs would depend on size of pipe and storage tanks put in place as well as other variables. He presented a conservative or "inflated" cost estimate of approximately \$246,000 to connect the MRW to the system. This cost estimate was based on the connection process being put out to bid. It is anticipated that the District can perform much of the work required at a considerable savings.

Questions from the Board and public attendees related to pump size and production were addressed.

Don Wood asked what plans the District had to prevent power outage causing loss of water service. Gary Lovetro responded that the Master Plan for the District being developed by CH2MHill will incorporate a provision for "standby" generators for such situations.

Ray Pugel thanked the District for hiring the experts who developed the plan for testing the MRW. He commented on the "appropriate" testing methods used by Chuck Dickens et al to develop the well. Mr. Pugel indicated he felt that the "previous PSWID Board Chairman and previous District Manager did everything they could to stymie this development" of the MRW. Mr. Pugel stated for example, CH2MHill obtained a permit from ADWR to discharge test water into the creek, but the previous District Manager was discovered checking the previous test flow to see if it went into the creek so that he could file a complaint. At that time Mr. Pugel advised the Board that the previous District Manager "was no longer welcome on his property because he was working against the development of the well." Mr. Pugel estimated that the mismanagement of the MRW development process by the previous Board Chairman and previous District Manager wasted approximately \$50,000 to \$100,000 of taxpayer money. He additionally commented on the report from last May from the previous Engineering firm that estimated a cost of \$120,000 for filtration required for connection of the well to the system. Mr. Pugel indicated that he visited the water district in Flagstaff, and their filter system for a 1000gpm well cost only \$15,000. He stated he wanted the public to know his feelings.

Gary Lovetro credited Dennis Burrell of CH2MHill with development of the test plan for the MRW.

Motion to purchase the Milk Ranch Well as per the terms of the final contract signed by Mr. Ray Pugel on August 4, 2010 – Mike Greer

Second – Don Smith

Board discussion followed. Gary reviewed events related to the MRW development since the purchase contract was signed by Mr. Pugel on August 4, 2010. He indicated that Mr. Pugel was willing to carry the note on the well for up to 5 years in the event the Board could not get financing from the Bank.

Vote on the motion 7 aye 0 nay motion approved unanimously.

Gary Lovetro signed the purchase contract for the Board. He also instructed the CH2MHill District Manager to begin any action necessary within the procurement guidelines of the District to begin the connection process immediately.

Motion to use 6 inch pipe for connection instead of 4 inch pipe – Ron
Second – Don

Discussion followed. Wayne Johnson questioned total cost of well.

Vote 7 – 0 Motion passed.

Installing a larger storage tank will depend on costs and will be discussed at a future meeting.

- b. Discuss methodology related to implementation of 2011 Water Rate increase.

Gary Lovetro made an opening statement. He reported on slides presented at the Rate Hearing Meeting last May 26, 2010. Mike Whalen from Compass Bank questioned at that time how the District was preparing financially to address making loan principle payments in the near future. Gary responded to Mike Whalen that the District would be receiving increased revenue as of "1-1-2011" as described in the Rate Hearing meeting slide presentation. Gary indicated the slides showed that increased revenue would begin January 1st. He indicated that at a recent staff meeting he was informed that if revenues did not begin January 1st, the District would encounter a revenue shortfall due to the District meter reading and billing process. As District Chairman he authorized the implementation of the Rate Increase to carry out "what the Board voted for." He indicated he took full responsibility for "carrying out the Board's wishes." Gary stated, "Could we have done it better? Yes we could. Will we do it better next time? Yes we will." He reminded the public attendees we are a "not for profit" district, and as such we must make our FY Budget. The Board is committed to better communication for such issues.

The Water Rate Increase related to the new base rate and charges for water used is another issue. There was a Water Rate Hearing open to the public, a period allowed for public comment, and it was advertised in the paper and on the District Website. The public was given ample time to comment and be aware of the increase.

A Board discussion followed allowing public comment.

James Douglas indicated he is only here in the winter and doesn't use 3,000 gallons of water every month. He feels the rate is unfair to part-timers.

Mike Taylor offered that we all have more than one utility bill, and water is the cheapest utility bill he pays.

Wayne Johnson offered comments regarding the "implementation" of the rate increase. He did not agree with how it was done. Gary offered an explanation of the District meter reading and billing process. It was explained that meter reading is accomplished one month and billing follows the next month. Each process is done in 4 waves a week apart. Therefore, if the rate increase was not implemented until meters were read in January and February, the revenue would not be recognized until February and March. This would create a "cash flow" deficit of 30 to 60 days starting in the last 6 months of the fiscal year. This would prevent the District from making budget, and create a need for additional assessments or other revenue producing measures. Wayne offered his understanding of District financial needs.

Jim Hill reported that he was recently able to have a water meter installed at a cost of \$3,400 including the impact fee. He said he was "very happy" to pay the cost considering he and his wife have been hauling water to their property for over 8 years. He thanked the District for our efforts. A brief discussion followed clarifying the cost of meter installation and the additional impact fee charged for new or 1st time customers.

Ron Calderon offered an explanation of the methodology used to determine the percent increase necessary to meet District financial obligations. The new rate plan impacts part-time low water use residents. However, it's the part-time summer residents that create increased water demands especially on summer holiday weekends. The intent was to somehow minimize the impact on full-time water users who pay for more water throughout the year.

A brief discussion continued. Gary Lovetro offered additional explanation of why the District had to raise water rates at this time. The District has to pay for development of the system to provide unrestricted water to community residents. Members of the Board continued to explain to Mr. Douglas that **ALL** PSWID customers have noticed an increase in their **base rate** as delineated on the water bill. Everyone pays the same base rate of \$36.00.

Sam Schwalm asked an additional question related to customer billing as referenced in the District Rules and Regulations. He pointed out that the Rules and Regulations stipulate that "bills are due when rendered and delinquent 30 days thereafter." How does a bill that is rendered and due in December carry a January rate? Isn't the Board in violation of this section of the District Rules and Regulations?

Dan Torrens, PSWID Attorney, responded that after looking at it, "nothing that the Board did was improper." This has been "a communication issue that has nothing to do with impropriety of the rate application." Gary stated that this is the position of the Board, and that it will be defended as such for all customer claims made against the Board to the State Attorney General.

11) **NEW BUSINESS**

- a. Discuss and take possible action related to election of Board Officers.

Motion to retain the same PSWID District officers if acceptable to them for the calendar year 2011 – Richard Second – Ron

Richard made a statement congratulating the Board Chairman, Gary Lovetro for his hard work, and thanked ALL the Board Members for their commitment and often daily work on PSWID issues. He pointed out the value of having CH2MHill, a leader in the industry, as the PSWID management company. Richard asked for the public's patience as the Board improves the PSWID system and water service.

Vote 7 – 0 Motion passed. The officers will remain the same for calendar year 2011.

12) **CALL TO ADJOURN**

Motion to adjourn – Tom Weeks
Second – Ron Calderon
Vote 7 – 0 Meeting adjourned @ 9:20PM.

Reports Available directly from PSWID by request for January 20, 2011

1. *File # PSWID – Financial Report- PSWID– 01/20/2011*
2. *File # PSWID – MRW Long Term Pumping Test Results –C. Dickens-01/20/2011*
3. *File # PSWID- Cost Analysis to Develop and Connect MRW-Verde Engineering-01/20/2011*