

PINE-STRAWBERRY WATER IMPROVEMENT DISTRICT

Regular Meeting and Rate and Budget Hearing

Thursday, June 15, 2017 at 6:00 p.m.

PSWID Administrative Office

6306 W Hardscrabble Rd.

Pine, AZ 85544

1. CALL TO ORDER

Maheer Hazine called the meeting to order at 6:00 p.m.

2. PLEDGE OF ALLEGIANCE

Led by Maheer Hazine

3. ROLL CALL OF BOARD MEMBERS

Conducted by Maheer Hazine: Board members present: Tom Weeks, Forrest McCoy, Sharon Hillman, Maheer Hazine, Bob Arbuthnot, Rus Brock, and Larry Bagshaw. A quorum was present.

4. CALL FOR MOTION TO APPROVE MINUTES OF THE FOLLOWING MEETINGS:

May 18, 2017: Tom Weeks moved that the minutes be approved. Bob Arbuthnot seconded the motion. The motion carried unanimously.

June 8, 2017: Rus Brock had three changes to the minutes. First in 8 I, strike the description after the motion. Second in 8 ii under task H, change the \$ amount to \$16580 and change the time frame to 2 months. Third in 8 iii change the word "actual" to "estimated" before labor costs. Also in the last paragraph after the word "schedule" add the words "and develop the pros and cons for each alternative". Sharon Hillman moved that the minutes be approved with the above changes. Tom Weeks seconded the motion. The motion carried 6 to 1 with Forrest McCoy casting the nay vote.

5. REPORTS TO THE BOARD

A. Chairman's report– Maheer Hazine, Greg Smith, Sharon Hillman, Forrest McCoy, and Paul Hendrix met with Sara Konrad and Brandon Nguyen of WIFA on June 9 to discuss potential funding opportunities for the district. There were several programs which the district might qualify for that would greatly increase the district's ability to accelerate our capital improvement project timelines. These will be looked at in depth during the regular July meeting. Maheer also completed the district's response letter to CH2M for the 2015-2016 review. It was sent to them and to members of the board. Paul Hendrix of EUSI is in the process of coordinating the transfer of a vacuum trailer from the Town of Florence to the district.

B. Treasurer's report – As posted to the website.

C. Secretary's report – None

D. District Manager's Report –The customer service manager is still working with El Dorado on meter reading. She has also been working with APS on cost reducing savings for the well sites. She has also updated the aging report. Greg Smith has received calls about the RFP. An ad for a new Customer Service rep has been posted and published. Applications will be reviewed on June

26. Suddenlink internet service has been installed at the Admin Office and the field office installation is being scheduled. Once it is connect to both locations, Smart Systems will update that firewall. Twelve customer service issues were referred to the District Manager for resolution, and 9 of those have been closed. The board was given a report on the FY 2016 Audit Internal Controls and the status of those items. All but two are finished or nearly finished.

6. CONSENT AGENDA

- a. Support Services Committee – No meeting
- b. Water Enhancement Committee – No meeting
- c. Customer Service Issues Update - None
- d. Contract Field Manager's Report –As posted to the website.

Larry Bagshaw moved that the above items in the consent agenda be approved. Forrest McCoy seconded the motion. The motion carried unanimously.

- e. Ratification of Board Approval of RFP for FY 18 CPA Services. Rus Brock requested that this item be removed from the consent agenda for discussion. Rus Brock then moved that the May 18 RFP be approved with the changes noted in that meeting. Sharon Hillman seconded the motion. The motion carried unanimously.

7. CALL TO THE PUBLIC

Ira Gibel of Pine and Ralph Bossert of Verde Engineering addressed the board with their concerns about the potential wild fire problem in Pine Creek Canyon. The Portals 3 subdivision plans called for 19 fire hydrants and yet only one has been installed. They wanted to know what is needed to get all of the hydrants. The district must make sure the hydrants will not impact the system, must have sufficient storage tank capacity, and comply with ADEQ regulations. Ralph will continue working on plans for submittal and will talk to Greg Smith, the district manager.

8. OLD BUSINESS

- I. **DISCUSS AND TAKE POSSIBLE ACTION REGARDING AN UPDATED RATE AGREEMENT WITH APS FOR ENERGY FOR WELLS.** Greg Smith and Matt Meierbachtol from APS. PSWID is eligible for the E221 rate, which would save the district from 25 – 30% (\$20,000 to \$25,000) on its electric bills for the wells. The concerns brought forth from the board's May 18 meeting were discussed and it was pointed out that there would be no negative impact to the district by going to the new rate. The savings would also include the 4-5% rate increase that APS is requesting from the Corporation Commission. It was also noted that the E221 rate has not been raised for the last ten years. Tom Weeks moved that the district change to the E221 rate and authorize the Chairman to sign the agreement with APS. Larry Bagshaw seconded the motion. The motion

carried unanimously.

II. DISCUSS AND TAKE POSSIBLE ACTION REGARDING EUSI PROJECT PERFORMANCE PARTNERSHIP NOTICE. Maher Hazine. EUSI

recommended that the district meet with APS about reducing their electrical cost and the ability to receive rebates. The EUSI contract enables them to receive 20% of the first year's annual savings earned by the district after adopting any savings recommendations from EUSI. EUSI was looking for a signed partnership notice for the change to the E221 rates, and also efficiency testing of well motors and pumps, installation cost rebates for changes to VFD units, and installation cost rebates on replacing low efficiency motors and pumps. After some discussion, it was decided that the district would agree to sign a partnership notice for the rate change, but that the other three items would be tabled. Sharon Hillman moved that the chairman be authorized to sign an amended agreement for the rate change only. Bob Arbuthnot seconded the motion. The motion carried unanimously.

III. DISCUSS AND TAKE POSSIBLE ACTION REGARDING THE FISCAL YEAR 2017/2018 OPERATING AND CAPITAL PROGRAM BUDGETS AND RATE HEARING. Prepared by Sharon Hillman / Greg Smith. Presented by Maher Hazine.

Maher opened the public hearing for the tax rate which will be 1.3981. This is the same rate as last year's rate. This will generate \$728,000 for the budget and is dedicated to the loan payments. The hearing was closed by Maher. Sharon Hillman moved that the tax rate be accepted. Larry Bagshaw seconded the motion. The motion carried unanimously. Maher then opened the public hearing for the water rate structure. The water rates will remain the same as last year's rates. The public asked for the amount that the rates generated last year which is projected to be \$2,041,043 at the end of the fiscal year. Maher closed the water rate structure hearing. Larry Bagshaw moved that the rates be approved. Sharon Hillman seconded the motion. The motion carried unanimously. Maher then opened the budget hearing. The budget will be for \$4,637,000. It includes \$1,000,000 in possible grants/loans. If the district was to receive any WIFA grants, it couldn't spend them if the dollar amount was not budgeted. Sam Schwalm had questions about the reserve fund only being \$200,000 instead of the previous year's \$250,000. Maher closed the budget hearing. Bob Arbuthnot asked if the WIFA funding would cover the cost of hiring a project manager. It would. Larry Bagshaw asked that the reserve fund be changed to \$250,000 and Sharon Hillman said the potential grant/loan amount could be changed to \$950,000. Greg Smith stated that board action on the budget would also

approve the Capital Improvement Program as well. Bob Arbuthnot moved that the budget be approved as changed above with the reserve fund being \$250,000 and the potential grants being \$950,000 and that the CIP be approved also. Larry Bagshaw seconded the motion. The motion carried unanimously.

IV. DISCUSS AND TAKE POSSIBLE ACTION REGARDING PSWID'S POSITION AND OPTIONS RELATIVE TO EXERCISING THEIR RIGHT TO DISCONTINUE THE AMENDED AND RESTATED AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES WITH CH2M.

Maier Hazine. The CH2M field staff is excellent, but their required CH2M corporate duties detract from the time they can devote to the district. We currently pay CH2M \$750,000 annually in labor costs plus any additional expenses that are billed to the district. EUSI's Task 1 report confirmed that the contract labor could be absorbed by the district for essential savings to the district. Greg Smith had a handout that gave the options of staying with CH2M for another two years, issuing an RFP for another firm, self-managing our own field staff, or a hybrid version where the district would hire the field staff, but issue an RFP for a company that would provide "certified operator of Record and Management services". Due to the November 30, 2017 deadline, issuing any RFPs and following up on the process of hiring any new firms would take longer than the deadline. The board members concurred that self-managing the district would allow us to be what we want to be and take us from our current reactive mode to a proactive mode of operation. The district's requests to CH2M for KPI reports have been ignored. Pam Mason asked what the savings would be to the district. They would possibly be as much as \$300,000 per year, with \$450,000 estimated to be the actual labor costs. Rus Brock was concerned that the first year savings would be considerably less than that with the required \$100,000 for the contract buyout and about \$100,000 to EUSI. Maier Hazine said that the concern should not just be the savings, but also the move from reactive to proactive mode. There was discussion about holding a public meeting in July to get input from the public. The audience was polled as to their opinion. Ron and Virginia Smith of Strawberry felt like the district should be self-performing. Sam Schwalm and Pam Mason agreed. It was questioned why even have a meeting if the board has already decided to self-perform. It was agreed that the board should expedite the decision. Sharon Hillman moved that PSWID exercise its right to discontinue the contract with CH2M and give them 90 days' notice and that the district self-perform. Tom Weeks seconded the motion. The motion carried unanimously. There will be a public meeting scheduled by the district manager on a Saturday morning in July to make the public aware of the decision. It was also suggested that robo calls be made to let the customers know of the meeting.

- V. DISCUSS AND TAKE POSSIBLE ACTION REGARDING THE STATUS, PRIORITIZATION AND FUNDING OF CAPITAL PROJECTS.** Greg Smith. Water testing was done at the Milk Ranch Well and if the test passes, results will be sent to ADEQ for the permit. ADEQ will be called tomorrow for an update on the Circle Drive project. ADOT will provide comments about the Ralls/Magnolia line extension tomorrow. Strawberry View I tank replacement plans will be submitted to ADEQ by EPS. The McClendon, Valve Project, and Wye Strainer projects are substantially complete with contractor's Affidavits of Completion received. Only the McClendon project has to have ADEQ approve the construction. Aero Drilling will be doing the rehab on the Strawberry Hollow 3 Well. Chlorination has been completed on all but the Strawberry View 1 site. The Portals II well needs an adjustment on the easement description. The Solitude Trails line has been replaced.

9. NEW BUSINESS

None

10. IDENTIFY POTENTIAL AGENDA ITEMS FOR THE NEXT SCHEDULED BOARD OF DIRECTORS MEETING ON JULY 20, 2017.

- a. Schedule for self- management of district
- b. WIFA items.

- 11. MOTION TO ADJOURN.** Tom Weeks moved that the meeting be adjourned. Sharon Hillman seconded the motion. The motion carried unanimously.