

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

MINUTES

Regular Board Meeting – May 26, 2010

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 7:02PM 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
Gary Lovetro

There was a Quorum – 7 Board Members present.

Also Present:

Harry Jones – Interim General Manager
Number of public attendees not noted.

4) APPROVAL OF MINUTES

a. Regular Meeting April 17, 2010

Motion to approve Regular Meeting minutes – Ron

Second – Don

Vote 7 – 0 Motion passed.

b. Special Meeting May 5, 2010

Motion to approve Special Meeting minutes – Tom

Second – Mike

Vote 5 – 0 Motion passed. (Ron Calderon and Don Smith abstained. They were absent for meeting.)

c. Special Meeting May 8, 2010

Motion to approve Special Meeting minutes – Gary

Second – Tom

Vote 4 – 0 Motion passed. (Ron Calderon, Don Smith, and Bill Haney were not at the meeting and abstained.)

5) FINANCIAL REPORT

Mike Greer, Treasurer, presented the financial report for the period ending April 30, 2010. The District cash flow in for the month was \$83,053.29 and total cash out was \$91,768.77 leaving a net cash flow for the month of (-\$8,715.48). The YTD cash flow in was \$866,726.09 and total cash out was \$783,920.42 leaving a net cash flow of \$82,805.67 YTD. He indicated the entire financial report would be posted on the District web site for public review.

6) DELEGATE REPORTS

Bill Haney read a letter submitted by Tetra Tech serving as "Notice of Termination" of their services in accordance with the District Engineer Services Contract Section 6.1.1.2.

Bill Haney read a "Letter of Termination" submitted by Highland Water Resources Consulting, Inc. Termination is to be effective immediately. Bill Haney expressed his disappointment, and indicated it was a "low point" for the District and the Board.

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

Jim Hill presented a "Proposal for Donation of Engineer Selected Well Site, Located in South Pine, to PSWID" in which the Hill's proposed to donate a well site for the District to drill a deep well in exchange for "a priority consideration for water meters when the property is developed." Mr. Hill provided reports indicating that deep aquifer water levels are not as deep in South Pine as they are in the Northern Pine area, and therefore drilling of a deep aquifer well in South Pine should be less expensive for the District.

(8) OLD BUSINESS

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

Harry Jones presented slides covering the proposed PSWID FY '10-'11 Budget. The objectives of the FY '10-'11 Budget include acquisition and connection to the water system of the Milk Ranch Well and the SH3 Well. In addition the budget provides for seeking refinancing to pay off bridge loans from Compass Bank attracting future financing for major infrastructure repairs and replacement. The property tax levy is reduced to \$200,000, and it was recommended that changes to base water rates and commodity rates be considered as of 1/1/2011. The budget also provides for contract staff to become employees of the District with benefits amounting to 7% of payroll.

Sam Schwalm asked for total expense dollars, total capital improvement dollars, and total budget. The total expense budget is \$1,479,013. The total capital expense budget is \$1,644,066. The total proposed FY '10 - '11 Budget is \$3,123,079.

Motion to accept the staff proposed FY '10 - '11 Budget and set a Budget Hearing for July 3, 2010 – Don
Second – Ron
Vote – 4 in favor 3 against – motion passed

Motion to set and hold a rate hearing on July 3, 2010 – Tom
Second – Don
Vote 7 – 0 Motion passed.

- b. Discuss and take possible action regarding acquisition of the Milk Ranch Well.

Mike Greer read a prepared statement expressing he is "frustrated, disgusted, and disappointed" with the progress made toward acquisition of the MRW and the actions of the contracted consultants.

Ray Pugel provided a brief "history" of issues related to drilling the Milk Ranch Well, the SH3 Well, and ultimately finding "deep" water. In addition he provided a rebuttal to Tetra Tech's proposed cost of \$420,000 to develop and connect the well to the system.

A lengthy and heated discussion related to quality of MRW water, timing and amount of cost estimates to connect the well, and issues related to delays in acquisition of both the Milk Ranch Well and Strawberry Hollow Well followed. Meeting attendees asked several questions and offered input.

Motion to turn on the Milk Ranch Well for 30 days, complete appropriate tests and documents to address Compass Bank's requirements and complete acquisition of the Milk Ranch Well – Don
Second – Gary
Vote – 7 – 0 Motion passed.

- c. Discuss and take possible action related to development of the Milk Ranch Well and connecting it to the District water system.

No action taken.

- d. Discuss and take possible action related to the District Compensation and Benefit Development Program.

Harry gave an update to the Board. The consultant evaluating the cost of employee benefits for 10 employees has not yet finished. The study should be complete and any recommended adjustments to the FY '10 – '11 Budget should be made in time for the next District Board meeting.

Motion to move to Executive Session – Tom
Second – Ron
Vote – 7 – 0 motion passed.

(9) EXECUTIVE SESSION

Motion to open Executive Session – Don
Second – Mike
Vote – 7 - 0 motion passed.

- a. Discuss personnel performance issues.
- b. Discuss proposals related to retaining new District legal counsel.

Motion to end Executive Session – Don
Second – Gary
Vote – 7 - 0 motion passed.

Motion to reopen public session – Tom
Second – Don
Vote – 7 – 0 motion passed. Public session reopened.

(10) NEW BUSINESS FOLLOWING EXECUTIVE SESSION

- a. Discuss and take possible action related to personnel performance issues.

No action taken.

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

Bill explained process and proposals received from prospective legal firms.

Motion to notify and retain David Davis as new District legal counsel – Gary
Second – Mike
Vote 6 – 0 Motion passed. Don Smith abstained because Mr. Davis is one of his patients.

- c. Emergency item added to agenda: Discuss and take possible action related to approval of District audit services.

(This will be added to next PSWID Regular Board meeting agenda as an action item.)

Based on proposals received, Harry recommended Heinfeld, Meech, and Co., PC, because they were more economical.

Motion to hire Heinfeld, Meech, and Co. to provide District audit services – Don
Second – Gary
Vote 7 – 0 Motion passed.

(11) CALL TO ADJOURN

Motion to adjourn – Tom
Second – Don
Vote 7 – 0 Meeting adjourned.

Reports Available directly from PSWID by request for May 26, 2010

1. *File # PSWID – Financial Report- PSWID- 05/26/2010*
2. *File# PSWID – Notice of Termination – Tetra Tech – 05/26/2010*
3. *File# PSWID – Notice of Termination – Highland Water Resources – 05/26/2010*
4. *File# PSWID – Proposal for Donation of Engineered Well Site – Jim Hill – 05/26/2010*
5. *File# PSWID – Summary of Staff Proposed Budget FY '10-'11 – Harry Jones – 05/26/2010*
6. *File# PSWID – Prepared Statement – Mike Greer – 05/26/2010*
7. *File# PSWID – Proposal for Audit Services – Larson Allen – 05/26/2010*
8. *File# PSWID – Proposal for Audit Services – Heinfeld, Meech, Co. – 05/26/2010*