

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

MINUTES

Regular Board Meeting, Saturday, July 28, 2012

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 10:00AM 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 of 7 Board Members present.

Also Present:

Representing CH2MHill:

Robert Kuta - Regional Vice-President

Kevin Dixon – Director of Compliance and Regulatory Affairs

Bill Doughty – Director of Communications

Fair Yeager – Program Engineer

Brad Cole – CH2MHill District Manager

Chris Bork – Legal Counsel (substituting for Dan Torrens).

Ralph Bossart – PSWID Engineer

4) APPROVAL OF MINUTES

a. Regular Meeting April 14, 2012

Motion to approve Regular Meeting minutes – Ron Calderon

Second – Mike Greer

Vote 6 – 0 Motion passed. (Don Smith abstained from voting).

5) FINANCIAL REPORT (given before Approval of Minutes)

Mike Greer, Treasurer, presented the financial report for the period ending June 30, 2012. The District cash flow in (revenue) was \$232,524.68. Funds received from tax levy account were \$5,969.80. Total cash in for the period was \$238,494.48. (Expenses for the period included; CH2MHill Contract \$79,957.42, Administration \$7,352.74, Operations \$46,548.35, Board of Directors \$2,222.74, Debt interest \$27,648.83, DP/Capital Outlays \$14,000.00, and Capital Expenditures (June) this fiscal year \$101,841.07). Total cash out for operating expenses for the period equaled \$279,571.15. This resulted in a net cash flow of (-) \$41,076.67.

Total Bank Balance Y-T-D in the Restricted Account was \$582,973.48. The Non-Restricted Account was \$719,763.33 resulting in Total Bank Balance of \$1,302,736.81. The entire financial report will be posted on the District web site.

6) DISTRICT MANAGER UPDATE

Brad updated attendees on progress of three District Projects and Staffing via a power point presentation.

1. Milk Ranch Well #2

The 30 day pump test continues. There have been sanding issues with the new well, and 2 motors have been burned while clearing the sand. Additional test motors have been brought in to aggressively clear the sand. This is very similar to the situation encountered with Milk Ranch Well #1. We have received the source water approval for the well, and water quality for the well looks good. We will as a normal process continue to monitor for asbestos and bacteria.

2. Milk Ranch Well #3

The drilling rig has been moved to the location of MRW #3 and drilling has begun. MRW #3 is located between MRW #1 and MRW #2 along Pine Creek. Progress drilling MRW #3 has been slowed approximately by a month due to attention needed at MRW #2. It is anticipated that MRW #3 could be on line by December 2012 or January 2013.

3. Pine Creek Canyon Road

The new water line has been finished all the way to the end of the project. So there is about 5,000 feet of new 8 inch high definition polyethylene water main pipe in place. We need to finish pressure testing on the last 1000 feet of main pipe, complete water testing, and then submit for approval from ADEQ. Upon approval of construction from ADEQ we can begin switching water customers over to the new water main. This will allow the contractor to move more efficiently towards completion of the road widening project.

4. Staffing

There are currently 4 open staff positions locally. A new Field Supervisor will start on Monday (July 30), and an offer for an operator in training (OIT/Meter Reader) has been accepted and will start in 2 weeks pending background checks. Candidate interviews for the other 2 staff positions have been completed. It is anticipated that open staffing positions will be filled soon. Other CH2MHill experienced staff from other locations have been and will continue to be available to support PSWID until all open staff positions are filled.

7) BOARD MEMBER REPORTS

No Board Member reports received.

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

Jane Wilcox – Pine

Jane commented on an e-mail sent by the "Water for Pine-Strawberry" group related to water conservation and the PSWID decision to remove the old conservation "stage" signs. Jane pointed out that we are currently under drought conditions and therefore PSWID has "requested" that customers use water wisely. She reminded attendees that we acquired a water system that was "broken" and in severe disrepair, and therefore it's likely there will be future water service interruptions as the District addresses repair of the system. She praised the CH2MHill staff for their hard work, long hours, and effort in addressing the recent water service interruption. She encouraged attendees to express "thanks" to field staff rather than criticism.

Jane also commented on recent CH2MHill employee performance issues. She expressed her displeasure with Mr. Schwalm and his e-mail comments related to dismissal of CH2MHill employees. She accused Mr. Schwalm "of spreading out-right false information" and characterized his comments as "deplorable."

Bruce Brammer – Strawberry

Bruce expressed his thanks for the CH2MHill field staff who worked all night last night to repair a water leak at his residence. He indicated their work reflected on their dedication and commitment to repairing the system and maintaining water service to our customers.

10) NEW BUSINESS (addressed by the Board before CH2MHill presentation).

- a. Discuss and take possible action related to adding an additional water storage tank at the Milk Ranch #1 location.

Ralph Bossart and Dan Patrick, PSWID Engineers, presented a case for establishing additional water storage at the MRW #1 site. Ralph explained that the production rate of MRW #1 was controlled at 80gpm to reduce sanding. The Martin Aquifer that is the site of the MR Well(s) is capable of producing approximately 240gpm. Therefore 2 additional Milk Ranch wells are being developed at this site. There is currently a 20,000 gallon storage tank at the site which is used to collect water so that it can be pumped into the system. The tank also serves as a buffer to protect the booster pumps from drawing air and burning out. As two additional wells are developed, and potential water production nears 240gpm there exists a need to be able to move more water from this strategic site. Currently the booster pumps can move the volume of the existing tank into the system in about 3 and ½ hours. As a result Ralph proposed adding an additional 30,000 gallon storage tank to "float" with the 20,000 gallon tank and provide the ability to move more water into the system. The cost estimate includes \$33,000 for a 30,000 gallon tank, site work, and contingencies to total approximately \$49,500.

Ralph entertained questions from Board Members, and a discussion of the Board followed. It was determined the District could afford to fund the project even in light of expenses associated with the recent water service disruption.

Sam Schwalm asked what budget line would this money come out of?

Gary Lovetro responded that the Board had \$264,000 in reserve as contingency for this and next fiscal year budget.

Motion – to approve adding an additional water storage tank as proposed at the MR#1 site – Mike Claxton

Second – Mike Greer

Vote – 7 – 0 Motion approved unanimously. Chairman Lovetro directed Brad Cole, CH2MHill District Manager to address adding a water storage tank at MR#1 as soon as possible.

9) CH2MHILL PRESENTATION – REPORT ON WATER SERVICE DISRUPTION

Gary Lovetro offered opening comments and expressed thanks to individuals who responded to help out the community and the CH2MHill staff during the recent water service interruption. Special thanks were expressed to Board Treasurer, Mike Greer who worked tirelessly to provide his professional expertise to help field staff address system malfunctions and re-program variable drive pumps and other equipment. Mike provided his time and hard work at no expense to the District through his determination for success and commitment to our community water service.

Gary expressed his disgust with a few individuals who during the community water emergency chose not to respond by helping our neighbors deal with water shortage, but instead used the emergency as a time to print and communicate lies, misinformation, and criticism towards Gary, the District Board, and CH2MHill staff. Those people “know who they are, and should be ashamed of themselves.”

Chairman Lovetro reconfirmed the District goal of providing “unrestricted” water for the community. He explained the recent service interruption was due to mechanical failure and not a deficiency of water supply. In addition he expressed his thanks and confidence in the mobilization and professional response of the CH2MHill team.

Brad Cole, CH2MHill District Manager, gave a power point presentation related to the recent water service disruption. Brad introduced CH2MHill representatives present at the meeting, and described the intensive mobilization process from CH2MHill to address the problem. The company brought in several of their experts from all over the country to help identify and correct the issues causing the service interruption.

Brad dispelled rumors related to the quality of the water at the time. The water was not contaminated or poisoned nor was it believed to have bacterial contamination. CH2MHill representatives exercised an “abundance of caution” and followed ADEQ guidelines in notifying the affected customers of the potential for contamination. Then followed normal safety procedures to ensure the quality of the water and protect the public health until the water was determined safe again. He also commented on the dismissal of 3 employees, and indicated they believed there was no connection between the personnel issues and the development of the water service issues. Brad indicated that the personnel issues were solely a matter of company policy and would not be discussed in public. Brad emphasized that the PSWID Board of Directors were not involved and no member of the PSWID Board was present when the employees were let go. Brad did indicate that calls from the public were received warning of potential sabotage, and that there were rumors of the District being out of water by a certain date. He did indicate that CH2MHill was suspicious of potential sabotage, but no correlation to the dismissed employees was confirmed. Brad did

indicate that certain issues were reported to the FBI and security measures were taken to prevent future potential problems.

Brad described the operation of a typical water system to help the attendees understand what events took place that caused the problem. Brad described issues at the MR#1 well and booster pump station and the Strawberry Hollow Filter Building that when taken together caused the emptying of the 300,000 gallon storage tank and precipitated the water supply shortage. The booster pumps at MR#1 were left in manual operation and not connected to automatic controls which allowed the pumps to get too hot and ultimately burn out. At the same time the pipe in the Strawberry Hollow filter building became "dislodged" so that no water could be pumped from SHW to the 300,000 gallon storage tank which caused the booster pump at Strawberry Hollow to burn out as well. Brad described the situation as the "perfect storm." Given the high demand at the time, the current drought conditions, and without pumps to get water out of the ground or pump into the system the water supply to the system was interrupted.

Brad described more specifically the events related to customers calling in with reports of no water and actions taken by the CH2MHill staff to address the issues including contacting ADEQ to report the incident and actions taken to communicate to affected customers. Once the scope of the problem was realized, CH2MHill management initiated emergency mobilization of their experts from across the country, issued communications to the public through e-mail, signage in the affected neighborhoods, announcements on the District website and in the media, posting at local businesses, and several "robo" phone calls to affected customers. Supplemental supplies of drinking water were arranged for pickup at the District office for affected customers, and in addition to addressing repairs system wide, water hauling was arranged to fill the storage tanks.

In an effort to prevent and minimize future occurrences the District has invested in backup equipment such as pumps, seals, and automated pump control systems to limit the potential for failure and limit outages to NMT 24 hours. Security has been enhanced throughout the system as well.

CH2MHill collectively expressed their thanks and deep appreciation to the community for their patience, cooperation, and understanding during the incident. They also thanked several individuals and local businesses who rallied to help out during the service interruption.

The cost to address the water supply interruption was estimated at \$171,000.00 and \$22,000.00 for hauling water. The District will absorb the costs through a contingency reserve fund. There are no plans for rate hearings or rate increases scheduled, and PSWID water customers **will not be charged for water hauling or see water hauling charges reflected in their monthly water bills.**

The Board of Directors were provided time for questions and answers during which time each acknowledged the efforts of CH2MHill, the commitment of Board Members Gary Lovetro and Mike Greer especially, and expressed their thanks to the community for their patience and understanding. The attendees were reminded that the past incident was the result of equipment failure and not an issue of inadequate water supply.

Public Comment

Ray Pugel

Express his thanks to the Board and CH2MHill. Ray read an e-mail communication from Sam Schwalm, and chastised Mr. Schwalm for his carelessness in printing "lies" and inaccurate information to members of the community. Ray asked for Mr. Schwalm's apology to those he offended and asked that he "man-up" and stop it. "This is Pine and Strawberry and we're bigger than that."

James Cole

Mr. Cole asked if it would have made a difference if the booster pump at MRW #1 was not on manual but on auto control. Brad indicated that at the time of the incident, "no" today "yes."

Ernie Sandoval

He expressed it was his first meeting and extended compliments to the Board. He did question to whom the Board was responsible? It was explained that the Board as elected officials of the community, is responsible to and reports to the water customers of Pine and Strawberry.

Wendy Sparks

She asked if sabotage was involved in any of the related events. It was pointed out that there were suspicions but no evidence. Rob Kuta, CH2MHill Regional Vice-President commented that there were suspicious matters, however, at no time was the public health at risk.

Jim Cline

Mr. Cline asked what the District was doing to improve the system. Gary Lovetro responded describing budgeting for the District Master Plan as well as other repairs as required.

Pat Levy

Mr. Levy indicated he was happy with the Board and CH2MHill, and wanted to know if water from Solitude Trails was used during the incident. It was reported that water from Solitude Trails would have been from our existing well sharing agreement. No extra was used.

Lisa Davis

Ms. Davis expressed her concern related to water issues in Pine when she purchased her home. She hoped there were no continuing concerns. Gary Lovetro responded that there was sufficient water and no lingering supply issues in Pine.

Lady from Finland

This delightful lady has been a resident of Pine for nearly 20 years. She recalled the anxiety of traveling up to their home in Pine, reading the water conservation signs as they entered Pine, and hoping that when they turned on their water they got water and not "hot air." She indicated that's not happened with this Board, and indicated that the Board has done a "fantastic" job. During the recent incident, she had to cancel a party. She recognized that farmers in this country are losing their crops and can't feed cattle due to the drought. She had to cancel a party, "who cares" she indicated we're doing great.....Keep up the great work, guys.

Robert Kuta

On behalf of CH2MHill, Mr. Kuta expressed it was his pleasure to partner with the Board and serve the water customers of Pine and Strawberry. As a resident of Arizona since 1982, and the fact that Pine Strawberry geographically falls in his jurisdiction at CH2MHill, he is very proud of the relationship he has with the water District and the community.

Gary Lovetro

Gary expressed special thanks to Brad Cole, CH2MHill District Manager for his tireless efforts through-out the water interruption incident.

11) CALL TO ADJOURN

Motion to adjourn – Don Smith

Second – Gary Lovetro

Vote 7 – 0 Meeting adjourned at 11:30AM.

Reports Available directly from PSWID by request for July 28, 2012

1. *File # PSWID – Financial Report - PSWID– 07/28/2012*
2. *File # PSWID – District Manager Update – Brad Cole – 07/28/2012*
3. *File # PSWID – Proposal to Add Storage Tank at MR#1 Location– 07/28/2012*
4. *File # PSWID – CH2MHill Presentation on Water Service Interruption – 04/28/2012*