

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

MINUTES

Regular Board Meeting, Saturday, April 14, 2012

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 10:00AM by Gary Lovetro - Chair

2) PLEDGE OF ALLEGIANCE

Gary commented on time allotments for public attendees who submit "Blue Cards." He corrected comments printed in an article in the Payson Roundup suggesting he gave some speakers more time than others. He explained that if speakers take over their allotted 3 minutes, others will be given the opportunity for additional time to speak if desired as was offered to Mr. McCoy at a previous meeting.

3) ROLL CALL

Board Members Present:

Gary Lovetro

Ron Calderon

Mike Greer

Richard Dickinson

Tom Weeks

Don Smith (absent)

Mike Claxton

There was a Quorum – 6 of 7 Board Members present.

Also Present:

Robert Ross – Legal Counsel (substituting for Dan Torrens).

Brad Cole – CH2MHill District Manager

Number of public attendees - 61

4) APPROVAL OF MINUTES

- a. Regular Meeting February 23, 2012

Motion to approve Regular Meeting minutes – Ron Calderon

Second – Mike Claxton

Vote 6 – 0 Motion passed.

5) FINANCIAL REPORT

Mike Greer, Treasurer, presented the financial report for the period ending March 31, 2012. The District cash flow in (revenue) was \$128,030.41. Funds received from tax levy account were \$14,911.11. Total cash in for the period was \$142,941.52. Expenses for the period included; CH2MHill Contract \$79,957.42, Administration \$7,702.96, Operations \$12,189.41, Board of Directors \$5,577.21, Debt interest \$27,804.29, DP/Capital Outlays \$13,666.67, and Capital Expenditures this fiscal year \$107,190.58. Total cash out for operating expenses for the period equaled \$254,088.54. This resulted in a net cash flow of (-) \$111,147.02.

Total Bank Balance Y-T-D in the Restricted Account was \$577,701.98. The Non-Restricted Account was \$1,152,865.06 resulting in Total Bank Balance of \$1,730,567.04. The entire financial report will be posted on the District web site.

6) DISTRICT MANAGER UPDATE

Sam Schwalm asked a question related to changing the type of pipe to be used in the Pine Creek Canyon project.

District Manager Brad Cole explained that the HDP (High Density Polyethylene) pipe was more flexible, stronger, and actually a little cheaper than the PVC900 type of pipe. He indicated the long term affect would be it is more flexible and would last longer.

Brad updated attendees on progress of three District projects via a power point presentation.

1. Milk Ranch Well #1

MRW 1 is complete of all construction, and we have applied for "approval of construction" from ADEQ. They completed their first review, and required moving the location of a sample tap. We have made the adjustment, and will resubmit for approval. Upon receiving approval from ADEQ water will begin to be pumped from the well into the water system. This is expected in a couple of weeks.

2. Milk Ranch Well #2

The drilling is complete. We've elevated the well pad, completed the surface sanitary seal, and completed all electrical. Utility clearance has been received from the County. The driller has installed the 3 inch pipe, the test pump, and the wiring. We are currently waiting for APS to install the transformer, and pull the wiring. When APS completes installation we can begin well testing. We anticipate having the well "on line" by July 4th weekend. Brad showed pictures of the elevated well pad and pipe.

3. Pine Creek Canyon Road Widening

The Board of Supervisors approved the paving contract and water line contract on April 3rd. There is a preconstruction meeting scheduled for April 18, and construction can begin after that meeting. The initial construction bid came in over the PSWID budget for the project. Brad was able to negotiate a change in pipe and backfill material that was approved by the contractor, and saved the District \$60,000. The new estimated construction cost is \$223,000.00

We will be filing the annual Water Use Report with ADWR on Friday. We have completed the first draft of the Consumer Confidence Report for ADEQ which is due July 1st. This report should be completed in May.

Gary provided location of the MRW's for attendees, and thanked Brad for his efforts in saving the District \$60,000 of tax payer money.

7) BOARD MEMBER REPORTS

Richard announced that the Regular Board Meeting scheduled for May has been cancelled. The next regularly scheduled PSWID Board meeting will be in July.

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

Mary Ann Asa

Ms. Asa indicated it was the first time she has attended a PSWID meeting, but has followed progress of the Board. She indicated she has been a resident of Pine for 35 years, and commented on the current water rates related to the initial 3,000 gallons of usage allowed each customer. She is not a "full time" resident, and often doesn't use 3,000 gallons of water per month. She asked if the Board would consider some type of "water banking" system to allow a credit to customers of the portion of the initial 3,000 gallons not used on a monthly basis.

Carolyn Zimmerman

Ms. Zimmerman voiced her concern related to low water pressure at her residence on Wilbur Road in Strawberry. She indicated the ACC website states the minimal allowed water pressure from water companies is 20psi. When she had the water pressure tested at her home in September, 2012, it measured only 14psi. The PSWID representative who tested the pressure told her that pressure on Pine Street next to her was approximately 60psi. Ms. Zimmerman indicated that low water pressure at her home has been an issue for several years, but recently it has become worse. It was suggested to her the age and quality of the water pipes supplying her home would not withstand higher pressure. She would like to know what can be done to address this issue, and if the proposed PSWID Budget provided funds for fixing leaks and new pipes when it could be addressed.

Gary Lovetro indicated that Brad Cole, CH2MHill District Manager was taking notes, and would be addressing her low water pressure issue.

Jim Hill

As a resident of Pine for 10 years, Mr. Hill provided his version of a brief water history for Pine and Strawberry. He indicated that historically Brooks Utilities said nothing could be done to improve water availability or service as there was no deep water in Pine. Jim indicated that the community disagreed and elected a water Board of local "rookies" to address the water issues and acquire the water system from BUI. Deep water was proven available in Pine due to 2 deep wells successfully drilled by local residents, and the "rookies" set about solving the local water issues by acquiring the water utility from Brooks Utilities. This Board has worked to find actual solutions rather than try to convince residents that nothing could be done. They hired a "hands-on" management team, and looked for the problems and fixed them. They bought the existing deep wells, and are now trying to attract new customers to increase company revenues. The results of the Board are not in dispute. The water moratorium has been lifted, there has been no water hauling, and generators are in place to ensure water is available during power outages. Long term planning is being done. "Not a bad track record for fixing a problem that was impossible to fix."

Mr. Hill addressed the community "skeptics." He indicated that the skeptics were against buying the deep wells for additional water sources, they ran for Board office and lost, and they argued that Brooks was the best we could do. "They were wrong." They seem to challenge every decision of the current Board. "How many successes will it take before those who opposed the purchase of the water company can accept the fact that our purchase has been successful?" Mr. Hill went on to characterize the critics' "watch dog" role more as a personal vendetta and carrying a grudge.

Fred Krafczyk

A resident of Strawberry expressed his thanks for the current results of the PSWID Board. He reminded attendees that the election of Board members and addressing our water issues were supported by a majority of the community. He also indicated that one of the objectives of solving water issues was to bring residents of Pine and Strawberry together as one community. He felt that goal has been accomplished.

Ray Pugel

Ray Pugel with his wife Julie, and Sally and Robert Randall were the owners of the Milk Ranch Well. Ray indicated he was speaking for the Randall's as well because they could not be at the meeting. Ray mentioned he was thankful for the First Amendment which allowed us to express our opinion, gather at meetings, and ask questions of our elected officials. He indicated that's what allowed Mr. Schwalm to voice his opinion in the Payson Roundup recently. Ray quoted from Mr. Schwalm's letter printed in the paper. "For those of us who are concerned about how the government spends our money, there's nothing brilliant, marvelous, or heroic about the actions of the PSWID Board." Ray indicated we are all free to agree or disagree with Mr. Schwalm's opinion. Ray expressed his opinion by stating he thought it was marvelous considering several successful results of PSWID Board actions. Ray went on to comment that an occasional misstatement of fact would be considered a mistake. However, when it is done on a continuous basis it becomes a concern. "When it's continuous, malicious, with intent to defame, malign, or misrepresent either directly or by omission, the courts have determined that this is another matter." He explained one may choose not to tolerate such behavior especially when it affects one's business. Fortunately the courts have given us a method to find restitution if and when it becomes necessary. Ray then discussed a letter to the editor from Mr. Schwalm, and two rebuttal letters written by the PSWID Engineer Ralph Bossart. Ray quoted Mr. Schwalm's statement printed in the paper. "PSWID then purchased it (Milk Ranch Well) for \$570,000 three times what it would have appraised for had it been in working condition to begin with." Ray said he has corrected this misinformation several times before, and would like to correct it "one more final time." Ray pointed out that he was paid \$400,000 for the well. In addition he indicated he negotiated for an additional 50 residential and 2 commercial water hook ups. At the time the value of the additional water hook ups was less than \$25,000.00. An appraisal was never completed because the Pugel's and Randall's objected to having to accept the valuation from a Tennessee appraiser who had never stepped foot in Pine. Compass Bank did approve the purchase price of the well, and supported the PSWID purchase. The Board also acquired ¼ acre of land to use for pumps, fencing, and development of the well.

Ray expressed how thankful he was about our community's water solvency. He suggested we should all be happy, and that the "water wars" are over. He pointed out that as an Arizona community we are in an enviable position. He pointed out that a recent newspaper article indicated Flagstaff was considering investing \$200 million in a pipeline to bring water from Winslow. He encouraged meeting attendees to ask themselves related to water "are you better off today than you were 4 years ago?"

9) PUBLIC HEARING ON PROPOSED PSWID FY 2012 – '13 BUDGET

Gary Lovetro explained the PSWID Budgeting process to attendees. He pointed out that the proposed PSWID FY 2012 – '13 Budget had been published in the paper nine times, and Pine Strawberry residents were given a 30 day comment period in which they could submit written comment or questions to the PSWID office for written response from the Board. He pointed out that questions addressed during the comment period would not be re-addressed at today's hearing. Copies of asked and answered questions are available to attendees.

Beckie Siegeti presented the PSWID "Status of Operations" report for the current FY 2011 – '12. The report demonstrated current FY PSWID expenses compared to anticipated (budgeted) revenues for the period. Total Revenues are projected to be \$223,287.00 higher than anticipated. An important note is that expenses vs final approved budget indicates the District was under budget for nearly all line items. It's anticipated the District will be about \$1,185,200.00 under budget. The differences were due primarily to refinancing the District loan with the bank. We did not anticipate fully funding the loan this fiscal year.

Gary Lovetro pointed out that the District was able to refinance the acquisition loan with Compass Bank for about \$35,000.00 instead of having to float a bond issue for about \$300,000 to \$400,000. By refinancing, the District received an additional \$1.2 million for capital projects. Through the refinance the Board saved the District a significant amount of money, and continues to strive to keep line items under budget as exhibited in the "Status of Operation" report.

The complete "Status of Operations" report is available on the District website.

Mike Greer presented the PSWID "Proposed Budget" for FY 2012-'13. The Budget Objective for the next fiscal year is to "maximize the use of capital funds" by investing in projects that provide a cost savings to the District and a return on investment. Specific projects outlined for the next fiscal year include:

1. accelerated meter replacement program
2. investing in a third deep well (Milk Ranch Well 3) to minimize reliance on WSA's (shallow wells)
3. conduct a leak detection survey to fix leaks and minimize water loss
4. conduct a Water Master Plan to develop an infrastructure plan for community's future needs

The total proposed FY Budget equals \$2,982,664.00. The complete Proposed Budget including specific line items will be available on the District website.

Bruce Brammer

Bruce stated he felt the money spent to acquire MRW 1 was quite a bargain compared to anticipated cost of drilling the K2 well. Bruce asked a question related to legal expenses (Board of Directors Budget Line Item) associated with responding to questions from the community.

Gary responded that during the past year the District spent approximately \$11,000 for legal expenses related to responding to customer requests for information and frivolous complaints to the State Attorney General.

Bill Myers

Mr. Myers commented that he didn't mind at all the one increase in water rates given that it insures water comes out of the tap when it is turned on. This was not always the case. He asked if the 9 fire hydrants planned for the Pine Creek Canyon project were still in the plan.

Gary responded that the fire hydrants were still in the Proposed Budget and in the plan.

Rus Brock

Mr. Brock asked a question related to the \$736,000 in the FY Budget for capital improvements. He noted that \$830,000 appeared to be allocated to capital projects. Ultimately his question was if we had carry-over funds could we decrease or remove the \$300,000 tax levy?

Beckie Siegeti addressed Mr. Brock's question(s). She indicated that we are budgeting \$736,000 to spend in the next FY, and we do have approximately \$830,000 left over that we didn't spend during this FY. Therefore, the District plans to spend \$736,000 of the \$830,000 available for capital projects. The District needs the tax levy funds to help defray future costs and projects. The District plans to set aside 2 months of revenue into a reserve account and not spend that money. (It would be reserved for unexpected expenses such as the Pine Creek Canyon project, work on the Master Plan, or other District projects). Notice there is no mention of a Rate Hearing this year to increase rates. Without the tax levy funds, the District would likely have to address increasing water rates.

Sam Schwalm

Sam expressed his opinion on the amount of money the District would save by minimizing use of Water Sharing Agreements. Since in his opinion, it would be a marginal amount of money, why not wait to drill another well until after the Master Plan is completed.

Gary responded that the total expense related to the WSA's was approximately \$93,000, and that we are currently spending approximately \$18,000 in costs to distribute water between Pine and Strawberry. Gary also reminded attendees that all WSA's involved "shallow wells" susceptible to drought conditions and could go dry. Some are dry now. The Master Plan has nothing to do with securing new sources of water it deals with hydrology or movement of water throughout the system. The infrastructure is now in place for a third deep Milk Ranch well which provides for an economic installation. "So it doesn't matter if we save a dollar or \$73,000 dollars. It's a cost savings, and that's what this District is all about."

Tom Weeks

Tom reminded attendees that since all WSA's involved shallow wells they were more susceptible to contamination than deep wells. Contamination of shallow wells comes from nitrates the by-product of septic systems. Because we only have septic systems it is possible there will come a time that some of the shallow wells will not be able to be used due to nitrate contamination. That's why the District has focused on deep wells.

Mary Asa

Ms. Asa commented that with drilling new deep wells comes new equipment and better technology that present in old wells. That's an improvement and commendable. She's happy with what the District is doing by drilling new deep wells.

Carolyn Zimmerman

Ms. Zimmerman asked if money was budgeted to address the low water pressure at her home.

Gary responded that money has been set aside to address main repairs, line repairs, booster pump repairs, etc. There is money in the budget to address improving the system. That does not preclude at any time we discover a deficiency it will be fixed immediately.

Roger Fornoff

Mr. Fornoff commented that he thought it was "great" to be able to come to a meeting to discuss our water issues. He asked when was the last time you were able to discuss what you had to pay for gasoline. You just had to pay it. At least what we pay for water we can talk about it.

Scott Smusz

Mr. Smusz asked if the District had ever evaluated hooking into the Blue Ridge Pipe Line?

It was reported that for Pine and Strawberry the cost would be prohibitive.

Sam Schwalm

Sam asked why we would spend money to have an in-house Auto CAD capability when we could hire it done from an outside vendor for less.

Gary responded that the purchase of an Auto CAD system has been deferred, and will stay deferred until other budget projects are complete.

Brad Cole responded that when the time comes to evaluate such a system, the mapping value would be significant to the District. It would prevent having to "re-build" the system when changes were made. Mike Greer offered that a mapping system would help minimize costs related to Blue Staking and any costs related to additional mapping as we added to the water system.

Auto CAD is a brand name for a digital software mapping system.

Gary Lovetro closed the Public Budget Hearing.

10) NEW BUSINESS

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

Motion – to approve the PSWID FY 2012 – '13 Budget as proposed – Mike Greer

Second – Tom Weeks

Vote – 6 – 0 Motion (Budget) approved unanimously. Chairman Lovetro directed Brad Cole, CH2MHill District Manager to address the projects listed in the new Budget as soon as possible.

11) CALL TO ADJOURN

Motion to adjourn – Gary Lovetro

Second – Mike Claxton

Vote 6 – 0 Meeting adjourned at 11:50AM.

Reports Available directly from PSWID by request for April 14, 2012

1. *File # PSWID – Financial Report - PSWID– 04/14/2012*
2. *File # PSWID – District Manager Update – Brad Cole – 04/14/2012*
3. *File # PSWID – Status of Operations Report – 03/31/2012*
4. *File # PSWID – Proposed FY 2012-'13 Budget – 04/14/2012*

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