

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

**MINUTES**

Regular Board Meeting – February 23, 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

Number of public attendees not noted.

**4) APPROVAL OF MINUTES**

- a. Regular Meeting January 19, 2012

Motion to approve Regular Meeting minutes – Ron Calderon

Second – Mike Claxton

Vote 7 – 0 Motion passed.

**5) FINANCIAL REPORT**

Mike Greer, Treasurer, presented the financial report for the period ending January 31, 2012. The District cash flow in (revenue) was \$142,022.36. Funds received from tax levy account were \$8,583.36. Total cash in for the period was \$150,605.72. Total cash out for operating expenses for the period equaled \$180,611.64. This resulted in a net cash flow of (-) \$30,005.92.

Total Cash In (revenue) year to date amounted to \$2,673,276.79,( and Total Cash Out Y-T-D equaled \$2,164,434.69 resulting in a Net Cash Flow Y-T-D of \$508,842.10). Total Bank Balance Y-T-D in the Restricted Account was \$576,097.98. The Non-Restricted Account was \$1,248,404.18 resulting in Total Bank Balance of \$1,824,502.16 Y-T-D. The entire financial report will be posted on the District web site.

**6) DISTRICT MANAGER UPDATE**

District Manager Brad Cole indicated he had prepared an "Annual Report" for the Board Members, and at their request it will be posted on the District website. He 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. Milk Ranch Well #1

The majority of the work including the tank, pipeline, booster station, the booster building, and electrical have been completed. We should get the final on electrical tomorrow. It's estimated the project is about \$46,000 under plan. We still need to pass County inspections which should be tomorrow. The retention pond is completed. We still need fencing around the facility. Additional pressure testing is needed. After chlorination and getting bacterial reports back from ADEQ we can turn on. Hopefully within 10 days.

2. Milk Ranch Well #2

The drilling is complete 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 can be extended several times if needed. Walls for the transformer pad are complete. Current estimate has the project at \$117,000 under plan. We are still waiting on approval from APS, and we still need to perform the 30 day pump test. We still need the design and installation of piping from MRW-2 to MRW-1.

3. Pine Creek Canyon Road Widening

Bids are due from contractors on March 1, and will be opened that day at supervisor chambers in Globe. After bid awards the contractor has 10 days to start and 180 days to complete. The water line portion of the project will be done first to minimize water service interruption. ADEQ has committed to have approvals for new water line in 2 to 3 days provided applications are complete. Brad commented on the cost benefit to the District by entering into an intergovernmental agreement with Gila County.

4. Generators

The generator projects are almost complete. We anticipate having County approval of all 13 generators by tomorrow. We are about \$77,500 under plan.

5. Operations

We are currently focusing on pressure reducing valves, production meters, chlorinators, and maintenance. We've addressed several leaks lately.

6. By contract with the District if CH2MHill under-spends on 3 specific budgets they will refund a given amount to the District. After the first year of the contract CH2MHill has provided a refund check in the amount of \$22,982.68 to PSWID.

## **7) BOARD MEMBER REPORTS**

Ron Calderon apologized to attendees for losing his temper at the last Board meeting, and expressed his thanks to Brad, his company (CH2MHill), and Mike Greer for their work and ultimate "thousands" of dollars in cost savings to the District.

Richard indicated he was aware that there might not be enough Board Members present to comprise a quorum for the regular September 2012 Board meeting. So he announced that the Regular Board meeting would be held September 13, 2012.

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

### **Forrest McCoy**

Forrest McCoy indicated he reviewed the budget just handed out, and noticed there was no mention of a rate increase. He said that over the last 2 years his cost for his water increased 42%. He anticipated that some of the reason was due to the "minimum" 3,000 gallons of water, "even though some of us don't use it." Another concern was that if you had a 5/8 inch meter you pay \$36.00 for the 3,000 gallons, and if you have a 3/4 inch meter you pay \$41.00 for the same 3,000 gallons. Why the difference? He also commented on the number of days per billing cycle by indicating that it ranges from 26 to 36 days on a given month. He recommended that management arrange it to customers receive 3,000 gallons for every 31 days or monthly billing cycle. He also commented on his late charge fee of \$5.82 for being "one day" late in paying his water bill.

Chairman Lovetro thanked him for his comments, and indicated the Board would look into them.

### **Jane Wilcox**

Jane Wilcox commented she "loved" this Board and what this Board has "done for us." She indicated she had listened to a recording of the last Board meeting, and decided she wanted to attend so that she could offer her "two cents." She said that she was a water rate payer, and "Forrest you don't represent me." Jane said that under the old water company in 2006 she paid \$1,035.95 for 7 months. Last year (2011) she said she paid a grand total of \$449.60 to PSWID. She said that in 2011 there were two in her household which made the difference even greater. She said under PSWID her water usage has not been restricted or hauled in from somewhere else. When she calls the office she gets a local person not someone foreign she can't understand. She pointed out that since PSWID there has been no forced water conservation indicated on the "signs". She said she found it "appalling" that anyone would have the "audacity" to take issue or find fault with the community elected Board members. She was aware of the hard work and the "sacrifices made by Board members "trying to do what is right, and ensure we have water flowing in this community." Mike Greer that donated his company man hours and time that saved us thousands of dollars gets thanked. How? Gee, somebody went and slapped an Arizona Contractors investigation on him. Wasn't that a community minded thing to do." She indicated she was sick and tired of the "nit-picking" and endless complaining by some people at every Board meeting. She explained how it cost the community money for the Board to respond to constant complaints and questions. "This Board is composed of very good, honest, and hard working elected community members that volunteer their time to represent our water interests. In lieu of profit they donate their time." She said she applauds the achievements of the Board and said our community is a better place. "We are thriving." "It's no thanks to the people who continually throw garbage up." Jane challenged the people who maintain the website, "Water for Pine-Strawberry.com" stating that she felt their website was misleading and full of "manipulation." She stated they're not fair or honest in their reporting. She said that she didn't think they were helping the community with their "fractured facts." The bottom line in my opinion is this, "\$449.60 for one

full year of uninterrupted water service thanks to the hard work and dedication of this Board and that is the truth.”

Chairman Lovetro explained he allowed Jane Wilcox a minute and a half more time than Forrest McCoy spoke. He offered Forrest an additional one and a half minutes. Forrest declined.

### **Cindy Maack**

Cindy Maack stated how proud she was of each member of the Board. She indicated she had not attended a meeting for some time, and was impressed by the meeting process. She stated she was “very disturbed” about the e-mails sent out by Sam Schwalm that she felt defamed the Board members through “irresponsible” accusations. She stated that she felt Mr. Schwalm did not attack Don Smith or Tom Weeks as much as the other members of the Board. She said she trusted Don and Tom to be “smart enough” that if there were improprieties on the Board these two men would stand up and say so. She stated that she felt the Board members checked and balanced each other. She observed the majority of PSWID projects were under budget, and she didn’t understand Mr. Schwalm’s “problem” with the Board. She indicated she felt “the problem” was that the community voted to recall the previous Board that Mr. Schwalm supported. She accused Mr. Schwalm of being “engaged in spiteful and revengeful activity.” She accused Mr. Schwalm of supporting activities of the previous Board that she felt constituted “mismanagement” of our water system. She said that she felt the current Board has accomplished more than all previous Boards. She stated she felt that Mr. Schwalm’s continuous questions were designed only to disrupt the Board business.

Don Smith commented that he felt the community needed to come together on these issues.

### **Ray Pugel**

Ray Pugel related a story “telephone” to point out how “things” get changed around and miscommunicated in a small town environment. Ray announced that this weekend he finally unhooked his 2,500 gallon water storage tank and booster pump that he maintained for water shortages and emergencies. He felt they were no longer needed. He was going to offer them to other communities still enduring water shortages. Ray unfolded several sheets of print paper containing e-mails informing the public of water “stage” notices and water service interruptions. He indicated he was happy to announce that with the current PSWID Board he doesn’t “get these anymore.” Ray also shared his experience from drilling the Milk Ranch Well. He shared how people had said he was dishonest. It was published that the Milk Ranch Well was no good, it had “dirty water.” He commented that the truth is the Milk Ranch Well is the highest producing well that has been drilled in Pine or Strawberry with pristine water. The other fabrication that was “out there” was the exorbitant profits that he was making from the sale of the well. Ray shared that after closing the books on the Milk Ranch Well and dissolving the LLC, the net result according to his accountant was a net loss of \$1,652.00. Ray did admit that he got future water hookups in the sale, but reminded attendees that ¼ acre of their land went with the well. Ray said for him the “water wars are over.” The system is working and there’s water in the pipes. Ray expressed his hope that with several positive things happening in the community we can get past the “nit-picking.” “The system’s fixed folks.” You have water.

## **9) OLD BUSINESS**

- a. Discuss and take possible action related to “water conservation signs” posted through-out the District.

Ron Calderon opened discussion on this issue. Ron indicated he felt the conservation signs indicated we still have a water “problem.” His recommendation is to take down the signs because we don’t have a water problem today.

Motion – to take down our water signs because they serve zero purpose today- Ron

Second – Gary

Board discussion followed. Don Smith questioned if the Board had been mandated to update the signs. Gary explained the State required us to update the 5 year notification plan. The signs are a voluntary part of the plan and are not required. Richard asked to confirm the signs were not required, and wanted to know what means of communication would the District use if the signs were not used. Brad Cole responded that we could knock on doors, post in public places, e-mail, notices in the billing for a few methods. Brad had never used the signs before because they are not required. Tom Weeks suggested leaving the signs up but covered unless needed. Ron suggested e-mail would be a good method. Mike Greer asked about the recent change in color-coding the signs. Gary commented that on a visit to another community he saw similar signs and it reminded him that they still had water issues. The signs are a reminder of the past.

Vote – 7 – 0 Motion approved unanimously to remove signs.

## 10) **NEW BUSINESS**

- a. Discuss and take possible action related to the PSWID 2012 – '13 Budget.

Gary Lovetro opened the discussion by providing a review of the budgeting procedure for the Board and meeting attendees. In past years the Treasurer and District office staff would call in individual Board Members and present the tentative Budget to each Board member separately. This procedure created issues for some in the community. Therefore the "tentative" FY '12 – '13 budget will be presented to the Board collectively at this Board Meeting. This method of budget presentation to the Board members requires that meeting attendees from the public may hear the presentation, but cannot ask questions, offer input, or otherwise participate in the presentation. Only PSWID Board members will be able to ask questions or discuss the budget presentation. The next step if the Board decides to move forward is to publish the budget in the paper. Following a 30 day comment period, a public budget meeting would be held allowing public input. The budget could be approved by the Board following the public budget meeting.

Mike Greer, PSWID Treasurer, presented the "proposed" Budget for FY '12-'13 via powerpoint. He indicated the new Budget was developed based on cost savings by devoting capital dollars to projects with a return on investment. The projects budgeted for fiscal year 2012-'13 were chosen based on decreasing dependence on "water sharing agreements" and ultimately saving the District and community money. The Budget objectives include, an accelerated meter replacement program, investing in Milk Ranch Well #3, conducting a leak detection survey, and development of a Water Master Plan. The total budget amount proposed for FY '12-'13 is \$2,765,496. (The complete FY '12-'13 Proposed Budget is available on the District website).

A discussion by Board Members followed. Don Smith asked about the potential of investing in a gravity feed well from up in Pine Creek Canyon. This should be evaluated in the Master Plan. Mike Greer thanked Brad Cole and Beckie Siegeti, CH2MHill staff, for their input and modeling in preparation of the proposed budget. Gary Lovetro discussed the potential value of the Water Master Plan. Richard pointed out that the proposed budget was approximately \$2,000,000 less than the current fiscal year budget, and asked about the difference. Beckie explained that last

year the District budgeted based on a refinance package from the Bank and significant infrastructure changes including well purchases. Richard also questioned why this year anticipated customer revenues were about \$200,000 less than last year. Beckie explained that the Tier #2 anticipated revenues did not come in as predicted. She has conservatively reduced the anticipated revenue from Tier #2 for the coming fiscal year. Richard indicated he was glad to see the development of the Master Plan included for this coming year. Ron asked if we anticipated how the reduction of property values might affect our tax levy account for the coming year. Mike pointed out that there would not be any change. Mike Claxton asked if we could re-contract for the water sharing agreements if we needed them in the future. (Yes).

Motion – to have Beckie publish the proposed District Budget for FY'12-'13 in the Payson Round-Up immediately, and at next month's meeting we will set the date for Public Budget Hearing.

Second – Mike Greer

Vote on Motion – 7 – 0 Motion carried unanimously.

Ron suggested that the Budget Hearing Meeting be held on a Saturday and have it at the Community center to be announced by an insert in the monthly billing.

c . Discuss and take possible action related to the election of 4 PSWID Board Members in the General Election on November 6, 2012.

Gary announced that there were four elected Board positions open this year. Up for re-election are Don Smith, Tom Weeks, Gary Lovetro, and Richard Dickinson. Gary appointed Richard as election chairman, and asked that he contact the Gila County Elections department to make the proper notifications for the election. Richard accepted.

Motion – to publish this election announcement in the paper and notify the appropriate contacts regarding the call for election of PSWID Board Members for the November 6, 2012 General

Election – Gary

Second – Tom Weeks

Vote – 7 – 0 Motion passed.

Meeting recessed until 7:45PM.

7:45 PM Meeting Called to order by Gary Lovetro.

b. Discuss and take possible action related to Open Meeting Law Training and the PSWID Serial Meeting Policy. The District's attorney, Dan Torrens, will provide training to Board Members regarding Arizona's Open Meeting Law. The District's attorney will also make a recommendation regarding implementation of a new PSWID Serial Meeting Policy.

The District's attorney Dan Torrens provided a training session on Arizona's Open Meeting Law via powerpoint slide presentation for the District Board Members. All Board members were present. The training session consisted of two parts. In Part I Dan read verbatim the "Written Policy" related to OML and Serial Meetings, and recommended it be adopted by the District.

Part II of the training session consisted of 4 parts covering Arizona's Open Meeting Law.

Part I – Dan discussed OML guidelines for staff and Board Members.

Part II- Dan will provide a reprint of the Arizona Revised Statutes related to Arizona's OML.

Part III – Dan presented specific examples and hypotheticals to discuss and illustrate issues related to OML. Board Members asked questions during this session to better understand concepts.

Part IV – Q and A

Dan recommended the District Board adopt the "Written Policy" from page 2 of training presentation:

"Written Policy"

All meetings of the Pine-Strawberry Water Improvement District ("District") and any standing, special or advisory committee or subcommittee of or appointed by the District shall be public meetings. The District, and any standing, special or advisory committee or subcommittee of or appointed by the District shall comply with all Open Meeting Laws. All persons desiring to attend shall attend and listen to the deliberations and proceedings. All legal action of public bodies shall occur during a public meeting unless otherwise excepted by Arizona law.

Serial meetings of the District are prohibited. A serial meeting is defined as a series of communications, each of which involves less than a quorum of the District, but which taken as a whole involves a majority of the District's members, and during which the members discuss outside of a public meeting a topic that is or may be presented to the public body for a decision. Such communications are prohibited whether the communications occur through direct communication, personal intermediaries, staff members, telephone, technological devices or other means.

Motion – that PSWID adopt the resolution on page 2 of OML training presentation ("written policy") – Gary Lovetro

Second – Don Smith

Vote – 7-0 motion passed unanimously.

## 11) **CALL TO ADJOURN**

Motion to adjourn – Richard Dickinson

Second – Mike Claxton

Vote 7 – 0 Meeting adjourned at 8:27PM.

### **Reports Available directly from PSWID by request for February 23, 2012**

1. *File # PSWID – Financial Report - PSWID– 02/23/2012*
2. *File # PSWID – CH2MHill Annual Report Dec. '10 – Nov. '11 – 02/23/2012*
3. *File # PSWID – District Manager Update – Brad Cole – 02/23/2012*
4. *File # PSWID – Proposed FY 2012-'13 Budget – 02/23/2012*
5. *File # PSWID – Open Meeting Law Training – Dan Torrens – 02/23/2012*

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