

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

MINUTES

Regular Board Meeting, Thursday, March 28, 2013

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 6:00PM by Ray Pugel – Chairman

2) PLEDGE OF ALLEGIANCE

Richard led the Pledge of Allegiance.

3) ROLL CALL

Board Members Present:

Gary Lovetro
Ron Calderon
Sam Schwalm

Tom Weeks
Mike Claxton
Richard Dickinson

Ray Pugel

There was a Quorum – 7 Board Members present.

Also Present:

Brad Cole – CH2MHill District Manager
John Nelson – Asst. Gila County Manager
Dan Torrens – District Legal Counsel

4) APPROVAL OF MINUTES

- a. Regular Meeting February 28, 2013
- Motion to approve Regular Meeting minutes – Ron Calderon
Second – Gary Lovetro
Vote – 7 to 0 Minutes approved.

5) FINANCIAL REPORT

Ron Calderon presented the financial report for the period ending February 28, 2013. Cash flow in from revenues was \$138,884.59, from Compass Bank was \$181,708.76, and from tax levy was \$11,554.36. This resulted in a total District cash flow in of \$332,147.71. Cash out for the period included \$91,475.26 for CH2MHill contract, \$5,840.69 for administration, \$16,081.60 for operations, \$3,946.94 for Board of Directors, \$27,171.08 for debt interest, \$14,000 for Debt Principal and Capital Outlays, and \$37,313.32 for Capital expenditures for a total cash out for the period of \$195,828.89. This resulted in a net cash flow of \$136,318.82 for the period.

Total Bank Balance(s) as of February 28, 2013 in the Restricted Account was \$596,627.46. The Non-Restricted Account was \$387,029.23 resulting in Total Bank Balance of \$983,656.69. The entire financial report will be posted on the District web site.

6) DISTRICT MANAGER UPDATE

Brad Cole updated the Board and attendees on the progress of District Priority Capital Projects and Operations.

Meter Replacement Program

This program has been resumed by bringing in temps under the CH2MHill program. The plan is to hire two additional temps to get caught up on the project. Currently 248 of 1600 meters have been replaced.

Whispering Pines Project (SR87 Water Main Extension)

ADOT approval has finally been received. Project completion is anticipated in about 90 days.

Milk Ranch Well #1

The evaluation of refurbishing and moving a second tank currently owned by the District from Mohawk Drive to the MRW site proved to be the best alternative rather than buying new. The cost figured to be about 40% of new.

RFP's will be submitted to address re-pipe, moving the flush pond, and the anticipated \$18,000 cost to install the filtration system for testing.

Milk Ranch Well #2

We're awaiting the award of warranty for replacement of the motor starter. When received (hopefully next week) we can install, pressure test the line to MRW #1, get bacterial testing done, and submit for final approval from ADEQ. When approval is received, water from MRW #2 can be joined into the system.

Milk Ranch Well #3

As previously reported there were issues preventing drilling beyond 300 feet. The driller has decided to grout in the affected area and re-drill the 300 feet ultimately to 400 feet. The cement trucks should be on site in a couple of days.

Operations

Brad reported that 6 of the storage tanks will be cleaned and inspected next week. Some of the system tanks have been neglected for as much as 40 plus years.

MRW #1 has been running with a turbidity reading less than 5 NTU's in the range of 3 NTU's.

Questions by Board Members followed. MRW #1 has been producing 65gpm with low turbidity.

There have been coli-form and e. coli "hits" on the Strawberry Hollow well, and the well has been turned off since January. The well will be chlorinated to address the issue, and will be turned back on only after satisfactorily passing further bacterial testing.

7) BOARD MEMBER REPORTS

Sam Schwalm commented on the recent PSWID Town Hall facilitated by Tommie Martin, Gila County District 1 Supervisor. He indicated he felt that overall it was a productive meeting.

Ray Pugel read a letter he received that was critical of him and his actions related to the MRW and his position as Chairman of the PSWID Board of Directors. The letter was highly critical of Mr. Pugel and his efforts in drilling MRW and articles published in the newspaper. The letter was signed anonymously "PSWID Customers." Robert Randall's comment related to the accusation of being a "good ole boy" was, "I'm not that old." To support the facts related to the MRW Mr. Pugel offered minutes from the PSWID meeting of May 17, 2008 which was 3 years prior to the PSWID purchase of the well. Mr. Pugel offered to share his 2011 tax return indicating he actually lost money in the transaction to sell the well to PSWID with any anonymous letter writer who might with a sudden dose of integrity want to learn the actual facts.

8) NEW BUSINESS

a. Discuss and take possible action related to the 2013 – '14 FY Budget.

John Nelson who managed Gila County finances and agreed to consult with PSWID to develop the FY 2013 – '14 Budget led a lengthy discussion with the Board to determine the "Board's Budget Policies and Direction" for the next fiscal year and beyond.

John Nelson began his presentation by indicating his objective this night was NOT to present a FY Budget as a "spending plan," but to identify the next FY Budget as a critical component of an overall "long term plan" identified by the Board to "get to where they want the District to be." He indicated that what he needed was policy direction from the Board. This was not to be a presentation but rather a "dialog" with the Board to help him build a budget that would help the District Board obtain their goals.

With assistance from CH2MHill accounting manager and district manager, John identified several parameters critical to building a budget. Of the 112 million gallons of water produced 31.5% is lost or is "non-revenue" water. It cost the District \$17.87/1000 gallons of Revenue Producing Water. Water storage equals 1.3 million gallons. (less than 1 week of production). 93% of the water mains (31.8 miles) are inadequate for water delivery. John indicated the Board should make decisions and set policy related to fiscal policy, rate structure policy, and operational policy. The Board needs to set policy related to goals (dollar amounts) for operating reserves and capital reserves. How much should be held in reserves? How many years should it take to build reserves and what matrix of charges should be used to reach reserve goals? John suggested that the revenue matrix be based on costs related to benefits. That is the cost should be distributed to or born by those customers who benefit. For example the revenue matrix used to distribute cost of base improvements to the system that benefit all property owners should be property taxation.

In addition operational goals and a long term water master plan need to be addressed and developed. Capital projects need to be prioritized to set revenue goals and thereby meet operational costs. John pointed out that it's critical for the Board to decide what policies are important to move forward and focus the attention on those policies to be successful.

John reported that preliminary evaluation of costs and revenues for the coming year show that without revenue increase there will be a short-fall of 8.8% without figuring in contingencies or reserves.

After further lengthy Board discussion, John suggested that what he was hearing from the Board was that we intended to set a reserve and contingency policy and would have to accomplish those goals in stages. Additional discussion included the need to fix the 31 miles of water main pipe and the potential need for a bond issue. Additional discussion related to revenue matrix comparing property tax versus water rate structure. Finally the costs to customers would be based on customer benefit. John suggested that property tax increase would potentially go from \$300,000 to approximately \$500,000. He indicated that he thought property tax was a fair way to generate operational revenue and provided for a more stable financial structure for future borrowing needs.

It was determined that the Proposed FY 2013 –'14 Budget would be presented and discussed at the next Regular PSWID Board Meeting scheduled for Thursday, April 25, 2013.

b. Discuss and take possible action related to water rates for FY 2013 – '14.

No action taken by the Board.

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

Mitzi Paul

Mitzi Paul read a letter sent to her from Fred Krafczyk expressing his concerns relative to PSWID FY budgeting process and anticipated increases in water rates and property taxes.

Wendy Quinton

Wendy expressed her concern for Pine/Strawberry residents living on fixed incomes and their ability to afford any water rate or tax increases passed by the Board.

10) CALL TO ADJOURN

Motion to adjourn – Gary Lovetro

Second – Ron Calderon

Vote 7 – 0 Meeting adjourned at 8:03PM

Reports Available directly from PSWID by request for March 28, 2013

1. *File # PSWID – Financial Report - PSWID– 03/28/2013*
2. *File # PSWID – District Manager Update – Brad Cole – 03/28/2013*
3. *File # PSWID – Anonymous Letter – Ray Pugel – 03/28/2013*
4. *File # PSWID – Budget Policies and Direction – John Nelson – 03/28/2013*
5. *File # PSWID – Letter to Board – Fred Krafczyk – 03/28/2013*

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