

**PINE-STRAWBERRY WATER IMPROVEMENT DISTRICT**

**BOARD OF DIRECTORS MEETING**

**Thursday, April 2, 2015 at 5:00 pm**

**PSWID Administrative Office**

**6306 W. Hardscrabble Road**

**Pine, AZ 85544**

**I. CALL TO ORDER**

Tom Weeks called the meeting to order at 5:00 p.m.

**II. PLEDGE OF ALLEGIANCE**

Led by Tom Weeks

**III. ROLL CALL OF BOARD MEMBERS**

Conducted by Tom Weeks. Board members present: Tom Weeks, Rus Brock, Richard James, Maher Hazine, Trent McNeeley and Larry Bagshaw. A quorum was present. Paul Randall was absent.

**IV. APPROVAL OF MINUTES**

- A. Minutes from March 19, 2015 Maher Hazine moved to approve the minutes as written. Richard James seconded. The motion passed unanimously.
- B. Minutes from March 27, 2015 Richard James moved to approve the minutes as written. Trent McNeeley seconded. Maher Hazine abstained from voting as he was absent from the meeting. The motion passed.

**V. CUSTOMER CORRESPONDENCE**

None was received.

**VI. CALL TO THE PUBLIC**

There were no public comments.

**VII. REGULAR AGENDA ITEMS**

Information/Discussion/Action regarding refinancing the loan. Requested by Tom Weeks. Several of the board members had second thoughts on refinancing the loan after the meeting on March 27. Tom Weeks wanted to make sure the board was doing the right thing for the customers. Beckie Sigeti presented a scenario of what terms the refinance would cost the district vs leaving the loan as is until 2017. According to Tom, the decision centered on whether we wanted to be held captive to Compass Bank or if we wanted to hold off on refinancing until 2017 so we could deal with other banks. One

of the major issues was what the interest rates would do over the next two years, while we could refinance now at a lower interest rate than we are currently paying. Maher Hazine thought that it was better to refinance now at today's interest rates than to wait two years. There were too many what ifs if we waited to refinance. Beckie stated that the only advantage to waiting for two years was that we would have more options open to us. Richard James wondered if the board really had any reason to change the motion from the March 27<sup>th</sup> meeting. Maher stated that the board should have a goal to pay off the loan by the end of term and that they should make a plan for paying the loan off. Sam Schwalm commented that if the district was not held captive to Compass Bank, they themselves may have come in with a lower interest rate. He also wanted to know what would happen if the district needed more money. We would not want to preclude ourselves from getting any other loan. Maher pointed out that Compass might broker us a better deal if we do want more money. Beckie stated that we would have to go through Compass if we wanted to get any other funding from any source, as that loan would be second to the loan we have from them. Rus Brock asked to read the loan documentation. Beckie will provide that to him.

Rus wondered if the board's concern about the interest rates was impeding our ability to be able to shop the loan in two years. Maher stated that coming up with the balloon payment in 2018 is a bigger risk than try to refinance in two years. Tom suggested that we might do better in 2017 and be able to refinance through municipal bonds or WIFA. Richard James stated that interest rates would be increasing with the improvement in the economy. Maher stated that he was afraid of the risks involved in waiting. Tom thought that funding the capital improvements was more important than getting the loan paid off. He did not want to increase the rates. Maher suggested we look at raising the tax levy and dedicate that increase to pay off the loan. Another issue was whether there was a prepayment penalty on the loan. Beckie said that there was not, but that we would have to pay the same interest amount regardless of when the loan was paid off.

Maher stated that giving us an extra amount of time to pay off the loan, whether 7 or 10 years, would help us pay off the loan. Richard asked about the number of customers and what the yearly increase in the number of customers was. It was agreed about 15%, which should increase the available working funds each year. Richard was concerned about whether the district's customers would agree to any increase, whether in rates or taxes. He wanted to get the capital improvements done before paying off the loan. Maher and Tom both thought that raising the tax levy and dedicating that to the loan would be a better way to pay off the loan. Tom suggested that a community forum be held to get input on ways to pay off the loan. The district needs to make a written plan to pay the loan so future boards will be able to see the reasons and justifications for the plan.

The board unanimously agreed to accept the previous decision that the loan be refinanced now with a 10 year loan. Beckie had Tom sign the commitment to refinance the loan.

A brief discussion was held about the progress of the new contract with CH2M Hill. It is nearly done. An executive session on April 14 was requested by Maher Hazine so the board could go over the contract before the regular board meeting on April 16.

**VIII. ADJOURNMENT**

Larry Bagshaw moved to adjourn. Maher Hazine seconded. The motion was unanimously approved.

DRAFT