

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

MINUTES
Special Board Meeting – March 28, 2009

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 2:00 PM by
Bill Haney - Chair

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL (Determination of Quorum)

Board Members Present:

- | | |
|---------------------------------|----------------------------------|
| 1. Bill Haney - Chair | 5. Don Smith |
| 2. Terry Schleizer – Vice Chair | 6. Tom Weeks |
| 3. Mike Greer - Treasurer | 7. Richard Dickinson - Secretary |
| 4. Ron Calderon | |

John Gliege was available via telephone for Executive Session

Harry Jones – Interim District Manager present

There was a Quorum – 7 Board Members present.

Number of public attendees not noted.

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

(No "Blue Cards" submitted).

5) OLD BUSINESS

- a. Discuss and take possible action regarding the agreement between the District and Compass Bank for funding the acquisition of the assets of the Pine and Strawberry water systems and related improvements to the systems.

No action taken at this time, the proposed agreement remains open.

Motion to Table discussion until next Regular PSWID Board meeting – Don Smith

- b. Budget Workshop and take possible action regarding the adjustment to the FY 08-09 Annual Budget.

Bill Haney presented background and explained how PSWID activities this year related to acquisition of the water companies necessitate an adjustment to this year's budget. The spread sheet prepared by Harry Jones documenting the proposed changes was available to all in attendance. Harry Jones explained the items listed on the Proposed Budget Adjustment Spread Sheet, and reviewed each line item. Sam Schwalm questioned the dollar amount of carryover from last year's budget. Mike Greer explained how current figure was derived. Harry explained adjustment required to line item related to water exploration needed to account for expenses related to CVL and Mike Ploughe activities. Legal fees had been significantly underestimated due to the process related to acquisition of PWCo and SWCo. Terry Schleizer reviewed legal billing submitted from Mr. Gliege, and confirmed legal expenses to date were accurate. She also pointed out that questions from the public to consultants and legal counsel requiring an official response have had an impact on driving up legal costs. Mike Greer discussed differences in accounting from month to month based on prior history from previous treasurer's accounting entries.

John Nelson gave budget recommendation to PSWID Board members, and reminded all in attendance that the budget was a "plan" and estimate of expenses for a given year. Total dollar amounts used to construct the budget should not be changed after the budget is accepted.

Motion to accept the proposed budget adjustments as corrected – Don
Second – Mike
Vote 7-0 motion passed unanimously.

Budget Adjustments to FY 08-09 will be posted as passed.

6) NEW BUSINESS

- a. Discuss preparation of the FY 09-10 Budget.

Bill Haney explained that historically the budgeting process of the PSWID board was not really consistent with AZ Statute requirements. After study and recommendations from legal counsel, the current PSWID Board intends to rectify the budgeting process and develop the FY 09-10 Budget according to the "letter of the law."

There are no dollar amounts for line items proposed at this time. The Board needs proposals for the regular board meeting in April so that they can be approved in May. This would allow time to develop the budget so that it can be published twice in the newspaper 30 days prior to the start of the new budget year.

Harry Jones discussed an outline related to "how to prepare the budget." His discussion centered on three parts: (1) Objectives of Budgeting or Accounting System (2) Budget Timetable (3) Accounting Practices Related to the Budgeting Process.

The proposed budget timetable allows for a public workshop in mid-April. Preparation of preliminary proposed budget should be accomplished in late April. Adopt and post final budget by mid-May allowing 40 days prior to the June PSWID meeting. The PSWID Board meeting in June should be a Budget hearing allowing public input. Statutes require the budget to be posted in the public library as well.

Bill Haney reminded attendees that this PSWID Board does not intend to increase property tax levy to run the water company. This will not be a tax based utility, but a revenue based utility.

Thanks to John Nelson for his comments and recommendations to the PSWID Board associated with the budgeting process.

Bill Haney suggested developing a "two pronged" proposed budget, on one side allowing expenses for "running a water company" and on the other side allowing for expenses should we not be operating a water company.

There was a discussion related to having members of the public participating on the budget committee. It was determined that current litigation and the process related to acquisition of the water companies would likely preclude members from the public participating on the committee this year.

Bill Haney appointed a PSWID Board Budget Committee consisting of Harry Jones, Mike Greer, Richard Dickinson, and Ron Calderon. This committee will set the April workshop.

Motion to move to Executive Session – Ron
Second – Don
Vote – 7-0 passed.

7) EXECUTIVE SESSION

Motion to open Executive Session – Tom
Second – Mike
Vote – 6-0 passed.
Ron Calderon had to leave early.
Mr. Giege was in attendance via speaker phone.

- a. Discuss the acquisition of the Pine and Strawberry Water Companies.

Motion to close Executive session – Terry
Second – Don
Vote 6-0 passed.

Motion to re-open Public Session – Terry
Second – Tom
Vote 6-0 passed.

8) NEW BUSINESS FOLLOWING EXECUTIVE SESSION

- a. Discuss and take possible action regarding the acquisition of Pine and Strawberry Water Companies.

No new action to take, legal counsel to continue actions as previously directed.

9) CALL TO ADJOURN

Motion to adjourn – Terry
Second – Richard
Vote 6 – 0 Meeting adjourned.