

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

MINUTES

Special Board Meeting, Thursday, December 6, 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

Mike Greer

Richard Dickinson

Tom Weeks

Don Smith

Mike Claxton

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

Also Present:

Brad Cole – CH2MHill District Manager

Dan Torrens – Legal Counsel

Chairman Lovetro asked “Mr. Secretary, is this the official Board of the PSWID?” The Secretary responded it was. Mr. Lovetro indicated that “for the record” to correct any confusion Mr. Schwalm had been asked to clarify that he was not an official member of the PSWID Board until January 1, 2013. Mr. Schwalm did so.

Don Smith requested “point of order” asking if two or more Board Members had requested the presence of the Board Attorney at the meeting as delineated in the District Rules and Regulations. Gary indicated that there was a standing order for the presence of the attorney. Don indicated he would have made the request if needed.

4) OLD BUSINESS

- a. Discuss and take possible action related to the District Counsel’s Report to the Board. (dated November 20, 2012 and December 3, 2012) File No.: 7406-0001.

Motion – to release privilege of File No.: 7406-0001 dated November 20 and December 3, 2012 – Gary

Second – Mike Claxton

Under discussion Mr. Lovetro expressed his desire to address various accusations and articles printed in the press. He indicated he has not taken a position on issues related to Mr. Greer or Mr. Weeks, but has attempted to carry out the duties of Board Chairman amidst the conflict within the Board. He reported that upon returning from vacation in October, he kept an appointment with

the Board's attorney and Beckie Sigeti to review the audit for Fiscal year June 2011 – July 2012. He indicated at that meeting he was informed of the potential conflict of interest of Tom Weeks, and that was before he was aware of issues related to Mr. Greer. Mr. Lovetro indicated that at that time he asked Dan Torrens to determine if there was in fact a conflict of interest or if there was a violation of any Arizona State Statutes. A few days later Gary reported he was made aware of the situation of Mr. Greer. He obtained the credit card from Mr. Greer, and asked the District Accountant for an internal audit. He asked Mr. Greer to reimburse the District, write a letter to the District, and advised the Board Attorney of the situation.

He indicated that had Mr. Weeks contacted him regarding these issues, he would have understood that they were being addressed and there would have been no need for the "November surprise" by Mr. Weeks at the last meeting.

The Board Attorney after comprehensive investigation into the issues submitted a detailed report to the Board. It is Mr. Lovetro's desire that the report be made available to the public.

Vote -7 – 0 Motion approved. Copies of the Attorney's report were distributed to the attendees.

Don Smith indicated that when he requested an agenda item for a future meeting, he thought that it would be taken up at a meeting after he was no longer a Board Member. He did indicate he was prepared to discuss the agenda item.

- b. Discuss and take possible action related to Board Member's potential conflict of interest as reviewed in the District Counsel's Report to the Board. (dated November 20, 2012 and December 3, 2012) File No.: 7406-0001

Gary Lovetro indicated this agenda item was at the request of Don Smith. Don wanted to review the District Rules and Regulations to determine if there was an exception to the conflict of interest related to gas purchases from Uncle Tom's Texico. Gary explained that the District Rules and Regulations related to the issue are restrictive, and the ARS 38.503 is even more restrictive in that Board Members are prohibited from voting on issues related to the conflict. In addition purchases are limited to \$300 per purchase and at total of \$1,000.00 annually. The Board Attorney held that the State Attorney General would not be in a position to grant an exception to the State Statutes. Mr. Lovetro suggested that Tom Weeks not the Board retain an attorney to seek an exception or obtain a change to the ARS.

Several attendees chose to disrupt the meeting at this point despite Chairman Lovetro's request for order.

Don Smith stated he didn't remember when the Board initiated the standing order for the Attorney's presence at meetings, and did not remember seeing the contract with the Attorney. Don offered his opinion related to conflict of interest, and suggested Tom close his station to all District staff.

A disagreement between Don Smith and Chairman Lovetro ensued. Don indicated that it would require a vote of the Board to have CH2MHill vehicles stop purchasing gas from Tom's business.

Chairman Lovetro indicated it did not take a vote of the Board to obey the law as interpreted by the Board Attorney, and have CH2MHill discontinue gasoline purchases from Tom's.

Dan Torrens the Board Attorney was asked and explained the parameters and decisions offered in his "Report to the Board File No.: 7406-0001.

There continued to be significant confusion and misunderstanding by attendees surrounding the Attorney's Report and explanation of same. Mr. Lovetro continued in an attempt to explain the issues.

Attendees continued to shout various questions from the audience further disrupting the schedule of business of the meeting. Various discussions on and off the agenda item ensued.

Sam Schwalm offered his interpretation of the District Rules and Regulations as related to Tom's conflict of interest and the CH2MHill contract to purchase fuel.

Further discussion related to "avoiding" the conflict ensued with Dan Torrens further explaining the issues related not only to District Rules and Regulations, but to Arizona Statutes. His opinion was that the issue was not so simple as to just avoid the conflict.

5) NEW BUSINESS

a. Discuss and take possible action related to PSWID Board Officers.

Mike Greer read a prepared statement indicating he has not broken any District Rules and Regulations or Arizona State Statutes related to misuse of a credit card. He felt the issue has been inflamed by various members of the Board, media, and the public. He felt that not all the facts were reported in order to get a predicted response from the community. He offered a challenge to attendees and critics to "roll up your sleeves" and pitch in to help do some of the work needed to solve the water issues in the community. He offered his resignation as Treasurer of the Board, but indicated he had no intention of resigning from his position as Board Member. (Greer Statement available as public document).

Don Smith offered his support of Mike Greer and service together on the Board for the last 6 years. He indicated he thought Mike had done a good job over the years, and respected his decision to step down from the Treasurers position.

Blue Cards - questions/statements related to Mike Greer and agenda item 5.a.

Rebecca Sigeti – CH2MHill Accounting Manager

Her background includes service as a comptroller for a large concrete company with over 500 employees for 17 years. She expressed her disappointment with a recent headline in the newspaper. She felt that it was very misleading. She indicated that it should have stated "\$9,000 spent for supplies and \$85,000 saved by Mike Greer over the last 12 months." She clarified the actual credit card charges, and credited Mike Greer for his work and money saved for the District. She indicated that every Board member receives a monthly packet including a breakdown of capital supplies purchased and where they are purchased. If Board Members were surprised by

credit card charges, it was because they didn't read the detail she supplied on a monthly basis. She indicated that she (and Mike) was well aware of the situation related to the credit card in July. She reported the issue to the Board Chair as required. Tom Weeks did not bring the issue to the attention of the PSWID, he only brought it to the public in November. She indicated she was handling the credit card issue as it should be handled by the accounting manager. She indicated it was time the press and public recognized the positive things accomplished by the PSWID Board. (Rebecca Sigeti Statement available as public document).

Ray Stephens

Mr. Stephens expressed the disgust he felt after the November PSWID meeting where he felt water quality issues were not effectively addressed. He leveled criticism at Mr. Greer and Mr. Lovetro and asked for resignations.

Ray Pugel

Ray likened the attendees at the meeting to a "lynch mob." He observed that large attendance at a water Board meeting only happened when people feel something is wrong. He supported the accomplishments of the District, and admitted the system inherited by the Board is so old and in such disrepair we should "plow it under." However, he admitted we can't. We have to fix it. He asked for help from the many unfamiliar faces in attendance to support the effort to fix the Pine/Strawberry water system.

Wendy Drabillas

She asked if CH2MHill staff were ever directed not to purchase fuel from Uncle Tom's Texico. Brad Cole stated that direction was given to staff as of the last meeting. She felt that if staff were advised not to purchase from Tom's it would void the conflict of interest issue. Gary Lovetro provided further explanation related to the current District audit.

Artie McClellan

Mr. McClellan asked Mike Greer if he had asked for clarification of the facts from the newspaper. Mike responded that he never was successful in that effort. Mr. McClellan further commented on Mr. Lovetro's management style as "bullying." Mike disagreed.

Mitze Paul

Mitze asked Mike what the credit card stated on the face. Mike said is stated, Michael Greer / PSWID.

Jodi Smith

Ms. Smith challenged Mike Greer on misuse of the credit card. She asked Mike to consider stepping down from the Board.

Scott Vandenbach

Scott offered support for the work of the Board, expressed he didn't think the conflict of interest was a big deal, and indicated that Mike made a mistake, but he supported him.

Malcolm Palmer

Mr. Palmer asked Mr. Greer when he paid the charges on the credit card. He additionally asked for a forensic audit.

Beckie indicated that there was currently an independent audit being done at the request of the Auditor General covering all documents since 2008.

Rose Harper

Mrs. Harper indicated Mike has done good work for her in the past. However, she felt he did not have to be on the Board to do good work and contribute to the community, and she asked for him to resign from the Board.

Motion – to open nominations for the office of Treasurer for the balance of the month of December and the year 2013 – Gary

Second – Mike Claxton

Tom Weeks recommended the Board hold off until new members are seated in January 2013. Gary withdrew his motion.

- b. Discuss and take possible action related to the role of the Board Chairman and CH2MHill District Manager as defined by the “Water Board Bible” and District Rules and Regulations.

Don Smith opened the discussion expressing his feelings that the Board Chairman was too involved in the business of the District Manager, the timing of preparatory meeting information, and his feeling that Brad Cole (DM) was capable and should be responsible for communication to and between District Board Members. He also indicated he supported concepts from the Kansas Water Board Bible. He also made a recommendation that Board Members could contact Rural Water Association of Arizona for additional ideas and “training”.

Gary thanked Don for his comments and indicated that he had to admit that for some time now, Brad Cole has distributed a weekly District Manager’s Update to Board Members to keep them abreast of current issues, projects, problems, and well development just to name a few.

Tom acknowledged Don’s service on the PSWID Board.

A break in the meeting was announced with scheduled resumption at 7:35PM.

The meeting reconvened at 7:40 PM.

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

Jessica Barnet

Ms. Barnet commented on the timing of when the issues of the credit card and conflict of interest were reported to the Board. She also indicated she was aware and felt it inappropriate that the Chairman had contacted members of the School Board related to the conflict of interest issue. She also commented on Board members being involved with day to day operations of the District. That should be left to the District Manager.

Robert Privette

Mr. Privette suggested that designated officers who co-sign checks were as guilty as and an accomplice to the one who misused the credit card naming Mr. Dickinson and Mr. Lovetro.

Mr. Dickinson responded to the criticism and indicated he did not knowingly sign any questionable checks. It should be understood that for checks to be valid to pay District creditors each check must have two valid signatures regardless of any questionable charges on a credit card statement.

Sam Schwalm

Sam suggested that regaining public trust will require the District to complete and report on audits, explore the need for credit cards, and find solutions to “muddy” water.

Dick Berry

Mr. Berry thanked Tom Weeks for bringing the credit card issue to the public. He then challenged Mr. Greer and Mr. Lovetro to resign or face a potential recall.

Rick Hawthorne

Mr. Hawthorne indicated he has been a full time resident since May of this year. Mr. Hawthorne indicated that immediately upon moving to Pine he noticed there were issues with PSWID. He reported that he noticed he had exceptionally low water pressure. He indicated he addressed the low water pressure issue with a gentleman at the PSWID office in June. He said he was informed that his pipes were scheduled to be replaced in July. He stated that he brings up the issue every month at the PSWID offices. Now it's December and his pipes have not been replaced. He challenged the actions of Mr. Lovetro and Mr. Greer and PSWID as a whole. He indicated he has looked into the PSWID organization gathering much of his information from articles in the Payson Roundup and from the group “water for Pine and Strawberry.” He continued to characterize the actions of Mr. Lovetro as “bullying and intimidation” suggesting that it was Mr. Lovetro and Mr. Greer who were responsible for forcing the resignations of Mr. Haney, Tetra Tech, and others in the past. He asked for Mr. Lovetro and Mr. Greer to resign.

Chairman Lovetro responded to the criticism. He stated he didn't know how to respond given that he has just been accused of not supplying enough information to the Board and public, and simultaneously he is criticized for bringing out all the information related to the conflict and credit card issues. He stated he is just doing his job as Chairman of the Board.

Cindy Maack

Cindy commented that the gentleman who moved here in May should get some background information before he comments in public. She indicated she didn't like it that facts are not checked before print or that Mr. Schwalm says things before checking his facts. Cindy indicated support for Gary as the Chairman of the Board, and stated that sometimes people in charge have to be more direct to get things done. She stated that she was friends with all members of the Board, and wished they would stop attacking each other. In addition, she stated that she wished that the public would get their facts straight before attacking the Board.

Earl Chitwood

Earl indicated his support for the actions and work of the Board during the recent water outage. He reminded attendees that they have water now, and it wasn't that long ago they didn't. Earl reminded attendees that during the water outage, Mike Greer worked long hours including 20 hours one day, and nobody was bringing him coffee or lending him a hand. It was not long before clear water was running again either. He indicated support for the work of the Board, and reminded attendees that this system was 50 years old and originally constructed with sewer pipe

because that was how is used to be done. You can't fix 35 miles of water line over night. He stated the community has to come together again to get the job done.

Fred Krafczyk

Fred stated that it was upsetting to see the division between residents of the community over the current issues. He knows that Mike Greer will do the right thing as will the Board. Fred described the water situation in the community for the past 9 years, and how the Board with support of many in the community addressed the water issues to provide the water we now have. He asked attendees to check their facts before being critical, and be willing to "strap on a tool belt" to lend a hand to contribute to the solution. He expressed frustration to those who have always been critical and never offering a positive or constructive comment to help solve our water issues. He asked that this be a point of "healing" and move forward together to solve the problem.

Forrest McCoy

Mr. McCoy asked that Mike and other check co-signers consider resigning from the Board.

Travis Balestera

Travis stated that he didn't care about the politics. He made an observation that there were many who spent hours writing critical comments on websites "stabbing one guy" but never strapped on a tool belt to lend him a hand and help get the work done.

Gary Morris

Mr. Morris stated he is a long time resident of Strawberry, and he attended many Az. Corporation Committee meetings in the past. He stated he felt the District Board has done a marvelous job in bringing water to our homes. Mr. Morris directed his comments to the Board Treasurer. He indicated he spent 40 years in public service as a Fire Chief and Asst. Fire Chief. The ethical code of conduct for those kinds of positions is pretty high in the public view. He stated he felt there's a difference between making a mistake using a company credit card as an employee and making a mistake as a public officer. He felt that the Treasurer has violated the public trust, and for the Board to allow that officer to continue on the Board, "bruises" the Board.

7) CALL TO ADJOURN

Motion to adjourn – Ron Calderon

Second – Mike Claxton

Vote 7 – 0 Meeting adjourned at 8:05PM

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

1. *File # PSWID – Report to the Board File No. 7406-0001 - Dan Torrens District Counsel– 12/06/2012*
2. *File # PSWID – Statement Resignation of Treasurers Position- Mike Greer – 12/06/2012*
3. *File # PSWID – Statement re. Credit Card Accounting – Rebecca Sigeti – 12/06/2012*

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