

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

MINUTES

Regular Board Meeting – May 19, 2011

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 7:30PM by Gary Lovetro - Chair

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

Gary Lovetro

Ron Calderon

Mike Greer

Richard Dickinson

Tom Weeks

Don Smith

Mike Claxton

There was a Quorum – 7 Board Members present.

Also Present:

Dan Torrens – Legal Counsel

Brad Cole – CH2MHill District Manager

Ralph Bossart – District Engineer

Number of public attendees not noted.

4) APPROVAL OF MINUTES

- a. Regular Meeting March 17, 2011

Motion to approve Regular Meeting minutes – Mike Greer

Second – Mike Claxton

Vote 7 – 0 Motion passed.

5) FINANCIAL REPORT

Mike Greer, Treasurer, presented two financial reports. He first reported on the financial report for the period ending March 31, 2011. The District cash flow in (revenue) was \$146,269.08. Capital draws on Line of Credit equaled \$400,000.00. Funds taken from tax levy were \$30,000.00. Total cash in for the period was \$576,269.08. Capital expenditures equaled \$411,052.52 and total cash out for operating expenses for the period of \$568,548.68. This resulted in a net cash flow of \$7,720.40 for the period.

The next financial report was for the period ending April 30, 2011. Cash in from revenues for the period were \$135,271.63, and capital draws on line of credit were \$246,309.00. This resulted in total cash in for the period of \$381,580.63. Total expenditures (cash out) for the period were \$150,709.27. This resulted in a net cash flow of \$230,871.36 for the period.

Total Bank Balances for the period ending April 30, 2011 were \$1,037,045.09. The entire financial report will be posted on the District web site.

Sam Schwalm submitted a blue card and asked a question related to how much was left in the line of credit. Beckie responded that there was \$162,000.00 left on the line of credit at this time.

6) DISTRICT MANAGER UPDATE

Ms. Winandy submitted a blue card indicating her concerns related to the apparent turnover in PSWID District Managers. Chairman Lovetro introduced Brad Cole the new permanent District Manager replacing Dan Stephens who had made a decision not to relocate to Pine because he and his wife had just built their retirement home in Texas, and they decided they did not want to make another move.

After his introduction, Brad Cole gave a brief bio related to his utility experience and education. Brad has been in the water utility business for over 20 years all up to now with American Water Works Company in California and most recently in Arizona. Brad has extensive experience in field operations and as a supervisor. His most recent experience was as a General Manager and Director of Operations for a 100,000 customer water system. Brad has an MBA with an emphasis on "information technology management."

Brad updated the attendees on the CH2MHill safety record to date, employee training including CPR, compliance with the District Rules and Regulations related to procurement for cost savings, minimal service interruptions to date, and he reported there had been relatively few customer complaints.

He also reported on capital projects. He reported that 4 booster stations had been upgraded with new pumps and variable frequency drives. This will improve operational efficiency. He reported that 2 deep water wells have been acquired by the District. (Milk Ranch Well and Strawberry Hollow Well.) A third deep well is expected to be operational by end of summer.

In the next fiscal year the District has plans to upgrade another 4 booster stations, and continue work on Milk Ranch Wells #1 and #2. He indicated that this week the District received approval from ADEQ to proceed with construction and hook up of Milk Ranch Well #1. He indicated that following procurement guidelines, Chairman Lovetro had approved his recommendation for the procurement of a skid mounted booster station, and Chairman Lovetro had also approved his recommendation to award the well drilling contract for Milk Ranch #2 to Aero Pump and Drilling. Brad reported that the contractor will immediately apply for the drilling permit, and that easements for the project have been obtained that will facilitate work on Milk Ranch Well #2, and will provide the District access to a previously land locked parcel of land that might serve as an additional deep well drilling site.

The District also has plans for installation of 13 backup generators at booster stations to improve system reliability due to electric power outages and severe weather conditions. The District will be installing an AutoCAD mapping system to improve records on location of buried assets and assist in long term planning related to infrastructure repair and improvement. Additionally, the District will implement a "meter replacement program" over the next few years to improve billing accuracy.

Sam Schwalm submitted a blue card and asked a question related to Chlorination of Milk Ranch Well #1. He indicated that the water from MRW #1 had a turbidity of about 4 to 5 NTU, and he thought chlorination was not indicated above 1 NTU. Chairman Lovetro responded that Sam was confusing deep well water with surface well water. The water from MRW #1 is deep well water and has satisfied ADEQ requirements and been approved by ADEQ as a viable source of drinking water.

7) BOARD MEMBER REPORTS

No Board Member reports.

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

No non-agenda item speakers.

9) OLD BUSINESS

- a. Discuss and take possible action related to PSWID Rules and Regulations and potential impact of AZ SB 1525 regarding impact fees.

Dan Torrens, District Legal Counsel, reviewed highlights of a new Arizona Law taking affect January 1, 2012, and the potential for restricting the District's charging of impact fees. No changes in policy are necessary until the new law takes effect in January. However, the District will have to address the policy on impact fees in the coming months to comply with the new law.

There were a few questions and comments from attendees, and Beckie indicated that the District has charged very few impact fees to date and that those funds are kept in a separate bank account.

No District action taken at this time.

10) NEW BUSINESS

- a. Discuss and take possible action related to presentation of PSWID FY '11 – '12 Proposed Budget.

Mike Greer, Treasurer, presented a review of the current fiscal year Budget and District accomplishments related to the current Budget. As well he provided a power point presentation providing an overview of the PSWID Proposed Budget for fiscal year 2011-'12. Handouts were provided.

A discussion related to the Proposed Budget and the potential cost of the Pine Creek Canyon Road project followed.

Motion – to have Beckie publish the Proposed District FY '11 –'12 Budget in the Payson Roundup immediately, and set a PSWID Budget hearing for June 23, 2011.-Gary
Second – Tom Weeks
Vote 7 – 0 Motion passed.

Pam Mason asked a question wanting to know who was on the District Budget Committee. Gary Lovetro responded that Mike Greer chaired the committee, meeting with staff, and District Board Members (2 at a time) to develop the Proposed Budget. Beckie Sigeti, CH2MHill staff member, provided substantial data and input in the development of the Proposed Budget.

Gary Lovetro thanked Beckie Sigeti and CH2MHill staff for all their hard work and input to develop the PSWID FY'11-'12 Proposed Budget.

Public attendees offered comments requesting more specific line item input on the Proposed Budget from the Board at the June 23, 2011 Budget Hearing. Attendee Recardo Greth also asked for specific line item data. Board Members offered further input related to cost of Pine Creek Canyon Road project.

- b. Discuss and take possible action related to new loan from Compass Bank.

Gary Lovetro opened the discussion providing a brief history of District relations with Mike Whalen and Compass Bank. After initially providing funding to the District for acquisition of the Water Companies, the plan was for the District to float a bond issue to obtain funding to pay off the initial note, refinance the District, and provide for infrastructure development. Upon contracting with CH2MHill to manage the day to day operations of the District, the new officers at Compass Bank had a renewed interest in the business and solvency of the District. Subsequent meetings of District Board Members, CH2MHill management, and Compass Bank officers resulted in an expressed interest from Compass Bank to negotiate with the District to provide refinancing and eliminate the potential cost of the District obtaining a Bond Issue. Further meetings with Compass Bank have resulted in the District's receipt of a refinance commitment from the Bank received yesterday May 18, 2011. Gary Lovetro estimated that being able to obtain refinancing from Compass now while interest rates are low will potentially save the District \$300,000 to \$500,000.

Mike Greer provided terms of the Refinance Loan from Compass Bank. The new loan amount will be \$7,414,000.00. Terms are 7 year fixed rate of 4.55% amortized for a 25 year term. The loan funding fee will be ½% or \$37,070.00. The starting date is 08/01/2011 and the ending date is 08/01/2018. Principal and interest payments equal \$41,504.19.

Motion – to accept the terms of the Compass Bank Refinance Loan and proceed as soon as possible – Gary
Second – Mike Greer

Vote – 7 – 0 motion passed.

Gary Lovetro again expressed appreciation from the Board to Beckie Sigeti and Brad from CH2MHill for their hard work in supplying the data requested by Compass Bank to facilitate the loan refinancing project. Gary indicated that the Bank wanted an 18 month projection of revenues and expense to make their determination.

- c. Discuss and take possible action related to the Stetson Well Sharing Agreement.

Brad Cole, CH2MHill Manager, opened the discussion. Brad pointed out that while reviewing the District Well Sharing Agreements in preparation for coming renewal dates, he reviewed the Stetson Agreement. For several reasons Brad recommends the District **not** renew this particular agreement. Brad indicated that Stetson is land locked, and he is the only customer served by this well, and that for most months the District loses money from this agreement. There is also a concern related to the proximity of the well to a septic leech line providing safety concern.

There was a discussion of the Board's responsibility to serve Stetson because his property is in the District boundary. It was determined that had no bearing on the District to renew the Well Sharing Agreement.

Motion – provide Mr. Stetson a written 30 day notice and cancel the Well Sharing Agreement – Richard
Second – Ron

Vote – 7 – 0 motion passed.

- d. Discuss and take possible action related to Verde Engineering – Professional services proposal for the Pine Creek Canyon Road widening project at an estimated cost of \$12,200.

Brad indicated this proposal is for the development of design plans and permitting process for the District's responsibility in moving the water utility main line for the Gila County Pine Creek Road Widening Project. Ralph Bossard of Verde Engineering provided a brief explanation of the work to be performed by the District in conjunction with the Pine Creek Road Project, and indicated that because the cost will be over \$12,500 plans need to be submitted to ADEQ for approval. This proposal is for designing the work, submission to ADEQ, and resubmitting documents back to ADEQ for approval after construction. Ralph suggested that District plans be submitted with Gila County plans if possible to simplify project work by using one construction contractor instead of one contractor for each utility involved. Ralph said that the county hopes to go to bid by July, 2011. It was suggested that time is getting short to complete the design plans.

Motion – to accept and sign the Verde Engineering proposal for \$12,200 and get started on this work – Mike
Greer

Second – Don Smith

There was a brief discussion by the Board related to providing fire hydrants in the project plans, and it was suggested to evaluate them in plan development.

Vote – 7 – 0 motion passed.

11) CALL TO ADJOURN

Motion to adjourn – Richard
Second – Mike Greer
Vote 7 – 0 Meeting adjourned.

Reports Available directly from PSWID by request for May 19, 2011

1. *File # PSWID – Financial Report(s)- PSWID– 03/31/2011 and 04/30/2011*
2. *File # PSWID – District Manager Update – Brad Cole – 05/19/2011*
3. *File # PSWID – Proposed FY '11 – '12 District Budget – 05/19/2011*
4. *File # PSWID – Refinance Commitment Letter – Compass Bank – 05/19/2011*
5. *File # PSWID – Proposal for PCC Road Widening Project - Verde Engineering – 05/19/2011*

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