

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

**MINUTES**

Regular Board Meeting – June 19, 2010

**1) CALL TO ORDER**

Pine-Strawberry Water Improvement District meeting was called to order at 1:00PM 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  
David Davis – Legal Counsel  
Number of public attendees not noted.

**4) APPROVAL OF MINUTES**

a. Regular Meeting May 26, 2010

Motion to approve Regular Meeting minutes – Don  
Second – Ron  
Vote 7 – 0 Motion passed.

b. Special Meeting May 27, 2010

Motion to approve Special Meeting minutes – Gary  
Second – Don  
Vote 5 – 0 Motion passed. (Tom Weeks and Mike Greer abstained. They were absent for meeting.)

**5) FINANCIAL REPORT**

Mike Greer, Treasurer, presented the financial report for the period ending May 31, 2010. The District cash flow in for the month was \$105,259.93 and total cash out for operating expenses was \$105,209.39 leaving a net cash flow for the month of \$50.54. The YTD cash flow in was \$971,986.02 and total cash out was \$893,027.02 leaving a net cash flow of \$78,959 YTD. Total balance as of May 31, 2010 for the Restricted Account was \$440,041.56 and the balance for the Non-Restricted account was \$155,508.41 for a total Bank Balance of \$595,549.97. The entire financial report would be posted on the District web site for public review.

Sam Schwalm asked a question related the May Financial Report asking about the jump of assets to be capitalized (work in progress) of \$73,000 to \$201,000. Beckie responded that the dollar figures include more than just the Milk Ranch Well and SH3 Well, and include other items purchased to be capitalized.

Motion to accept financial report – Ron

Second – Don  
Vote 7 – 0 Motion passed.

**6) BOARD REPORTS**

Bill Haney reported on the latest WIFA funding report. Out of 100 to 200 applications they only funded 7 projects. PSWID was not awarded any funding. WIFA only funded about \$147,000 total. WIFA funding was mostly directed to small community projects. PSWID submitted requests for funding to support the Master Plan (Capital Improvement Project) and for funding to support the PSWID Meter Replacement Program. Changing out old meters has the potential to increase revenues by approximately 14%. A second opportunity to obtain WIFA funding will take place sometime near October this year.

Ron Calderon reported on the job Dean Shaffer has been doing to keep the storage tanks full. After the Memorial Day Weekend the tank level had decreased to about 93% and rapidly was brought back to 97% of capacity.

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

No Blue Cards for non-agenda items submitted.

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

**(8) EXECUTIVE SESSION**

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

- a. Discuss Board communication procedures with new PSWID attorney.
- b. Discuss negotiating points related to acquisition of the Milk Ranch Well.
- c. Discuss status of Interim General Manager position with new PSWID attorney.

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

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

**(9) NEW BUSINESS**

- a. Receive presentation from CH2MHill related to Contract Operation and Maintenance for District.

Gary Lovetro introduced Jane Walter, Director, Project Development Operations and Maintenance Svcs. and Fair Yeager, P.E., Project Manager from CH2MHill. These ladies gave a ppt. presentation “Management, Operations and Maintenance, and Engineering Solutions” related to the business of CH2MHill.

- b. Discuss and take possible action related to recruitment of a new District engineer.

Bill Haney indicated that by Arizona State Law the District must have a "District Engineer". There was a Board discussion related to the process for selecting a new District Engineer. It was decided to re-evaluate the list of previously received proposals and short list 3 to 4 for interviews. CH2MHill would also be invited to submit a proposal. The members of the Board are to study all proposals and be ready to discuss at the Special Board Meeting July 3, 2010. Bill Haney indicated he would forward a copy of the original RFQ to CH2MHill.

- c. Discuss and take possible action related to recruitment of a new District hydrologist.

The District never sent out RFQ for the prior position. A discussion on the process followed. It was decided that Richard would assist Bill in writing an RFQ for a new District Hydrogeologist.

Motion to send out a new RFQ and advertise for a District Hydrogeologist – Richard

Second – Gary

Vote – 7 – 0 Motion passed.

- d. Discuss and take possible action related to an Intergovernmental Water Sharing Agreement with Pine Creek Canyon Domestic Water Improvement District.

Bill asked Harry Jones to recuse himself from any discussion related to an IGA between the water districts due to the fact that Harry is the Manager for both Districts. Harry acknowledged he would do so.

Bill introduced Ernie Bergoyne, President of Pine Creek Canyon Domestic Water Improvement District (PCCDWID) who described a deep well project that his district was completing and discussed an opportunity to share water between Districts. Ernie described the PCCDWID deep well and that the pump was sized to produce 50gpm. He indicated that based on the success of the new well their District felt they would have water in excess of their needs. He indicated they need to finish water testing and develop an operating model including use of shallow wells, but they expect the new deep well to be operational in approximately 30 to 45 days. Ernie reported that he and other members of PCCDWID met with Tom Weeks to discuss the potential interest of PSWID in purchasing water from them. He indicated that customers of PCCDWID had concerns related to water sharing with PSWID, and that his objective today was to determine if there was an interest from PSWID. Ernie mentioned that in order to proceed an IGA would have to be developed between the water Districts.

Gary Lovetro questioned Ernie related to the expense of cleaning the sand filter put in place in the deep well. Ernie reported that he was aware that there might be maintenance costs, but he did not know what they might be. When asked about the potential production rate of the well, Ernie indicated that due to potential sanding issues and costs to increase production, it was decided to use a pump that would set the rate at 50gpm. He reported that this well was drilled as a backup source of water for the District, and the total cost including a backup generator was approximately \$800,000.

Paul Paul discussed the cost of options to connect the PCCDWID water system to the PSWID system. In his opinion the cost would range from \$7,600 to \$30,000.

Gary Lovetro asked additional questions related to which District would be responsible for maintenance and operational costs of the well. Ernie pointed out that it was their well, and that PCCDWID would maintain and operate the well, and simply charge PSWID for water purchased. No cost for water purchased has been considered at this time.

Loren Peterson pointed out that his water District in Strawberry Hollow might have an interest in selling water to PSWID as well.

The PSWID Board decided it would entertain and discuss IGA's with any water District that had an interest in selling water to PSWID in the future.

e. Discuss and take possible action related to water conservation measures.

Bob Cassaro initiated a discussion of re-instituting water conservation measures as high demand summer weekends approach. Dean Shaffer offered information on how demand was going to affect water storage during high demand season. A discussion of using the existing "conservation" signs might help to remind residents of water conservation needs.

Motion to use existing water conservation sign numbers as a public reminder of water conservation using number "2" when storage capacity reaches 85% for more than 48 hours, and going to number "3" when storage capacity reaches 75% for more than 48 hours – Richard

Second – Tom

Vote – 7 – 0 Motion passed.

f. Call for election for 3 PSWID Board Members for the November 2, 2010 Arizona General Election.

The District needs to put announcement in the paper by July 5, 2010 and notify the Gila County Elections department.

Motion to put announcement in the paper and notify the appropriate contacts regarding the Call for Election for PSWID Board members in the November 2, 2010 Arizona General Election – Don

Second – Mike

Vote – 7 – 0 Motion Passed

Don Smith appointed Election Committee Chairman.

## (10) OLD BUSINESS

a. Discuss and take possible action related to acquisition of Milk Ranch Well.

Bill indicated the Board was directing David Davis to contact Milk Ranch Well, LLC. to develop a proposal for the acquisition of the Milk Ranch Well.

Ray Pugel requested a contact on the Board for better communication related to Board activity and the MRW. Board discussion followed related to who would perform work on MRW and next steps to take. Bill indicated that to expedite the development of a proposal for acquisition of MRW, Mr. Davis our legal counsel would be contacting Ray to discuss moving forward.

Sam Schwalm asked if the Board would move forward with acquisition of MRW without an appraisal. Bill indicated the Board had left the discussion of acquisition of the well in the hands of our attorney. Sam asked if that was keeping with the Board's due diligence for the community. David Davis pointed out that we had just heard about a 50gpm deep well that cost \$800,000, so we have an idea what the MRW is worth.

Sam asked "what was the Board's rationale in spending approximately \$114,000 to "develop" the Milk Ranch Well?" Richard and Mike responded that the money spent by the Board on the MRW was to determine the potential output of the well as a measure of determining the value of the well. If the well is not operated going forward, it will return to the condition it was in prior to the Board's expenditure.

b. Discuss and take possible action related to acquisition of Strawberry Hollow Well.

Bill indicated that the Board had received a proposal related to acquisition of the SH3 well from Loren Peterson, and that the Board had directed our attorney, Mr. Davis to contact Mr. Peterson and/or his attorney to expedite the development of a proposal for acquisition of the well.

Mr. Davis was asked if he had ever represented Mr. Pugel, and he indicated that he never represented Mr. Pugel but he did represent Jim Hill in the past.

Loren Peterson expressed his frustration with the Board's scheduling for today's meeting, and the delays involved in moving forward with acquisition of the SH3 well. The Board addressed Loren's frustration, and re-emphasized that now that we have an attorney, we have authorized him to contact Loren in an effort to rapidly move acquisition forward.

Ron Calderon questioned Harry Jones as to when he knew the SH3 well was working properly. Ron addressed the information the Board had related to the proper operation of the SH3 well, and he addressed why the Board had scheduled the Executive Session as it was for today's meeting.

c. Discuss and take possible action related to recruitment of Permanent District Manager.

Bill reported that on May 27, 2010 the Board held interviews for the Permanent District Manager position. Two top candidates dropped out, and the one candidate that was interviewed the Board felt was not qualified for the position.

Bill announced that Harry Jones had submitted his resignation and that he would as per his contractual agreement continue to serve the District for the next 60 days in a transitional role while the District brings on an Interim Manager.

Motion to hire a new Interim District Manager and that we immediately advertize a request for proposals and bids for a company who will provide a permanent District manager – Gary

Second – Mike

A Board discussion followed. Gary agreed to amend his motion, and make two motions.

Motion that we immediately hire a new Interim District Manager and that Don and Gary continue to serve on the Personnel Relations committee to ensure a smooth transition of these positions – Gary

Second – Mike

A Board discussion followed. Vote – 7 – 0 Motion passed.

Motion that the Board immediately advertize a request for proposals and bids for a company to manage the PSWID and who will provide a permanent District Manager with Mike and Ron appointed to write and publish the RFP – Gary

Second – Mike

A Board discussion followed. Vote 6 for 1 against motion passed.

d. Affirm vote and action taken at the May 26, 2010 Regular Meeting related to approval of Heinfeld, Meech, and Co., PC, to provide District audit services.

Bill discussed the fact that the Board had previously voted to approve Heinfeld, Meech, and Co. to provide District audit services as an emergency measure at the Board's May 26, 2010 meeting.

Motion to affirm the Board's vote to approve Heinfeld, Meech, and Co. as District auditors – Tom

Second – Richard

Vote – 7 – 0 Motion passed.

**(11) CALL TO ADJOURN**

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

**Reports Available directly from PSWID by request for June 19, 2010**

1. *File # PSWID – Financial Report- PSWID– 06/19/2010*
2. *File# PSWID – Management, Operations, Engineering Solutions Presentation- CH2MHill – 06/19/2010*
3. *File# PSWID – Agreement to Provide District Legal Services – David Davis– 06/19/2010*

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