

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

**MINUTES**

Regular Board Meeting, Thursday, November 15, 2012

**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 (absent)  
Mike Greer  
Richard Dickinson

Tom Weeks  
Don Smith  
Mike Claxton

There was a Quorum – 6 of 7 Board Members present.

Gary reported that Ron had surgery the past week, and was recovering but doing well.

Also Present:

Brad Cole – CH2MHill District Manager  
Dan Torrens – Legal Counsel  
Chuck Dickens – District Hydrologist

**4) APPROVAL OF MINUTES**

a. Regular Meeting September 13, 2012

Motion to approve Regular Meeting minutes – Mike Greer

Second – Mike Claxton

Vote – 6 to 0 Minutes approved.

**5) FINANCIAL REPORT**

Mike Greer, Treasurer, presented the financial report for the period ending October 31, 2012. The District cash flow in (revenue) was \$135,696.32. Funds disbursed from Compass Bank were \$105,000.00. Funds received from tax levy account were \$141,258.73. Total cash in for the period was \$381,955.05. Total cash out for operating expenses for the period equaled \$176,903.27. This resulted in a net cash flow of \$205,051.78.

Total Bank Balance(s) as of October 31, 2012 in the Restricted Account was \$589,621.74. The Non-Restricted Account was \$575,399.42 resulting in Total Bank Balance of \$1,165,021.16. The entire financial report will be posted on the District web site.

## 6) DISTRICT MANAGER UPDATE

Brad Cole updated the attendees on the progress of District Capital Projects and Staffing.

### Milk Ranch Well #1

Brad reported that ADEQ had requested changes to the original District application for the new 30,000 gallon water storage tank, and the District has resubmitted the application addressing the requested ADEQ changes. Approval is expected in a couple of weeks.

The District has received the new Variable Frequency Drive (VFD) to replace the previous VFD that burned out. As soon as replaced, it will eliminate the need for further manual monitoring and operation.

### Milk Ranch Well #2

The Approval to Construct application for piping and well head has been submitted to ADEQ. When authorization is received from ADEQ the District can plumb the well and submit the Approval of Construction application to turn on the well.

### Milk Ranch Well #3

Drilling has begun with a 12 inch casing to a depth of 64 feet. Next will be installation of the surface seal accomplished by installing a 10 inch casing to the same depth, grouting the space between, and then pulling the 12 inch casing. Then 8 inch drilling will continue to about 400 feet followed by 6 inch drilling to about 800 feet. The well can then be developed. This work is estimated to take a couple of months.

### Pine Creek Canyon Road

The water line portion of the project is essentially complete with all customers connected to the new water line. The contractor needs to raise fire hydrants and gate valve stacks in addition to sample taps and a single air-release valve. The drive at the District field office still needs paving.

### Whispering Pines South Project

This project consists of installation of 1,000 feet of new 6 inch water main along highway 87 south of Whispering Pines. Ads for bids are scheduled in the newspaper Friday November 16 and 23. A pre-bid meeting is scheduled for Monday, November 26 at 10am, and bids are due Tuesday, December 11 at 1:00pm. Four local firms have expressed interest.

### Meter Replacement Program

Bids were opened on September 28, and the project was awarded to Mountain States Pipe and Supply Company for a bid of \$62,139.78. The CH2MHill staff will manage the project using temporary labor for installation. Cost savings on new meters resulted in total project cost reduction of \$51,000. Project time frame estimated at 3 to 5 months.

## Staffing

Brad reported there was currently one open staff position for which a temp to permanent candidate has been hired starting November 26<sup>th</sup>. If candidate works out, the District will be fully staffed in 90 days.

Brad indicated field staff have been busy addressing several main leaks over the past few weeks.

## 7) BOARD MEMBER REPORTS

Chairman Lovetro opened Board Member Reports with a discussion of Board Member protocol when contacting CH2 office staff, district manager, or Board Chairman. He reminded Board Members that requests for information, reports, etc. should be made initially to either the District Manager or the Board Chairman and not through the office staff. He emphasized that every Board Member has a right to all District information, but should follow protocol instead of interrupting office staff during working hours. He reprimanded Tom Weeks for recently occupying approximately 40 minutes of office staff time with his personal requests/complaints. Gary confirmed that office staff were employees of CH2MHill not employees of the District and therefore should not be interrupted during office hours, and stressed protocol requires contact via the District Manager or Board Chairman.

Richard reminded Board Members who filed for re-election during the last election to be sure to submit the Gila County Political Committee Termination Statement. This document is to be sent to Gila County Elections department within 90 days after the election. If delinquent there is a potential fine of \$100.00 to the candidate. He gave instructions for filling out the form, and provided an example to Board members.

Mike Greer offered an explanation and apology to the Board and District for "misuse" of a District credit card in his possession. Mike indicated that he reported the situation to the District as per District Rules and Regulations, and reimbursed the District for credit card charges. He indicated he was aware this put an "undue burden" on the Board and he was sorry and stated it wouldn't happen again. He had turned in the credit card to the District.

Tom Weeks reported that while signing District checks recently, he called into question a credit card statement. It was reported that the statement was due to a credit card in Mike Greer's possession. Tom stated he felt as a Board member he not only had a right but an obligation to follow up on the charges on the credit card. He expressed his concern related to the public's trust and honesty of the Board members. He indicated the statement covered the period from July to October, and he was signing checks for the period ending in October. Tom called into question several charges on the statement including Bass Pro Shop, Home Depot, Native New Yorker, JB's Restaurant, and ACE Hardware. Tom expressed his disappointment as a Board member and called for potential further action from the community.

Gary reported that Mike followed District guidelines related to reporting his situation to the District in writing and reimbursing the expenses to the District. Gary indicated that when he returned from vacation he learned about the situation from the accountant. He saw the credit card was turned in to the District, all expenses were reimbursed, and obtained confirmation from the

auditors. Additionally, Gary contacted the District attorney to advise him of the situation and obtain further advice on handling the matter. Gary indicated that through the discussions with the District auditor and legal counsel he was advised the District had been purchasing fuel from Uncle Tom's Texaco which created another conflict of interest situation. He reported that it was brought to his attention that the District has spent over \$31,000 over the past 2 years purchasing fuel from Tom's business. Gary indicated that Tom should have reported this conflict situation to the District as outlined in District guidelines.

Don Smith offered that if Tom submitted a letter documenting the potential conflict from fuel purchases, it might mitigate the situation. Gary disagreed due to AZ. State statutes limiting amounts of money (\$1,000 annually) a Board member can receive from other Board members or districts. Don further added that he felt since Mike came before the Board to explain the situation and provide restitution to the Board his apology should be accepted and no further action was needed. Don further described a potential conflict of interest situation he encountered as a member of the School Board. Don went on to explain that he never interpreted the book (Water Board Bible) to indicate that all communication or requests for information should be funneled through the Chairman. Don expressed his feelings that the Chairman had limited Don's input as a Board member over the last year and a half.

Tom asked further how and when did Mike obtain a District credit card? Becky answered. She reported that District credit cards were applied for and obtained by Harry Jones when the District got the loan from Compass Bank. Harry, Mike, and Becky all had cards.

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

Forrest McCoy asked why the District didn't obtain water samples for testing from water customers.

Ray Pugel commented that with all the positive things accomplished by the Board he was disappointed by the apparent conflicts between some Board Members. He reminded attendees that without water produced from the Milk Ranch Well, the District would have been out of water last summer.

**9) NEW BUSINESS**

- a. Discuss and take possible action related to the recent incidence of water turbidity found in the distribution system.

Brad Cole presented a review of findings related to the cause and incidence of turbidity in the District water supply at various times since June. There are theories about the cause including several main line breaks, but no definitive reason was offered. It does appear that the turbidity was coming from Milk Ranch Well #1. Upon consultation with Chuck Dickens, District hydrogeologist and experts from CH2MHill, a decision has been made to address the water turbidity issue by installing a turbidity meter with automatic control valves which would divert turbid water out of the system automatically should a turbid water event occur. The District is considering applying for a system wide, extended Deminimus permit, recommended by ADEQ, to allow discharge of turbid water into the creek whenever there's a need. The recent episodes of

turbid water were in the 5 to 8 NTU range which is an esthetic issue. Turbidity does not affect any primary or secondary standards for water quality. There "is no health impact to it." The District chlorinates the water for safety. It was decided that because the well has been developed several times over the past years further development pumping was not required.

Ray Stephens discussed issues he encountered with turbid water and his pickle canning business. He reported that dates of turbid water in the water system coincided with dates he encountered canning failures in his business. He indicated that a conversation he had with people at the "process authority" suggested his canning problem was due to dirty water. He provided examples of damaged pickle jars due to the turbid water effects on canning.

Chuck Dickens described various levels of turbidity and explained there were no limits to allowable turbidity in "drinking water." Brad Cole indicated the District has never had water that failed purity testing at ADEQ. There is an effort to keep turbidity levels at 5 NTU's or less.

Richard emphasized that the action being taken by the District to prevent high levels of turbidity delivered in the water was to develop and install automatic turbidity meters that would activate diverter valves when high turbidity is measured. Gary further explained the action being taken by the District related to turbidity meters that he, Brad Cole, and Chuck Dickens were evaluating. Gary also reminded water customers who were operating businesses with products susceptible to turbid water that they should install filters or other safeguards to protect their products.

Chuck Dickens explained the process of deep water well development to attendees. He compared the difference between "normal" well development like wells in Phoenix or Tucson to well development in Rim Country where wells are not normal. Normal wells can be pumped to clear water in 2 days to a week. Rim Country deep wells located in limestone can take years to develop. Milk Ranch Well #1 has been redeveloped several times over the last 2 to 3 years. Production of sand and silt from limestone wells can be expected from time to time during the well development period. No one knows why the silt and clay are produced. It could come from recharging of the aquifer. Chuck displayed water samples of varying turbidity for attendees to view. He had turbidity samples of 0.2 NTU, 5.0 NTU, 10.0 NTU, and 1,000 NTU. The 1,000NTU looked cloudy. It was very difficult to determine the difference in appearance of the other examples. Turbidity standard for surface water is 1.0 NTU. There is no turbidity standard required for deep water wells.

Pam Mason asked about the possibility of obtaining a long term discharge permit from ADEQ. Chuck Dickens explained it should not be difficult as ADEQ was encouraging the District to apply for one.

Dick Berry expressed his frustration related to the amount of turbidity in the water at his home. He provided a sample for demonstration, and indicated he had registered complaints with ADEQ.

Laura Miranda commented on turbidity issues for her business. It's been going on since June, and wanted the community to be aware of the issues. She expressed her frustration with the turbidity issue and the affect it was having on her ice business.

The time frame to install turbidity diverter valves is "as soon as possible." Installation will depend on development, obtaining discharge permit, and determination of cost.

A 15 minute recess was taken before New Business item b.

Meeting reconvened at 7:45PM.

- b. Discuss and take possible action related to the request from Tom Weeks to Appeal to the Board the recent District Manager's Decision related to turbidity of water at Uncle Tom's Texaco and Pine Ice Company.

Gary explained the process for appeal to the Board as outlined in the District Rules and Regulations. He also reminded attendees that since Tom Weeks was submitting the appeal, he would not participate in the discussion or vote as a Board Member.

Brad Cole provided background and explained the reasoning for his decision related to Tom's request. He indicated he agreed to credit Pine Ice, Co. for water flushed through the meter to clear turbid water residue, but did not agree to compensate for lost revenue or damaged product. Brad agreed to credit for about 10 hours of flushing resulting in a credit of \$648.00 which was significantly less than Tom's request.

Tom Weeks presented his case indicating that the situation involving turbid water had been going on from June to October. During that time his company had to clean equipment and destroy product that could not be sold due to the affect of the high turbidity of the water. He reported a considerable loss of revenue and employee time. He stated he only wanted what was fair due to the costs he incurred. His daughter Laura displayed a bag of ice to the Board to demonstrate the high level of turbidity present. Tom acknowledged the District made available on loan a sand filter to attempt to reduce the turbidity. He said the filter helped but did not completely solve the issue.

Board member questions were taken and addressed.

Gary asked Brad to explain how he reached his decision for reimbursement to Pine Ice co. Brad explained that during the conversations related to compensation for lost revenue, etc., emotions ran high, and he felt there was an attempt to intimidate him into adjusting his decision. Gary also asked Tom if he maintained or operated any system on his side of the water meter to filter the water coming in or in any way safeguard the ice product. Tom indicated he had no safeguard in place, but he didn't feel he needed one based on the past quality of the water.

Mike Claxton asked if the water that had been used to make ice had been tested for contamination. Tom confirmed it had not been tested.

Mike Greer asked to hear from District Counsel. Dan Torrens responded that there was no legal opinion he could give on the situation, and referred back to Gary to follow the District Rules and Regulations.

Don Smith asked Tom what kind of filter he could get to safeguard his business, and what it would cost. Tom suggested that such complex filters would cost \$10,000 to \$15,000, and even with such a filter, the "mud" coming through the water lines would clog the osmosis filter on such equipment.

Mike Claxton asked Brad to explain what he meant when he told Tom and Laura he would "make it right?" Brad stated he meant he would compensate them for the water used by the District to flush out their system.

Individual Board member comments were heard.

Gary commented on the need for business to protect themselves and their products with safeguards. He also felt to reimburse for more than the water used to flush the system would be setting a bad precedent and subjecting the District to further such requests and actions.

Mike Claxton indicated he felt that business should protect themselves with safeguards.

Richard expressed his sympathy for Tom's situation but indicated the Board must abide by and apply the District Rules and Regulations related to Limitations on Liability AII, Section 7.5 and Indemnification of the District by the Customer/Property Owner AIII, Section 5.8, 5.9. He expressed his concern related to not only setting a precedent for a customer but potentially showing special compensation for a District Board Member.

Mike Greer indicated this was a tough decision, but we must go with the Rules and Regulations.

Don Smith acknowledged and agreed with the District Rules and Regulations related to District Liability, but indicated he felt the Rules and Regulations provided the District Board when addressing an appeal the discretion to compromise with a customer on a case by case basis without setting a precedent.

(In the spirit of good faith from the Board, not to reimburse for lost revenue or to set a precedent, but to compensate for potentially miscalculating the amount of water flushed through Tom's system) Motion - to reimburse Uncle Tom's Quick Stop for \$1,500.00 to adjust for any miscalculation of water used to flush the system.- Gary Lovetro

Second – Mike Claxton

Vote – 6 – 0 Motion approved.

Gary commented on the apparent conflict and controversy between members of the Board. He stated he didn't like it, and wished it would stop. He reconfirmed that no actions he has taken have been in retaliation for other Board Member actions. Another call for more open communication to Board members was made. Richard cautioned the Board regarding discussions between Board members and upholding the Arizona Open Meeting Law.

## 10) **CALL TO ADJOURN**

Motion to adjourn – Richard

Second – Mike Claxton

Vote 6 – 0 Meeting adjourned at 8:25PM

### **Reports Available directly from PSWID by request for November 15, 2012**

1. *File # PSWID – Financial Report - PSWID– 11/15/2012*
2. *File # PSWID – District Manager Update – Brad Cole – 11/15/2012*
3. *File # PSWID – Turbid Water Report – Brad Cole – 11/15/2012*

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