

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

MINUTES
Regular Board Meeting (for January 2010)
February 3, 2010

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 7:00 PM by
Bill Haney - Chair

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

- | | |
|----------------------------|----------------------|
| 1. Bill Haney - Chair | 5. Don Smith |
| 2. Terry Schleizer -absent | 6. Tom Weeks |
| 3. Mike Greer | 7. Richard Dickinson |
| 4. Ron Calderon | |

There was a Quorum – 6 Board Members present.

Also Present:

Harry Jones – Interim General Manager

Number of public attendees not noted.

4) APPROVAL OF MINUTES

- a. Regular Meeting December 17, 2009

Motion to approve minutes - Tom

Second – Don

Vote 6 -0 Approved.

5) TREASURERS REPORT

After consulting meeting attendees Mike Greer, Treasurer, presented the Treasurer's report for the period ending December 31, 2009. He gave a brief monthly summary, but indicated a more comprehensive report would be posted on the PSWID website when approved. Total monthly revenue for the month ending December, 2009 was \$107,237.43 and expenditures were \$120,636.91.

Sam Schwalm submitted a "blue card" with questions for Treasurer. First question was related to how sales tax on water bills was reflected in statement of activity. Harry Jones responded that sales taxes are collected, and then at the end of each month a check is written for the total tax collected to the Dept. of Revenue. Taxes are not added to revenue. They are a "pass-through" item.

A second question was related to the Economist.com "rate stabilization fund". Harry Jones responded that the rate stabilization funds and reserve funds are all combined in one account at Compass Bank.

A third question was related to the FY 2009 ending financial statement. A discussion ensued related to why the final numbers might be different from numbers given in the monthly Treasurer's report. Bill Haney explained that the CPA had examined and approved the FY 2009 year end numbers.

6) DELEGATE REPORTS

Don Smith indicated an attempt was made to have a meeting of the Supplemental Water committee. However due to weather conditions a quorum was not present and the meeting was cancelled.

Bill Haney discussed a recent article in the Payson Roundup related to SRP and PSWID's water right to 161 acre feet of water. Bill was also contacted by the Dept. of Water Resources indicating that they anticipated getting figures back soon related to how much BUI would be paid for relinquishing the CAP allocation. At that time, PSWID will be contacted to determine PSWID's interest in the CAP water allocation. There is a meeting scheduled with DWR and CAP at 2:00PM on February 11, 2010. Interested Board members may attend, however not more than 3 can be present to prevent having a quorum of PSWID Board members.

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

Jim Hill addressed the Board with a proposal to lease his well to the District for \$1.00 per year. He indicated he is currently hauling water from the well to his house. So in exchange for leasing the well, he proposed that PSWID would install a water line to his property. He would then become a customer of the water District. The well was drilled in 1989, and a 72 hour well test pumped out an average of 60 gpm. He indicated that a pipe has been discovered passing under Hwy 87 in the area, so that he believed it would not be excessively expensive to install a service line.

(8) OLD BUSINESS

- a. Discuss and take possible action related to the amending of the District's Rules and Regulations approved at the September 29, 2009 Board meeting.

Bill Haney led a discussion of the summarized Board member comments to the Rules and Regulations as tabulated by John Gliege. During the discussion meeting attendees were allowed input. It was decided to address the summarized list one item at a time and go through the list of about 25 bullet points:

Page 10 A.1 related to security deposits. The Board decided that no interest should be paid on security deposits. The statement was to be left as printed.

Section 4.6 related to "proof of payment" (receipt) for security deposit payments. The Board decided to change the statement to: "the District may require proof of security deposit payment."

Page 14 A.3 related to time and payment of fees for turning off and on customer water meters. The Board decided to leave the statement as is.

Page 15 related to "availability fee". A lengthy discussion involving meeting attendees ensued. The Board decided to strike the statement.

Page 20 related to using the District's meter to turn on or off water except in case of emergencies. The Board decided to change the language to "meter shut-off valve."

Page 21 A.7 related to the District removing a customer meter which for any reason has been shut off for a period of 12 months. The Board decision was to leave the statement as is.

Section 2.14 related to customer use of water for own use. The Board decision was to add language "except in emergencies."

Motion to postpone further discussion on Rules and Regulations to a special meeting to be held on a Saturday – Don
Second – Tom

Vote 6 – 0 motion passed and further discussion postponed.

Sam Schwalm asked question related to proper procedure for submitting questions to Board as may be covered in Rules and Regulations. Apparently he had submitted questions to Board and he never received a response. Ron Calderon and Bill Haney responded.

(9) NEW BUSINESS

- a. Discuss and take possible action concerning a groundwater exploration and development program for existing and new deep wells.

Mike Ploughe of Highland Water Resources presented his proposal for a multi-year water exploration and development program to the Board. His presentation included how he maps out and determines potential well sites. He presented a prioritized list of potential well sites to be investigated. He indicated phase one would be to incorporate existing water resources such as Strawberry Hollow well and the Milk Ranch well. He estimated the cost for phase one to be between \$150,000 and \$600,000 depending on how appraisals come in. In parallel to the first phase he proposed a multi-year program involving the drilling of 3 to 4 test wells per year for 3 years. This will decrease the risks of locating and drilling future wells. The estimated cost of the multi-year program was projected to be \$500,000 per year with a contingency of \$1,000,000 should a well be developed into full production.

Bill Haney followed with a lengthy discussion of the proposal and explanation of development of the master plan for the District. Input from meeting attendees was encouraged and accepted.

Mike Taylor addressed the Board regarding water storage and the need to make a commitment to developing storage for anticipated wells. He recommended we start discussions with the Forest Service to acquire land for storage development.

Bill Haney responded and explained the need to develop a master plan that would identify the location and amount of water storage needed. He indicated that due to summer pumping capacity and slower well recovery, we needed more water first. This led to an extended discussion related to water storage capacity by meeting attendees.

Motion- to approve the groundwater exploration and development program as presented by Mike Ploughe which includes Phase one already approved by the Board – Richard

Second – Mike

Vote 6 – 0 Motion passed

b. Election of Officers

Chairman: Nomination of Bill Haney by Richard
Second – Ron
Close Nominations – Don
Second – Ron
Bill Haney elected Chairman

Vice-Chairman: Nomination of Tom Weeks by Mike
Second – Richard
Close Nominations – Ron
Second – Don
Tom Weeks elected Vice-Chairman

Secretary: Nomination of Richard Dickinson by Mike
Second – Tom
Close Nominations – Ron
Second – Don
Richard Dickinson elected Secretary

Treasurer: Nomination of Mike Greer by Ron
Second – Tom
Close Nominations – Tom
Second – Don
Mike Greer elected Treasurer

c. Discuss and take possible action related to the re-negotiation of water sharing agreements.

Bill Haney led discussion indicating that it has been the intention of the Board that once we owned the water company we would address the water sharing agreements. The Board's intention is to re-negotiate the agreements coming up with a uniform system so that all well owners are treated fairly. It's time to start talks with the 9 well owners to start the process. Complexities exist related to how much water is produced per well, and who pays for the operation of the well. It was determined that the Board Chairman and Interim District Manager meet with counsel to evaluate potential solutions to the agreements before meeting with well owners. The District Manager was directed to contact well owners to let them know the Board is preparing to re-negotiate the agreements. No further Board action taken at this time.

d. Discuss and take possible action concerning proposed 1st year capital improvements for the water system infrastructure.

Harry Jones explained that he and Dean Shaffer (operations) made a list of approximately 43 sites within the system that have issues that need to be addressed. There are various issues including fencing, painting, securing tanks, installing generators for back- up power, and booster pumps. A cost estimate was made to correct system infrastructure needs. A proposed quarterly budget and project list was presented to the Board for evaluation. The proposed budget reflected costs per quarter for 2010: 1st Qtr. \$25,400.00, 2nd Qtr. \$53,800.00, 3rd Qtr. \$115,100.00, 4th Qtr. \$136,100.00 with a total of \$330,400.00 for the year.

Motion – to accept and approve Qtr. 1 and Qtr. 2 expenditures totaling \$79,200.00 as proposed for capital assets and repairs - Richard

Second- Mike

Vote – 6 – 0 motion passed.

e. Presentation by Mark Fumusa concerning the acquisition of the Solitude Trails Domestic Water Improvement District by the Pine Strawberry Water Improvement District.

Mark Fumusa, Chairman of Solitude Trails Domestic Water Improvement District, provided a handout and gave a presentation proposing that instead of re-negotiating the existing water sharing agreement, he would sell the assets of his district to the PSWID. The proposal involved a \$500,000.00 interest free sale of the assets of his district to PSWID payable monthly. He estimated that the outgo was offset by the income based on the fact that the transaction would transfer 49 water customers from his district to PSWID.

Sam Schwalm asked a question related to the agreement STDWID had with BUI providing that when the last lot was sold the water would go back to the district.

A Board discussion followed, and it was determined that the Board would have to consult with counsel to determine legality of such a transaction or if an annexation was appropriate or legal. Bill Haney indicated the Board would consult with counsel, and possibly conduct a feasibility study.

Bill Haney announced that based on input from the community the Board would schedule the Regular Board Meeting for March, 2010 on a Saturday to accommodate community participation.

(10) CALL TO ADJOURN

Motion to adjourn – Richard
Second – Mike
Vote 6 – 0 Meeting adjourned.

Reports Available directly from PSWID by request for February 3, 2010

1. *File # PSWID – Treasurer's Report- Mike Greer– 02/03/2010*
2. *File# PSWID – Resolution Adopting Rules and Regulations-02/03/2010*
3. *File# PSWID – Groundwater Development and Exploration Program-Highland Water Resources – 02/03/2010*
4. *File# PSWID – Proposed 1st Year Capital Improvements-02/03/2010*
5. *File# PSWID- Solitude Trails Domestic Water Improvement District Handout-Mark Fumusa- 02/03/2010*

APPROVED