

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

MINUTES

Regular Board Meeting – April 17, 2010

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 1:04 PM by Bill Haney - Chair

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

Bill Haney
Ron Calderon
Mike Greer
Richard Dickinson

Tom Weeks
Don Smith (arrived late)
Gary Lovetro

There was a Quorum – 7 Board Members present. (Don Smith arrived 15 minutes late.)

Also Present:

Harry Jones – Interim General Manager
Stephanie Gliege – Legal Counsel
Number of public attendees not noted.

4) APPROVAL OF MINUTES

a. Special Meeting February 20, 2010

Motion to approve Special Meeting minutes – Tom

Second – Ron

Vote 4 – 0 Motion passed. (Gary Lovetro abstained.) (Mike Greer abstained. He was absent from Special Meeting.)

b. Regular Meeting March 17, 2010

Motion to approve Regular Meeting minutes – Tom

Second – Ron

Vote 6 – 0 Motion passed. (Gary Lovetro abstained.)

5) FINANCIAL REPORT

Mike Greer, Treasurer, presented the financial report for the period ending March 31, 2010. The District had an income of \$ 69,262.90 versus expense of \$ 65,686.46 plus other expense of \$ 17,962.00 leaving a net income of the month of negative -\$ 46,067.45. He indicated the entire financial report would be posted on the District web site for public review.

Bill Haney mentioned the District was \$ 50,696.80 in “the black” through March 31st against budget. He indicated that the higher revenues for the District came in 4 of the summer months.

Richard indicated that at an earlier “budget meeting” called by Harry Jones, it was determined that line items for “depreciation” were to be removed. Richard questioned as to why depreciation line items were still listed in the monthly financial report. Harry indicated they would be removed after FY '10-'11 Budget was

approved. Bill mentioned that Dan Jackson, Economist.com would be in town to present a work shop on "utility accounting" for the District members. Bill suggested that Dan could meet with the Board to lead a work shop on Wednesday, May 5, 2010.

Ron Calderon asked why the engineering and other consultant costs were not in the financial statement. Harry indicated that these costs were not reported in this statement because they were being capitalized and associated with expenses related to SH3 and water exploration programs. Harry indicated that these costs were reflected on the Balance Sheet.

Gary Lovetro asked for clarification related to Administrative expense line items. A Board discussion followed trying to understand the Administrative line item expenses for the month of March. Harry indicated he would review those expenses and report back to the Board.

Sam Schwalm asked further questions related to capitalized expenses, and requested that report be posted on the web site.

Motion that all checks for the District must be signed by the Treasurer unless he is unavailable and contacts another Board member authorized to sign checks in his place – Gary
Second – Mike (Board discussion followed)
Vote – 5 for 1 against – motion passed.

6) DELEGATE REPORTS

Ron Calderon read the Supplemental Water Committee report submitted by Don Smith to the Board and attendees.

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

John Elliott addressed the Board with questions related to "Seasonal Water Meters" and when the Board would turn them off. He had recently joined the Strawberry Hollow co-op and wanted to know how that would impact his seasonal water meter.

(8) OLD BUSINESS

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

Harry Jones led discussion and reviewed the time-line he developed and sent to the District Board members. A meeting to review the FY '10-'11 Budget was scheduled in conjunction with the Dan Jackson workshop on Wednesday, May 5, 2010. Another Board meeting was proposed for May 8, 2010 to hold a budget workshop to include public buy-in. Adoption of the proposed FY '10-'11 Budget is scheduled for the next Regular Board meeting on Saturday, May 15, 2010. Harry asked the Board members to individually contact him with their availability for the proposed Budget review process and suggested meeting schedule.

- b. Discuss and take possible action regarding financial terms for existing and future Well Sharing Agreements.

Bill opened discussion, and it was estimated that approximately 49% of District water needs comes from owners of private wells and the Well Sharing Agreements. It was suggested the District feels many of the WSA's contain outdated terms and need to be more fair and equitable to the well owners. Many of the agreements were agreed to under duress of the well owners. It was pointed out that the ultimate goal of the District in time is to eliminate the need to rely on WSA's for District water resources.

Harry Jones led discussion of his recommendations for adjusting the WSA's. Harry pointed out that when the District acquired the water system we took over 12 of the 13 existing WSA's. All the agreements

contained generally the same language, however many of the terms were inconsistent. For example, 4 of 12 WSA's involve "wheeling agreements." Those are 2 with Solitude Trails and 2 with Brent Weeks. Harry provided a brief history of the agreements indicating they were made by BUI in the late '90's and early 2000's. Special mention was made related to the terms of the Solitude Trails agreement. Under that agreement when the final lot of 78 is sold, the assets of the Solitude Trails water district become the assets of the PSWID. Harry indicated that only about 10% of the water from the wells in Solitude Trails ends up being used by residents in ST. Solitude Trails is paid \$1.00/1000 gallons of water used by PSWID while most of the other WSA's terms are \$.50/1000 gallons. This is due to the fact that ST pays for the electricity and maintenance of the ST system. Under his WSA Brent Weeks is paid \$1.50/1000 gallons of water we use currently. He pays for electric and maintenance on his wells also. At this time no water is used by Weeks for his property. It is all being used by PSWID. In the future, when residents of Timber Ridge (Week's development) use water, it will be sold to Week's by PSWID for \$3.50/1000 gallons.

Harry recommended that we should adjust the terms of the WSA's so that they are all more consistent. He suggested we set the rate at \$1.00/1000 gallons uniformly, and pay for electric and maintenance. We should abandon the Stetson well which is too close to a septic system. Reduce rate of Week's WSA to \$1.00/1000 gallons and take over responsibility for electric and maintenance costs. We should change the future wheeling payments to Brent Weeks to \$1.00/1000 gallons with an inflation clause tied to the consumer price index. At Solitude Trails we should keep charges the same, take over costs of electric and maintenance, and remove the clause related to the last lot sold.

Sam Schwalm indicated he had obtained copies of the WSA's and disputed some of the terms as explained by Harry Jones. Sam suggested that instead of renegotiating the WSA's, we should just let them expire.

A Board discussion followed, and members of the Board indicated that as representatives of the community we had a moral obligation as well as a fiduciary responsibility to do the right thing. We need to ensure the WSA's were fair to the well owner's and the terms more uniform.

Motion to accept the recommended changes – Don
Second – Richard

Amended Motion to approve the recommended changes to the WSA's with the rate set at \$1.00/1000 gallons through June 30, 2011, then the rate should be adjusted annually in relation to the CPI starting July 1, 2011
Bill

Don amended his motion as per Bill's recommendation

Richard amended his second to Don's motion.

Vote 7 – 0 Motion passed unanimously.

- c. Discuss and take possible action related to approval of changes to the PSWID Rules and Regulations Document as discussed at the 2-20-10 Special Board Meeting.

Bill opened discussion.

Motion to approve the changes to the PSWID Rules and Regulations Document as amended at the 2-20-2010 Special Board Meeting – Tom

Second – Ron

Vote 7 – 0 Motion passed unanimously.

Motion to move to Executive Session – Tom

Second – Mike

Vote – 7 – 0 motion passed.

(9) EXECUTIVE SESSION

Motion to open Executive Session – Don

Second – Mike

Vote – 7 - 0 motion passed.

(To protect fiduciary responsibility of the Board due to Executive Session attendees, item d. was discussed first. Other attendees were then excused from Executive Session.)

Motion to address item d. first – Don

Second – Tom

Vote 7 – 0 Motion passed.

- a. Discuss issues related to improving communication between District Board members.
- b. Discuss and obtain legal advice related to contract negotiations and retaining new legal counsel.
- c. Discuss job applications for the permanent PSWID District Manager.
- d. Discuss the groundwater exploration and development program and negotiation points for existing and new deep wells.

Motion to end Executive Session – Tom

Second – Richard

Vote – 7 - 0 motion passed.

Motion to reopen public session – Don

Second – Mike

Vote – 7 – 0 motion passed. Public session reopened.

(10) NEW BUSINESS FOLLOWING EXECUTIVE SESSION

(Board decision to discuss item b. before item a. as courtesy to professional attendees)

- b. Discuss and take possible action related to the groundwater exploration and development program and negotiation points for existing and new deep wells.

Mike Greer opened discussion.

Motion that exploratory well drilling be postponed until after September – Mike

Second – Don

Don agreed but asked Mike Ploughe what additional costs would be incurred. Remobilization of the driller was estimated to cost \$15,000.00. There was a concern related to potentially draining shallow aquifer wells if drilling was done during the summer months when static water levels were lowest.

Amended motion to postpone drilling of new deep test wells until peak pumping season is over – Mike

Amended Second – Don

Vote – 5 for 2 against – Motion passed.

- a. Discuss and take possible action related to the job applications for permanent PSWID District Manager.

Bill opened discussion.

Motion to table discussion/action until District Board meeting scheduled for May 5, 2010 – Gary

Second – Mike

Richard recommended that candidates submitting resumes be advised the Board would take action at May meeting.

Vote 4 in favor 3 against – Motion passed.

- c. Discuss and take possible action related to retaining District legal counsel.

Bill announced that the Board had received a letter of resignation from legal counsel, Stephanie Gliege effective May 10, 2010. Board members were asked to submit any names for consideration to Bill before the May 5th meeting at which action would be taken. This item will be placed on May 5th meeting agenda.

Sam Schwalm had submitted a "blue card" to speak related to item 10b. He had questions related to the pump stuck in the casing of SH3 well.

(continued discussion of item 10.b)

Bill discussed replacing motor for pump on Milk Ranch Well, and issues related to using 3 inch versus 4 inch column pipe in the well to mitigate sanding problems.

Motion to proceed with the 3 inch pipe not to exceed a cost of \$7,800.00 – Gary

Second – Mike

Board discussion ensued.

Vote 7 – 0 Motion passed.

Ron indicated that Mr. Pugel wanted a different appraiser to appraise the Milk Ranch Well.

Motion to obtain another appraiser (Clifford Saylor) to appraise the Milk Ranch Well – Ron

Second – Gary

Board discussion ensued.

Roll call vote requested:

Bill Haney – no

Ron Calderon – yes

Gary Lovetro – yes

Mike Greer – no

Don Smith – no

Tom Weeks – no

Richard Dickinson – no

Motion failed.

It was determined to start the appraisal process as soon as the video of well is complete. Tom asked who on the Board would lead the negotiation for the Milk Ranch Well. Bill directed that Tom Weeks and Richard Dickinson would negotiate for the Board on the Milk Ranch Well.

(11) CALL TO ADJOURN

Motion to adjourn – Don

Second – Mike

Vote 7 – 0 Meeting adjourned.

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

1. *File # PSWID – Financial Report- Harry Jones– 04/17/2010*
2. *File# PSWID – Supplemental Water Committee Minutes – Don Smith – 04/17/2010*