

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

MINUTES

Regular Board Meeting – March 17, 2010

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 7:05 PM by
Bill Haney - Chair

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

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

There was a Quorum – 6 Board Members present.

Also Present:

Harry Jones – Interim General Manager

Number of public attendees not noted.

Bill Haney announced that John Gliege passed away from pancreatic cancer on February 21, 2010. Mr. Gliege had quite an influence throughout Rim Country, and Bill indicated that he will be missed. Stephanie Gliege, John's daughter, will assist the District as counsel over the next 2 months, help us wrap up critical issues, and help the District select new legal counsel.

4) APPROVAL OF MINUTES

a. Regular Meeting February 18, 2010

Motion to approve minutes - Ron

Second – Don

Vote 6 -0 Approved.

5) TREASURERS REPORT

Mike Greer, Treasurer, expressed his frustration related to confusion with the District finances, and deferred to Harry Jones to explain the financial position of the District. Harry reported on the balance in the following accounts for the period ending February 28, 2010; PSWID-Acq. Adjustment Reserve equals \$28,568.00, the Operations Cust. Rev Account at Compass Bank has a balance of \$35,113.00, the Gila County Warrant Account (General Account) has a balance of \$69,645.00, the Restricted Customer Security Deposits total \$49,474.00, the Restricted Debt Service Reserve has a balance of \$360,047.00, Petty Cash totals \$200.00 and cash drawer totals \$400.00, the LOC-Bank Proceeds not spent totaled \$24.00, resulting in a Total Checking and Savings balance of \$543,474.00.

Harry reported on revenues as fiscal year to date figures as opposed to just for the month of February, 2010. Total miscellaneous fees equaled \$1,006.00. Property tax levy was \$198,784.00. Total water fees were \$426,487.00, resulting in total ytd income of \$626,277.00.

Harry explained that expenses were categorized into several different departments with the engineering department all being capitalized at this point. Expenses were also reported in a fiscal ytd format. Administration department expense was \$199,471.00. Board of Directors department expense was \$140,090.00. Operations department expense was \$329,478.00 resulting in total year to date expense of \$669,040.00. Harry indicated that year to date net income was negative (\$42,762.00). There were other expenses including interest and finance charges of \$87,659.00 reported for the fiscal year to date.

Harry reviewed the official FY '09-'10 Budget approved by Gila County. He explained that in order to try to track "where we are" he put together some budgets based on our financial data from October, November, and December which was plugged into a constructed budget system to give us numbers to work against for January and February, 2010. Then projections were made, and startup costs were deducted. Startup costs were tracked in a separate category, so that he ended up with what he called the "going forward cost structure." These projections were spread out for the remaining part of the year, and that is what is being used to track various department expenses. He then gave examples by department as a percentage of our success tracking against the projections.

Further Board discussion followed regarding the "projected budget" versus the Dan Jackson model. Bill expressed his major concern was how we were progressing against the operations budget. It was concluded that we were right on budget with respect to operations expense. It was pointed out that startup costs were more than anticipated based on data available at that time.

6) DELEGATE REPORTS

Bill Haney reported on three specific issues.

1. WIFA technical assistance grant application deadline is April 30, 2010. These funds cannot be used for construction, however they are funds applied to activities such as planning and engineering. These grants are reported to be 50/50 type grants with a maximum of \$35,000.00. Bill will be attending a workshop in the valley on March 31 related to WIFA grants.
2. Bill reported that the House and Senate have approved the second round of stimulus money called the "Jobs for Main Street Act." These monies will likely be in the form of grants, and it's expected that Arizona will receive about \$20M for water programs. They're looking for "shovel ready" projects. We would be a good candidate for some of these funds. WIFA has not decided how to proceed as yet, and they have a Board meeting scheduled in about 10 days to determine how they will administer the program. There is a short time frame for this program. It's reported that the funds are to be distributed by September 10, 2010.
3. Bill indicated that SRP is beginning to become very active on the Blue Ridge project. It's reported that SRP is interested in our 161 acre feet of CAP allocation, and there may be an opportunity to negotiate with SRP to trade our CAP allocation for the District's right to additional water from Pine Creek. The cost to the District for our CAP allocation is approximately \$472,000.00 however we may be able to negotiate a trade without having to expend funds.

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

No "Blue Cards" submitted for comment.

Motion to move to Executive Session – Don
Second – Tom
Vote – 6 – 0 motion passed.

(8) EXECUTIVE SESSION

Motion to open Executive Session – Richard
Second – Mike

Vote – 6 - 0 motion passed.

- a. Discuss negotiating points of well-sharing agreements.

Motion to end Executive Session – Ron
Second – Don
Vote – 6 - 0 motion passed.

Motion to reopen public session – Don
Second – Mike
Vote – 6 – 0 motion passed. Public session reopened.

(9) OLD BUSINESS

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

Richard opened discussion. The intent of this agenda item was for all Board members to be updated on program issues and have an opportunity to give their input on exploration and existing well acquisition.

Harry Jones reported that Tetra Tech appraisals on the SH3 well should be received by Friday this week. The appraisals for Milk Ranch Well are to follow in approximately 2 weeks. We have been working with Loren Peterson to run his well, and evaluate it. Work has been done at Milk Ranch Well, and we now need to determine how to fully evaluate the Milk Ranch Well and move forward. The SH3 well is the easiest and quickest to hook up to the District's water system. Harry estimated that once an agreement is worked out, the well could be hooked up in a "couple of weeks". It was suggested to use the "Rain for Rent" system to facilitate a more rapid way to hook the Milk Ranch Well to the District system once an agreement is reached. It was estimated that the MRW could be hooked up to the District system in about 3 months.

Mike Ploughe discussed progress on the development of the "new" well. A permit to drill was obtained, and District members are working with land owners to clear access to the well site for drilling. Mike estimated that if all goes well it would take 30 days to accomplish drilling and determine "what we've got" and an additional 2 to 3 months to hook up. If things don't go well, he suggested we could be as much as 90 days just for drilling.

Richard expressed his concern related to the potential for cost over-runs on drilling the "new" test well given the drilling challenges and costs associated with the other deep wells that have been drilled in Pine. He indicated that he felt it was important to put a "stop loss" on expenditures for drilling the "new" well in order to preserve funds to complete negotiations for the existing producing wells. Board discussion followed.

Motion - to put a cap of \$200,000 on the "new test" well, and once we reach that amount of expense a consensus of the Board would be required to determine next steps in development of the test well. – Richard

Second – Don

Further Board discussion followed.

Vote 5 – 1 motion passed.

Mike Greer opened further discussion on the condition and evaluation of the Milk Ranch Well. Harry reported that the perforations in the casing were clogged, and that we were in discussions with the owners on how to proceed. Mike Ploughe reviewed the process and cost to clean out and re-perforate the well casing. In terms of costs Mike Ploughe estimated that it could be completed, including re-installing the pump for about \$55,000.00. Mike Ploughe indicated that he thought it was worth the expenditure to move forward with the well restoration process. It was pointed out that since the drill rig was currently in place on the well, it would minimize cost and save time to move forward with well restoration on the Milk Ranch Well before moving the drilling rig to the new test well site. The question was raised that if the Board had voted to allocate the funds necessary to evaluate the Milk Ranch Well, why haven't we moved forward with the process? Harry responded with the concern of the Board developing or improving personal property. Harry

suggested we should negotiate for acquisition of the well, and then proceed with cleaning it out and recondition it. Discussion followed, and it was determined that cleaning of the well was part of District due-diligence to determine the value of the well. The discussion centered around priorities, and due to the fact the funds had already been approved, it was decided to get a signed contract with ADT Drilling and move forward immediately with re-perforating and cleaning out the casing of the Milk Ranch Well.

(10) NEW BUSINESS

- a. Discuss and take possible action related to appointing a new PSWID Board member.

Bill Haney opened the discussion by reading a letter submitted by Sam Schwalm expressing his interest in the position. Two additional candidates, Gary Lovetro and Howard Matthews, gave brief presentations defining their interest in serving on the Board, their qualifications, and business experience. Gary Lovetro was appointed to the open Board seat by a vote of 3 to 2 by Board members (Bill Haney, Chairman abstaining).

- b. Discuss and take possible action related to development of the PSWID FY '10-'11 Budget.

Bill initiated discussion of the PSWID FY '10-'11 Budget. Issues that need to be addressed include a detailed Budget for next year, bringing in contract personnel as full time employees with benefits, and the question of revenue as it relates to future expenditures. The Budget needs to be published 30 days before the PSWID last regular meeting of the fiscal year. Bill asked Harry to set up a committee including Dean and Becki to develop issues related to the FY '10-'11 Budget. It is Harry's responsibility to establish the committee without PSWID Board members. Bill expressed his desire that Board members would be kept advised of committee progress and feedback. It will be Harry's responsibility to keep the PSWID treasurer advised of committee progress. Bill directed Harry to move forward with development of a committee to address FY '10-'11 Budget.

- c. Discuss and take possible action related to establishing a Personnel Relations Committee.

Bill asked Harry to establish a Personnel Relations Committee including at least one Board Member, and Dean and at least one of Dean's employees. Board Members interested in participating on the Committee should contact Harry. This committee since it includes a PSWID Board member will have to abide by Arizona Open Meeting Laws.

- d. Discuss and take possible action related to approving an Independent Contractor Agreement for Becki Sigeti.

Bill indicated that it was necessary for the Board to develop Independent Contractor Agreements for some staff that currently are covered by ICA's with Harry Jones. Becki indicated she wanted an increase from \$20/hr to \$22/hour. This was based on the fact that her duties have expanded, and discussions she had with Harry Jones. After additional discussion she agreed to \$20/hr through June, 2010 to be re-addressed at that time.

Motion to approve an Independent Contractor Agreement between the Board and Becki Sigeti at \$20/hr for the period through June 30, 2010 – Richard

Second – Don

Vote – 6 – 0 motion passed.

- e. Discuss and take possible action related to approving an Independent Contractor Agreement for Judy Slightham.

Judy requested an increase to \$15/hr based on increased work load. Bill reminded everyone that when new agreements are developed that hourly pay rates may be adjusted due to inclusion of employee benefits. Motion to approve an Independent Contractor Agreement between the Board and Judy Slightham at \$15/hr for the period through June 30, 2010 – Ron
Second – Don
Vote 6 – 0 Motion passed.

f. Discuss and take possible action related to extending the Independent Contractor Agreement of Steve Stevens.
Motion to extend the Independent Contractor Agreement of Steve Stevens at the current rate for the period through June 30, 2010 – Don
Second – Richard

Mike Greer voiced his concern related to full time hours for Steve Stevens. Mike indicated that he thought Steve Stevens' duties could be performed on a part time or as needed basis to help address cost over-runs on the administrative budget.

Vote – 5 to 1 Motion passed.

g. Discuss and take possible action related to the development of an employee benefits package for permanent full time employees and the budgetary impact for providing such a package.

Pam Mason requested that the Board due a complete and careful evaluation of employee salaries and benefits. Ron Calderon recommended that item "g" should be included in the issues to be addressed by the FY'10-'11 Budget Committee chaired by Harry Jones. Harry commented that this should also be addressed by the Personnel Relations Committee (Advisory Board). Bill reported on employee benefits and salaries from "comparative" communities such as Payson, Cottonwood, Prescott Valley, Show Low, Safford, and Casa Grande. Further discussion emphasized the complexity and difficulty of providing comparative employee salaries and benefits. Bill also discussed Employee Retirement Benefits.

Fred Krafczyk asked about how appropriate this meeting venue was to this discussion. It was recommended that the Board investigate hiring a firm to evaluate the issues. The cost involved with hiring a professional firm to evaluate and give recommendations on employee benefits was also discussed.

(11) CALL TO ADJOURN

Motion to adjourn – Don
Second – Tom
Vote 6 – 0 Meeting adjourned.

Reports Available directly from PSWID by request for March 17, 2010

1. *File # PSWID – Treasurer's Report- Harry Jones– 03/17/2010*
2. *File# PSWID –Contract with ADT Drilling – 03/17/2010*
3. *File# PSWID –Independent Contractor Agreement- Becki Sigeti – 03/17/2010*
4. *File# PSWID – Independent Contractor Agreement- Judy Slightham– 03/17/2010*
5. *File# PSWID - Independent Contractor Agreement- Steve Stevens – 03/17/2010*