

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

MINUTES

Special Board Meeting – May 5, 2010

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 7:05 PM by Bill Haney - Chair

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

Bill Haney
Ron Calderon
Mike Greer
Richard Dickinson

Tom Weeks
Don Smith
Gary Lovetro

There was a Quorum – 7 Board Members present.

Also Present:

Harry Jones – Interim General Manager
Stephanie Gliege – Legal Counsel

Number of public attendees not noted.

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

Bernice Winandy asked questions related to an April 17 article in the Payson Round-Up asking for clarification of money spent on Milk Ranch Well and the Strawberry Hollow Well. She additionally asked questions related to the “sand” issue in the SH3 well, and Loren Peterson indicated that he had been aware of it since 2003. Bill Haney informed Ms. Winandy that the District knew about having to deal with the “sanding” issue when the well was turned on in the spring. Ms. Winandy commented on the fact that she never was disrespectful the Board members, but simply asking questions of the Board.

(5) OLD BUSINESS

- a. Receive a report from Economist.com concerning the current financial status and revenue requirements of the District.

Bill introduced Dan Jackson of Economist.com. Mr. Jackson gave a “Briefing” on the “Differences between Ratemaking Analysis and Financial Statement Reporting.” He discussed how the objectives and goals of public utility accounting differ from private company accounting. He pointed out that for publicly owned utilities bookkeeping methods center around Cash Flow as opposed to Net Income for private companies. He stated that attempts to directly compare these two methods often lead to invalid conclusions. Cash Basis methodology used by public utilities includes cash expenses, but does not include non-cash expenses such as depreciation. One of the main differences between Cash Basis (public utilities) and Accrual Based (private companies) methodologies is that Cash Based accounting focuses on cash flow, and because private companies file tax returns, the Accrual Based accounting method considers depreciation for tax purposes.

Dan Jackson provided an analysis of District performance to date versus forecast performance. He pointed out that the District is just now beginning to benefit from the higher revenues of summer months. The District is currently generating a positive cash flow, and is able to fund all operating expenses. He pointed out that Rate Adjustments will be required by the District sometime in 2011 before debt principal becomes due.

- b. Discuss and take possible action regarding the PSWID FY '10-'11 Budget.

Harry announced that since February the District has been developing the FY '10 – '11 Budget to meet county deadlines. This Saturday, May 8th, the District will hold a Budget Workshop open to public comment. The workshop will form the basis of the FY '10 – '11 Budget that the District will adopt at a later District meeting, before the Budget is published in the newspaper. After publishing and posting the adopted Budget there is a period of 30 days prior to the District Budget and Rate Hearing. Harry described how the proposed preliminary budget was developed.

The Budget Workshop will be held this Saturday at 2:00 PM at the Pine Fire Department training room.

Once the Budget is set and approved, the "bottom line" cannot go up, although line item numbers can be adjusted.

- c. Discuss and take possible action related to acquisition of Milk Ranch Well.

Harry opened discussion with a review of steps taken to evaluate the Milk Ranch Well and its current status. It was pointed out that although the water from the MRW was substantially cleared up, the District will have to address the "fines" in the water through some type of filter system. Harry explained that during testing of the well the sand had diminished from about 12 milligrams per liter to about 0.5 milligrams per liter. He indicated that they "shut off the well today letting it sit for a couple of hours, and turned it back on to see if it would run dirty again. It did, but that was to be expected." He indicated they pumped the well at about 140gpm and it pulled in more sand, because it draws in more material from greater distances because there's more pumping going on. However it did clean up again. Harry indicated that they had to "do this a couple more times, shut it down and turn it back on, but it's running and cleaning itself up right now." Harry indicated that samples were given to the filter people to determine what method of filtration might be necessary to filter the water. He said we might be able to run the pump at 200 gallons per minute, but that at that rate increased sanding would likely be a problem.

Richard pointed out that the well had recently been pumped for several days at between 110 and 120gpm, and the water had cleaned up nicely. He pointed out that adding the MRW at between 100 and 120gpm to the model created by Tanner Henry of Tetra Tech, the model would indicate that we could generally mitigate the anticipated water shortage for high demand weekends in the summer. Richard agreed that the issue of sand and/or fines in the water would have to be addressed. However, he felt that given the community's need for additional water, the District should move forward on purchasing the well.

Motion by Richard - to purchase the Milk Ranch Well for \$400,000 including 50 meters and 2 commercial meters from the District at no charge to be used no later than 2025, and including a grant of the land measuring 70' by 100' for well operation.

Second – Gary

District discussion followed. Bill indicated he was reluctant to purchase the well until a determination related to the "fines" in the water was resolved. He was concerned about the potential cost associated with removing the "fines." Tom provided his recent experience with the well, and voiced his concern that any well we drilled would be subject to similar issues. He pointed out that he didn't think we could drill another well producing 120gpm for \$400,000. Further discussion followed. Bill pointed out that the bank must approve all capital purchases over \$100,000, and that we don't have a final appraisal. Richard offered that 2 recent deep wells drilled in the area were significantly over budget at a cost of nearly \$600,000 to \$1,000,000. He also indicated the frustration from several members of the Board over delays in starting and obtaining an appraisal.

Call for Question – Don

Vote 6 for 1 against – Motion passed.

Discussion related to "New Source Approval" work and expense followed. A visit to Compass Bank for approval was also discussed. Further action on approval of engineering work was deferred. Further

discussion including questions from attendees followed. Bill indicated that other than the sanding issue, the water was of very "high quality" and there were no other issues. Howard Matthews commented that if you're purchasing a deep well capable of producing 200gpm for \$400,000, and you have to spend another \$100,000 to clean it up, "it's still a bargain."

Motion to move to Executive Session – Don
Second – Tom
Vote – 7 – 0 motion passed.

(6) EXECUTIVE SESSION

Motion to open Executive Session – Don
Second – Mike
Vote – 7 - 0 motion passed.

- a. Discuss the selection of a new attorney for the District.
- b. Discuss issues related to administrative personnel hours.
- c. Discuss applications for the permanent District General Manager position.

Motion to end Executive Session – Mike
Second - Bill
Vote – 7 - 0 motion passed.

Motion to reopen public session – Richard
Second – Gary
Vote – 7 – 0 motion passed. Public session reopened.

(7) ACTION PURSUANT TO EXECUTIVE SESSION

- a. Discuss and take possible action related to applications for the Permanent District General Manager position.

Bill indicated we had received 6 applications for the Permanent District General Manager position, and we have "short listed" three of the candidates. No names were released at this time. Interviews for the three candidates will be scheduled involving the entire Board members.

- b. Discuss and take possible action related to the selection of a new attorney for the District.

Bill indicated that after talking to several attorneys from large and small firms, the Board has again "short listed" three attorneys to evaluate their types of legal services provided and their fees. All three candidates are good candidates, and hopefully the Board will have enough information to make a selection by the next Regular Board Meeting.

- c. Discuss and take possible action related to administrative personnel hours.

No action taken by the District at this time.

(8) CALL TO ADJOURN

Motion to adjourn – Richard
Second – Mike
Vote 7 – 0 Meeting adjourned.

DRAFT