

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

MINUTES

Regular Board Meeting, Thursday, April 25, 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

Paul Paul 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. Special Meeting April 4, 2013
- Motion to approve Special Meeting minutes – Gary Lovetro
Second – Tom Weeks
Vote – 7 to 0 Minutes approved.

5) FINANCIAL REPORT

Ron Calderon presented the financial report for the period ending March 31, 2013. Cash flow in from revenues was \$135,084.88, from Compass Bank was \$30,000, and from tax levy was \$13,960.81. This resulted in a total District cash flow in of \$179,045.69. Cash out for the period included \$81,925.35 for CH2MHill contract, \$5,529.10 for administration, \$35,029.96 for operations, \$2,575.38 for Board of Directors, \$27,171.08 for debt interest, \$14,000 for Debt Principal and Capital Outlays, and \$29,004.56 for Capital expenditures for a total cash out for the period of \$195,235.43. This resulted in a net cash flow of (-)\$16,189.74 for the period. Net cash flow YTD is \$20,317.50.

Total Bank Balance(s) as of March 31, 2013 in the Restricted Account was \$598,195.48. The Non-Restricted Account was \$369,180.91 resulting in Total Bank Balance of \$967,376.39. 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

A third person has been added to the field staff to work on this project. We have replaced 433 of 1,600 meters (27%) to date. Meeting finish deadline will be difficult but trying to replace 1,600 meters by June 30..

Whispering Pines Project (SR87 Water Main Extension)

Scheduling the award winning contractor to begin work has been difficult. Once work begins it is thought to be completed in about 2 weeks. The plan is still to be finished by June 7, 2013.

Milk Ranch Well(s)

We've received the permit and are clear to start building the second tank base and begin constructing pipe work that will accommodate the filter for the MRW(s). The contractor will begin pipe work this weekend. CH2MHill staff will be there to monitor MRW #1 during pipe work.

We're still awaiting the warranty replacement of the motor starter from HD Supply on MRW#2.

On MRW#3 there continue to be difficulties with drilling. The bore hole is down to 405 feet, but the drillers continue to have difficulties with "cave in" preventing getting the casing beyond 287 feet. The driller went back in and re-grouted the hole and intends to re-drill next week.

Operations

MRW #1 has been running with a turbidity reading less than 5 NTU's with no turbidity spikes. Turbidity readings have been as low as 1.8 NTU's.

Gary asked what was holding up warranty replacement of the motor starter at MRW #2. Brad indicated that HD Supply was fighting the warranty replacement, but has agreed to replace needed parts. Brad added that we're ready to submit for bids for the security fencing at MRW#2.

7) BOARD MEMBER REPORTS

There were no Board Member reports.

8) OLD BUSINESS

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

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

(Items 8a and 8b were combined in New Business discussion.)

John Nelson who managed Gila County finances gave to the Board a (ppt.) presentation on a proposed FY 2013 – '14 Budget that included various potential water rate changes.

John Nelson prefaced his presentation by stating his objective this night was to have the Board approve a "tentative" Budget including some "tentative" rates. John said that according to State Statutes it allows the Board to publish the proposed Budget, call for and schedule a Budget Hearing, and it sets the upper limit for spending for the coming fiscal year.

John stated that approval of the "tentative" Budget did not approve expenditures, did not approve Capital projects, did not approve water rates, nor did it approve taxes. These items can only be approved after the Budget Hearing.

John characterized this FY Budget as a "transition" budget. He explained that before this year taxes and revenues have funded the operation of the District. Capital projects were funded by proceeds left over from our initial borrowing. Since extra proceeds from original borrowing have been exhausted, funding of Capital projects must now be supported by taxes and revenues from water rates and fees. Therefore, it would be extremely difficult to proceed with Capital projects without increases in taxes and rates.

John discussed highlights of the proposed budget including the fact that the FY 2013-14 Budget is decreased overall by 4.8%. Expense for capital projects reflects a decrease of 21.7%, and accounting for Contingencies and Reserves the total proposed budget decreased for the next FY by 4.6% or \$130,222. It's important to note that the Capital Funds carried forward last FY is not available this FY and decreases by \$810,400. Subtracting the proposed \$130,200 decrease in total budget leaves a deficit of about \$680,200 or 32% that must be made up by increases in other revenue. The Revenue Matrix was discussed, and John indicated that the proposed budget provided for expenses for capital projects including a Leak Detection Survey, development of a Master Plan, completion of the Meter Replacement Program, and others.

Questions were asked related to capital projects and which ones might be postponed. Leak detection and storage tank repair were discussed by the Board. It was also suggested to hold off on completion of MRW #3 for now. Gary commented that the Board should proceed with voted on and approved projects, and that water supply was the District's main priority. "Without water the rest of these projects don't matter." John was asked to continue his presentation to completion before further Board questions and discussion.

John discussed the potential Revenue Matrix including several options for Water Rates. He mentioned that the policy of the "free" 3,000 gallons of water included in the rate structure was gone in the proposed budget, and that this proposed budget was developed using scenario #2 for water rates. Scenario #2 provided for approximately a 20% increase in rates.

Property tax levy was also discussed. It was proposed that to provide for sufficient revenue the tax levy should be \$500,000 reflecting an increase of 66.7% or approximately \$1.01 per \$1,000 of property valuation.

Five "alternatives" using various combinations of rates and tax levy to modify the Proposed Budget for FY 2013-14 were discussed. There was also a discussion of potentially borrowing additional funds. John pointed out that borrowing additional funds should not take place until after the Master Plan was done, but that if not in the proposed budget the District could not seek additional funding during the year.

Each Board member was given an opportunity to express their opinion related to the Proposed Budget and what factors such as capital projects and revenue matrix were most important to them.

Motion - to accept the tentative FY 2013-14 Proposed Budget not to exceed \$2,885,246 as outlined on page 12 of the Proposed Budget Presentation including "alternatives" #3, #4, and #5 of the presentation – Gary

Second – Mike

A Board discussion followed. Richard asked if Gary would amend his motion related to "alternative" #4 to provide for a phasing in of the increase to the tax levy and reduce the rate from 2.5 to a rate of 1.25 allowing an increase to the proposed tax levy of \$125,000.

Amended Motion – to accept the tentative FY 2013-14 Proposed Budget not to exceed \$2,885,246 as outlined on page 12 of the Proposed Budget Presentation including "alternatives" #3, reducing #4 to a tax rate of 1.25 providing an increase of \$125,000 to the proposed tax levy, and #5 – Gary

Amended Second – Mike

Call for the Question-

Roll Call Vote of the Board:

Mike – aye
Ron – aye
Gary – aye
Richard – aye
Sam – nay
Tom – aye
Chair (Ray) – aye

The motion passed by a vote of 6 to 1.

Paul Paul addressed the Board expressing his thoughts related to the impact of the tax levy to those who do not itemize deductions when preparing their tax returns.

Pam Mason addressed the Board stating that just because funding is provided in the Budget, the Board does not have to spend it all.

Motion – to publish the FY 2013-14 Proposed Budget and Rates as required, and Call for and Schedule a Public Hearing for the Proposed Budget and Rates for Saturday, May 18, 2013 at 10:00AM at the Pine Cultural Hall – Gary

Second – Tom

Vote 7 – 0 Motion passed.

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

No Blue cards were submitted for non-agenda items.

10) EXECUTIVE SESSION

Motion to move to Executive Session – Richard
Second – Tom
Vote – 7 – 0 motion carried.

All Board Members met in Executive Session with the District's attorney.

Motion to re-convene Regular Board meeting – Richard
Second – Mike
Vote 7 – 0 Motion carried.

11) CALL TO ADJOURN

Motion to adjourn – Richard
Second – Tom
Vote 7 – 0 Meeting adjourned at 7:42PM

Reports Available directly from PSWID by request for April 25, 2013

1. *File # PSWID – Financial Report - PSWID– 04/25/2013*
2. *File # PSWID – District Manager Update – Brad Cole – 04/25/2013*
3. *File # PSWID – Pine Strawberry Water Improvement Proposed Budget FY 2013-14 – John Nelson – 04/25/2013*