

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

**MINUTES**

Regular Board Meeting – June 23, 2011

**1) CALL TO ORDER**

Pine-Strawberry Water Improvement District meeting was called to order at 6:00PM by Gary Lovetro - Chair

**2) PLEDGE OF ALLEGIANCE**

**3) ROLL CALL**

**Board Members Present:**

Gary Lovetro  
Ron Calderon  
Mike Greer  
Richard Dickinson

Tom Weeks (absent)  
Don Smith  
Mike Claxton

There was a Quorum – 6 Board Members present.

Also Present:

Dan Torrens – Legal Counsel  
Brad Cole – CH2MHill District Manager  
Number of public attendees not noted.

**4) APPROVAL OF MINUTES**

- a. Regular Meeting May 19, 2011

Motion to approve Regular Meeting minutes – Ron Calderon  
Second – Mike Greer  
Vote 6 – 0 Motion passed.

**5) FINANCIAL REPORT**

Mike Greer, Treasurer, presented the financial report for the period ending May 31, 2011. He indicated the report was based on accrual statements. The District cash flow in (revenue) was \$139,804.48. Capital draws on line of credit totaled \$222,453.28. Funds received from tax levy were \$13,309.70. Total cash in for the period was \$375,567.46. Total cash out for operating expenses, including \$22,401.15 for capital expenditures this Fiscal Year totaled \$155,946.55 resulting in a net cash flow of \$219,620.91 for the period. The Bank balance in the Restricted account was \$642,510.85 and the balance in the Non-Restricted account was \$656,430.81 resulting in a total Bank Balance of \$1,298,941.66. The entire financial report will be posted on the District web site.

**6) DISTRICT MANAGER UPDATE**

Brad Cole addressed the Board and attendees. He updated the Board and attendees on 3 major projects. On MRW 1 we have procured all the materials for the booster station. They have let the contract for the 20,000 gallon storage tank, and expect delivery of materials in the next two weeks. There is some site grading that will be required. Management recently had a pre-bid meeting related to the Pine Creek crossing. Sealed bids are due from contractors on the 30<sup>th</sup>.

On MRW 2 the drilling rig is in place, and they have drilled to a depth of about 100 feet. The goal is to reach a depth of about 700 to 800 feet.

The third project update was related to the County road widening of Pine Creek Canyon. Our plans have been completed and are at ADEQ for approval.

Brad also reported that the pump and motor on SH3 well burned out so we incurred some expense to replace them. He also reported the Consumer Confidence reports are complete and can be picked up at the District office.

Gary asked if work on the Pine Creek crossing would be expedited. Brad indicated that once the bid was awarded, the contractor had 7 days to begin construction.

**7) BOARD MEMBER REPORTS**

No Board Member Reports.

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

No "blue cards" presented. No non-agenda item speakers.

**9) PUBLIC HEARING ON PSWID FY '11 - '12 PROPOSED BUDGET**

Gary provided opening statements related to procedures to keep the public hearing orderly. Gary also addressed Ricardo Greth's comment that "it seemed that the Budget was a done deal." Gary indicated that essentially it **was** a done deal. Gary continued to describe the process required for the Board to develop the FY Proposed Budget as it related to the public's input and involvement. Gary pointed out that once the Proposed Budget was published the public had 30 days for questions and input to the Board.

Gary explained that questions on the FY Budget already submitted to the District had been answered in writing and would not be re-addressed this evening.

Beckie Sigeti, CH2MHill accounting, gave a brief presentation on how the FY Budget was prepared. She explained the difference between the 2 types of accounting methods used to prepare the budget. She described the accrual method and the cash basis method. She explained that when viewing PSWID financial information on the District's website, one is viewing data based on the accrual method. The "cash in – cash out" method is used to report to the District Board so that the Board knows it can pay its bills. She also described the Activity Statement (receipts that were billed and bills received), the Financial Position (Balance Sheet), and the Cash Flow report all found on the District website. She also described the Capital Expenditure Report explaining that this report listed all capital expenditures since day one (company acquisition). Beckie indicated that the FY '11 – '12 Budget is based on Cash-in/Cash-out, and that is what is reported to the County. She also announced that a Status of Operations report based on the current fiscal year through May 31, 2011 was available on the back table for attendees who may want to pick one up. The FY '11 – '12 Proposed Budget will be posted with the County by July 1, 2011.

Gary offered further explanation of how the FY'11 – '12 Proposed Budget was developed by Mike Greer, Beckie, and Brad from the District office, and how details were provided to Board Members for their review and input.

Mike Greer gave a ppt. presentation on the FY '11 - '12 Proposed Budget. He indicated that there were some changes made due to the fact that Compass Bank required the District to fully fund our prior Compass Bank loan. The initial proposed budget was prepared based on only the commitment letter from Compass Bank. The District did not have final figures on terms, interest rates, and cost of the refinance loan. Mike reviewed the Proposed Income and Proposed Expense Budgets for FY '11 – '12 delineating appropriate changes.

Gary opened the "hearing" to attendee questions. Beckie reminded everyone that this is a "budget" a guideline based on history from this year's business. Nothing is cast in stone. Gary reminded all that we could always spend less but could not spend more than forecast in the budget.

Ricardo Greth addressed the Board with concerns related to who was a member of the District, his taxes, and the public's input on the development of the FY Budget. He also asked questions related to the Gila County project for Pine Creek Canyon. He did not understand why the County was not responsible for paying for expense related to water lines if it was their project.

Several Board Members participated in providing responses to Mr. Greth's questions. Ron Calderon mentioned he had met with Tommie Martin and John Nelson regarding imposed "unfair" expense to our community due to the Gila County project in Pine Creek Canyon. Ron indicated that they told him it was illegal for the County to subsidize any utility expenses. Richard offered that in addition to having input on the District Board by voting for a specific candidate, the public has an opportunity for comment and input during the 30 day comment period, the time from publication of the proposed budget in the paper until the proposed budget hearing. Mike Greer offered his time to meet with Mr. Greth after a meeting to discuss his concerns.

Sam Schwalm commented that he felt there was room in the budget to take money from capital expense or contingency fund instead of raising taxes. He inferred the Board did not know exactly where all dollars in the Budget were to be spent. Gary responded that "there is not a penny in our budget that's not accounted for." Gary reminded Sam and attendees of several accomplishments of the Board. In addition to providing unrestricted water and drilling new deep wells, the Board has recently saved the community approximately \$200,000 to \$400,000 by securing a refinance loan from Compass Bank instead of having to secure a bond. Gary continued by listing several capital improvements planned for the District such as generators at the well stations, drilling deep wells that are drought resistant, and unexpectedly having the expense related to the Gila County project in Pine Creek Canyon. Beckie Sigeti offered additional comments related to the \$799,000 in the capital expense budget. She indicated that the money is reserved for replacing storage tanks, new storage tanks, and additional capital improvements to the system that are on the prioritized list. The taxes were put there only because of the Pine Creek Canyon project. Gary pointed out that the District decided in favor of raising property taxes instead of a rate increase, because property taxes are deductible.

Lori Kellerman asked what CH2MHill provided for their contract \$1M? Brad Cole responded. Several Board Members also responded. The attendees were reminded that CH2MHill provides an excellent employee benefit program, including medical benefits, 401K, profit sharing, safety programs, advancement, customer billing, meter reading, day to day operations, system improvements, submissions to ADEQ, system maintenance programs, etc. Mike Greer reminded attendees that the District was not "bankable" until we contracted with CH2MHill. Based on our relationship with CH2MHill, Compass Bank expressed an interest in providing the District a refinance loan. It was pointed out that CH2MHill was a Fortune 100 company, recognized internationally, involved in development of the London Olympics, the expansion of the Panama Canal, and development of the new highway bridge at Hoover Dam. The District is definitely fortunate for the business relationship with CH2MHill.

Virgil Conrad explained he owned a vacant lot with a water meter, and wanted to know if the meter could be locked so that he would not have to pay a monthly service charge. Several Board Members responded explaining he could have the meter removed, but would have to pay to have it reinstalled later. Board Members explained that this situation was extensively evaluated and addressed when the Board developed the new rate increase plan.

Gary closed the FY '11-'12 Budget Hearing at 7:00PM.

## 10) **NEW BUSINESS**

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

A brief discussion of the Board followed. Mike Greer thanked Beckie Sigeti for her work in preparing the FY Budget. He mentioned this budget should be more accurate because we had our own business numbers from the last year to work with. Gary expressed thanks to Beckie Sigeti and Brad Cole for their work in preparing the FY '11 – '12 Budget.

Motion to approve the PSWID FY '11 – '12 (posted) Proposed Budget - Mike Greer.

Second – Mike Claxton

Vote 6 – 0 Motion passed unanimously.

- b. Discuss and take possible action related to the quote from Heinfeld, Meech, and Co., PC for completion of the audit for the year ended June 30, 2011.

Gary explained that the quote for this year's audit is \$2,000 higher than the District paid last year. The charge for this year's audit would be \$9,500.00.

Motion to approve an additional \$2,000.00 to cover the audit quote from Heinfeld, Meech, and Co. – Gary

Second – Don

Vote – 6 – 0 motion passed.

**11) CALL TO ADJOURN**

Motion to adjourn – Ron Calderon

Second – Mike Greer

Vote 6 – 0 Meeting adjourned.

**Reports Available directly from PSWID by request for June 23, 2011**

1. *File # PSWID – Financial Report- PSWID- 05/31/2011*
2. *File # PSWID – FY '11 – '12 Proposed Budget(s) – 06/23/2011*
3. *File # PSWID- Quote from Heinfeld, Meech, and Co., PC – 06/23/2011*