

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

**MINUTES**

Regular Board Meeting – October 21, 2010

**1) CALL TO ORDER**

Pine-Strawberry Water Improvement District meeting was called to order at 5:00PM by Gary Lovetro - Chair

**2) PLEDGE OF ALLEGIANCE**

**3) ROLL CALL**

**Board Members Present:**

Gary Lovetro  
Ron Calderon  
Mike Greer  
Richard Dickinson

Tom Weeks  
Don Smith  
Mike Claxton

There was a Quorum – 7 Board Members present.

Also Present:

David Davis (arrived after Executive Session) and Dan Torrens – Legal Counsel  
Number of public attendees not noted.

Motion to move to Executive Session – Richard

Second – Mike Greer

Vote 7 – 0 Motion passed.

**4) EXECUTIVE SESSION**

Motion to open Executive Session – Mike Greer

Second – Mike Claxton

Vote 7 – 0 Motion passed.

- a. Discuss and review the Proposal received from CH2MHill related to a contract for Operations Management for the District.

Motion to adjourn Executive Session – Mike Greer

Second – Tom

Vote 7 – 0 Motion passed. Executive Session Adjourned.

Motion to open Public Session – Richard

Second – Don

Vote 7-0 Motion passed. Public Session opened.

**5) APPROVAL OF MINUTES**

- a. Regular Meeting August 21, 2010

Motion to approve Regular Meeting minutes – Don

Second – Tom

Vote 6 – 0 Motion passed. (Mike Claxton abstained)

**6) FINANCIAL REPORT**

Mike Greer, Treasurer, presented the financial report for the period ending September 30, 2010. The District cash flow in (revenue) was \$134,027.37, and total cash out for operating expenses was \$156,551.59 resulting in a negative (-) \$22,524.22 cash flow for the period. The entire financial report will be posted on the District web site.

## **7) BOARD REPORTS**

Gary Lovetro updated the Board and public attendees on the current status of SH3 well. We have bank approval and the purchase is in escrow. We are awaiting an Alta Survey to be submitted to the bank and a Phase I Environmental Study. Both should be completed shortly.

Dennis Burrell, District Manager, updated the status of the Milk Ranch Well. We have removed the old pump and motor, and the well is ready for testing. The new motor and pump will be installed next week, and then the 30 day testing will begin.

Don Smith, Personnel Relations Committee, indicated some District staff had expressed concerns related to Board Member interactions, but felt the presence of a full time District Manager would solve the issues.

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

Fred Krafczyk addressed the Board concerning Board member agendas and asked Don Smith why he was soliciting others to run for Board seats instead of supporting the current Board Members. He also questioned the agenda of those running against the current Board Members.

Don Smith replied as a citizen of the community he was free to solicit interest from others who might have interests or competencies that could help the Board. He indicated he did support some of the other candidates running against the current Board Members up for election.

## **9) OLD BUSINESS**

- a. Discuss and take possible action related to the CH2MHill Proposal concerning contract Operations Management for the District.

Mike Greer and Ron Calderon gave a power point presentation on work performed by the committee reviewing the proposal received from CH2M Hill for contract operations and management of the District. This presentation had previously been given to the Board in the Executive Session for Board discussion.

Various comments and questions from public attendees followed:

Ray Pugel commented on the results of a study comparing development fees for the town of Payson compared to other similar communities in Arizona. He indicated that CH2MHill had been managing the water utility for the town of Prescott Valley for about 18 years. He reported that a potential hotel development in Payson was going to be charged approximately \$200,000 in water development fees and that in Prescott Valley there was no similar charge. He contributed this difference to the good management practices of CH2MHill. Additionally, Mr. Pugel indicated he was impressed with the development plan and professional manner in which CH2MHill expected to test and develop the Milk Ranch Well.

Ken Mitchell asked if the current District employees would be hired by CH2MHill. Gary Lovetro replied that yes the contract provided that the current employees would be retained by CH2MHill.

Forrest McCoy indicated that if only one company submitted a proposal how could you compare qualifications of CH2MHill to another company. He also questioned the cost of various services offered by CH2MHill. It was explained to him that CH2MHill was the only company submitting a qualified proposal. Their proposal was evaluated based on the parameters of the RFP and costs within the District budget. Services discussed in the presentation were included in the proposal cost to the District. He also asked if

there was a "guarantee" on the length of employment for current employees. Gary Lovetro and David Davis responded that the employees would be hired by CH2MHill under the current "at will" laws of Arizona. Dennis Burrell, interim District Manager from CH2MHill responded that CH2MHill has contracted with many water districts all over the country and they routinely incorporate the existing employees into their system. He indicated that the company recognizes the intellectual value of the current employees, and that CH2MHill has no desire to terminate those employees. Dennis also addressed rumors that the local office would be closed and billing would be done from an office in California. He indicated this was completely false, that CH2MHill has no billing office in California, and that there would continue to be a presence in Pine/Strawberry including a resident District Manager operating from the current District office in Pine.

Jim Stark commented he has had a home in Pine/Strawberry since 1982. He indicated that there has always been negative and critical attitudes in the community related to how the water district was operated. He was tired of the critics and challenged them to find solutions instead of just being negative. He said that this was the first time in his experience that a Pine/Strawberry water district board was attempting to operate the water system in a professional "big town" manner. He related his recent interaction with District office staff when discussing the current Board member election. He was told how they were fearful of losing their jobs, and that the local office would be closed in favor of doing business in California. He asked that if the business relationship with CH2MHill did not go well how long was the contract period. Mike Greer indicated that the contract period was renewable every 4 years with an annual review, and that it was a "performance based" contract that could be terminated by either party with a 30 day written notice.

Tom Weeks expressed his support of CH2MHill based on his conversation with utility management over CH2MHill in Prescott Valley. He indicated he felt the District needed a permanent management team at least for now.

Gary Lovetro commented that Compass Bank had indicated at a recent meeting that if CH2MHill was the contract management company, Compass Bank might have an interest in discussing refinancing the District loan for acquisition of the water companies. This could ultimately save the District \$200,000 to \$300,000 in expense related to acquiring refinancing in the future. He pointed out the bank's support was based on the strong professional reputation of CH2MHill.

Motion "that PSWID retain CH2MHill for operations maintenance and management services under terms set forth under the final agreement for operations maintenance and management services for PSWID" – Mike Greer.

Second - Ron Calderon

Tom Weeks indicated that our legal staff was comfortable with the agreement as written. Don Smith asked for and Board approved a roll call vote on the motion.

Mike Claxton – aye

Mike Greer – aye

Richard Dickinson – aye

Gary Lovetro – aye

Tom Weeks – aye

Ron Calderon – aye

Don Smith – aye (Don explained his vote for the motion. He indicated he came to the meeting with the intent to vote against CH2MHill because he discovered several law suits in which they were involved. He indicated that he felt that an agreement with CH2MHill would be a "detriment to our employees". He indicated that during the Executive Session he learned that the employees would be retained and benefits expanded as delineated in the CH2MHill proposal provided to the Board Members. He also realized that under CH2MHill management the Board could still achieve our goal of connecting the two deep wells under consideration. Thus he changed his vote to yes.)

Motion passed unanimously.

Gary Lovetro signed a final draft of the agreement and provided a signed copy to Dennis Burrell of CH2MHill.

- b. Discuss and take possible action related to installation and management of “seasonal” and new water meters.

Gary expressed a desire to eliminate “seasonal” water meters based on pending acquisition of SH3 well and the current water tank level.

Motion “to eliminate seasonal water meters, that they be permanent going forward, and anyone desiring a water meter can obtain one under the current costs and rules and regulations”- Ron

Second – Tom

Board discussion followed.

Vote – 7 – 0 motion approved.

- c. Discuss and take possible action related to approval of the District Rules and Regulations.

The final draft of the District “Rules and Regulations” (approved on September 7, 2010) was designated “Resolution 10-21”.

Motion to approve Resolution 10-21 District Rules and Regulations – Don

Second – Mike Greer

Vote- 7 – 0 Motion approved.

## 10) **NEW BUSINESS**

- a. Discuss and take possible action related to unresolved issues concerning Brooks’ Utilities.

Ron opened discussion related to improperly installed meters (piping, etc.) by BUI that have resulted in disputes to pay water bills and correct installation issues. Ron felt the Board should just take care of correcting the problems to improve customer satisfaction. Mike Greer offered that each situation should be taken on an individual basis, overseen by the District Manager addressing these issues without delay. Mike indicated he had created a form that can be filled out and provided to the District Manager for follow-up. No official Board action was taken other than directing the District Manager to address these situations in a timely manner.

Gary Lovetro took the opportunity to introduce our new CH2MHill permanent District Manager, Danny Stevens who will be relocating from Texas to Pine/Strawberry.

- b. Discuss and take possible action related to the issue of fire hydrants for Portals I and II.

Dave Prectel, PS Fire Board, addressed the Board with a request related to fire hydrants for Portals I and II. This is a budgetary issue, and the PSWID Board feels that fire hydrants when provided should be available to all segments of the community. Dennis Burrell commented that before fire hydrants could be installed, installation should be directed by a master plan so that infrastructure and system operation would not be compromised. Going forward this is a project the Fire Board and Water Board could work on together.

## 11) **CALL TO ADJOURN**

Motion to adjourn – Mike Greer

Second – Tom

Vote 7 – 0 Meeting adjourned.

### **Reports Available directly from PSWID by request for October 21, 2010**

1. *File # PSWID – Financial Report- PSWID– 10/21/2010*
2. *File # PSWID – CH2MHill Proposal Presentation – Mike Greer-10/21/2010*