

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

MINUTES

Regular Board Meeting – August 21, 2010

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 1:01PM by Gary Lovetro - Chair

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

Gary Lovetro
Ron Calderon
Mike Greer

Tom Weeks
Don Smith
Richard Dickinson

There was a Quorum – 6 Board Members present.

Also Present:

David Davis – Attorney (arrived late)

Number of public attendees not noted.

4) APPROVAL OF MINUTES

a. Regular Meeting July 24, 2010

Motion to approve Regular Meeting minutes – Ron

Second – Mike

Vote 5 – 0 Motion passed. (Don Smith abstained. He was not at meeting.)

b. Special Meeting August 10, 2010

Motion to approve Special Meeting minutes – Ron

Second – Don

Vote 6 – 0 Motion passed.

5) FINANCIAL REPORT

Mike Greer, Treasurer, presented the financial report for the period ending July 31, 2010. The District Revenue for the month was \$133,252.43 and Expenses totaled \$128,325.00 leaving a net cash flow for the month of \$4,927.43. He indicated the entire financial report would be posted on the District web site for public review.

6) BOARD REPORTS

Tom Weeks reported on a meeting he and Richard attended with representatives from Compass Bank (Jason Aulwes and Andy Wykstra). Tom indicated it was a successful introductory meeting. He said the bank knows what we need and we know what they want from us. Everything was very positive.

Mike discussed the RFP posted for District Management and the meeting held August 19, 2010 with 3 contractors who responded to the District request. There was an opportunity for the contractors to ask questions and tour the PSWID water system. Mike said it all went well.

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

No comments.

(8) OLD BUSINESS

- a. Discuss and take possible action related to acquisition of SH3 Well as per covenants in the current proposed agreement.

David Davis opened discussion by commenting on the final purchase agreement between PSWID and SH3 LLC. He indicated that there were two minor issues remaining under consideration. (1) Agreement related to costs incurred by SH3 LLC over the last few months and (2) the approval of Strawberry Hollow Domestic Water Improvement Board.

Loren Peterson from SH3 LLC read a prepared statement into the record. Mr. Peterson expressed his frustration and chagrin related to what he felt was disingenuous action by the PSWID attorney. Mr. Peterson stated that at the last meeting of the Board his attorney and the PSWID Board's attorney agreed to final language in the purchase agreement that would be signed by both parties. He indicated that then he and the Board made an agreement. Since that time, Mr. Peterson claims the PSWID Board's attorney is trying to make changes and essentially "renegotiate the deal." The disagreement relates to the two issues mentioned previously by David Davis. Mr. Peterson claims that he was promised that if PSWID does not buy the well PSWID would reimburse him for his expenses to "prove up" the well. He claims that Mr. Davis now wants to delete that language from the agreement. The other issue relates to the role of SHDWID and when SHDWID needs to sign or approve the agreement. Mr. Peterson urged the PSWID Board to move forward with the deal as drawn up by his attorney and "sign the contract and do what it takes to get this transaction closed."

Richard attempted to explain the Board's position. He indicated that the final language drawn up by the attorneys was not shared with the PSWID Board members until a day or two after the meeting. Richard explained that the disagreement was over reimbursement of costs incurred by Mr. Peterson in the event Compass Bank would not extend financing for the purchase of the well. The Board understood that \$10,000 earnest money would be the total amount at risk if the bank did not finance. Richard pointed out that the disagreement was probably a mute point given the positive meeting he and Tom Weeks had with the Compass Bank representatives. Richard asked Mr. Peterson for his patience and let him and Tom present the agreement to the bank and get the bank's response to the request for financing the purchase. If the request for financing goes through, the whole disagreement is a mute point, and the transaction could be completed. In an attempt to provide clarity to the Board's position Richard read the motion related to the purchase of the SH3 Well that was passed by the Board at its last meeting. The motion passed was "*offer to purchase the SH3 Well consistent with exchanged contracts final form to be completed by attorneys. General terms with a purchase price of \$450,000, \$10,000 to be a non-refundable deposit with a 90 day bank financing deadline and a "good faith" agreement to deliver water to each other at wholesale rate if water is available.*"

Mike Greer offered further explanation stating that expenses related to the additional work Mr. Peterson performed on the well was requested by past Interim General Manager and past Board Chairman. Mike stated that the work performed did not result in an increased capacity or production rate for the well, and in his opinion it was questionable that the work be performed at all. He indicated in was sympathetic with Mr. Peterson's position.

Don Smith stated that in his opinion we were purchasing a well that met state agency criteria and produced potable water, and that if the Board had requested work be done, and the Board fails to get the financing we should consider reimbursing Mr. Peterson for his expense.

Richard offered further explanation related to the reason the Board invested District funds to clear the Milk Ranch Well. He pointed out that the Milk Ranch Well was clogged with sand and in order to determine a value based on production and capacity of that well it had to be cleared. It was the recommendation and legal opinion of the Board's attorney at the time (John Gliege) that clearing the well to determine value was considered a part of "due diligence." The Board followed their attorney's advice.

Gary Lovetro in an attempt to “move things along” asked Mr. Peterson if the Board Chairman was directed by our attorney to sign the agreement and the bank acknowledged it would provide the financing, would Mr. Peterson sign the current version of the Board’s agreement and consummate the deal. Mr. Peterson indicated he would. Gary indicated he would sign the District version of the purchase contract, and directed Tom and Richard to deliver it to the Compass Bank representative and request financing this week.

Tom reminded the attendees that in the original Compass Bank documents authorizing financing to the District, the bank required the District to acquire new sources of water. In keeping with this requirement, Tom stated that the money is in place for the District’s use to acquire new water sources and he expected the bank to allow the District to move forward with the purchase.

Sam Schwalm asked questions related to the 140,000 gallon SH storage tank. Gary confirmed that Strawberry Hollow would own the tank and the water in it. Expenses related to operation of the tank would be the responsibility of Strawberry Hollow. The agreement simply provides for PSWID to sell water to SHDWID and SHDWID to sell water to PSWID as needed when available. Sam also asked if a value specific to the 140,000 gallon storage tank had been established. The Board answered no separate value for the tank had been established.

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

Gary updated the attendees on activity at Milk Ranch Well. This past week Chris Miller from Aero Drilling, our District Manager, Dennis Burrell, and Dean Shaffer pulled the pump and motor from the well. They are currently evaluating what is working and what is not working. Next week, Ralph Bossart, District Engineer, PSWID District Manager, and Dean will consult with Chuck Dickens, Hydrogeologist, and Chris Miller from Aero Drilling to develop a “game plan” on next steps to take related to the development of the Milk Ranch Well.

(10) NEW BUSINESS

- a. Discuss and take possible action related to appointing a new PSWID Board Member to fill vacant seat on the Board.

Two candidates submitted resumes and indicated an interest in filling the vacant Board seat for the period until the November elections at which time a new Board member will be elected. Each candidate was present at the meeting and addressed the Board providing background information, their qualifications, and reason for their interest in participating on the Board.

David Heinert, P.E. presented first. Mike Claxton presented second.

Written ballots were distributed to Board members, and Richard read and tallied the votes.

Mike Claxton received 4 votes, and David Heinert received 2 votes. Mike Claxton was appointed to fill the vacant PSWID Board seat for the interim period.

Richard expressed his thanks to David Heinert for his interest, acknowledged his qualifications, and encouraged him to continue to come to meetings to share his input with the Board.

- b. Discuss and take possible action related to the PSWID Office Computer Server.

Beckie Sigeti the accounting manager from the PSWID office initiated the discussion and reason for the action item on the agenda. She explained that upgrade of the Office Computer Server was an approved FY Budget item, but that due to the expense a Board discussion and approval would be appropriate. She indicated two companies had evaluated the office computer system and each provided a bid. Astro Computer Services and Smart Computer Systems were the two companies. Both companies recommended fixes to the existing system. We are currently on the “point to point” system, and both companies recommended we use the “server system.” The Budget for this item was \$13,700. The

Astro quote was \$9,994, and the Smart quote was \$7,500. The Astro quote was more complete and was recommended.

Motion to approve the purchase of the Astro System for \$9,994.00 – Don
Second – Ron
Board discussion followed.
Vote 6 – 0 Motion approved.

Ray Pugel asked who set up the “point to point” system for the District. Beckie responded that it was Steve Stevens.

c. Discuss and take possible action related to PSWID Regular Meeting Schedule.

Gary led discussion explaining that to accommodate the public attendees the Board will attempt to hold Executive Sessions before the public session of all future meetings. Richard followed with discussion of public attendance at PSWID Board meetings since moving the Regular Meetings to Saturdays. It was determined that full time residents were still by far the majority of the meeting attendees. A show of hands from the public attendees was requested and only one in attendance at this meeting was a “part-time” resident.

A majority of public attendees voted to go back to 3rd Thursday of the month for Regular Meetings. The Board decided to move meetings back to Thursdays.

(11) CALL TO ADJOURN

Motion to adjourn – Tom
Second – Don
Vote 6 – 0 Meeting adjourned.

Reports Available directly from PSWID by request for August 21, 2010

1. *File # PSWID – Financial Report- PSWID– 08/21/2010*
2. *File# PSWID – Prepared Statement – Loren Peterson – 08/21/2010*
3. *File# PSWID – Resume - David Heinert, P.E. – 08/21/2010*
4. *File# PSWID – Resume – Michael Claxton – 08/21/2010*