

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

**MINUTES**  
Special Board Meeting – July 3, 2008

**1) CALL TO ORDER**

Pine-Strawberry Water Improvement District meeting was called to order at 7:30 PM by Bill Haney - Chair

**2) PLEDGE OF ALLEGIANCE**

Led by Don Smith.

**3) ROLL CALL**

**Board Members:**

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

There was a Quorum – 6 Board Members present.  
Number of public attendees not noted.

**4) DELEGATE REPORTS**

- a. Ron Calderon – Finance Committee: Ron indicated that two members of the Finance Committee had submitted resignations. He will not accept them at this time. (To be addressed at next regular board meeting). Ron also had additional petitions and paper work for people running for PSWID Board Member seats in the November election.
- b. Don Smith – Supplemental Water: Don reported that the first meeting of the committee was held on this past Tuesday, and he will publish the minutes from this meeting and post to the website. It was a productive meeting, determined there was “a lot of water here that was available to the communities under the right circumstance.”

**5) NEW BUSINESS**

- a. Discussion and possible adoption of RESOLUTION DETERMINING PUBLIC NEED AND AUTHORIZING ACQUISITION OF THE ASSETS OF PINE WATER COMPANY, STRAWBERRY WATER COMPANY AND BROOKE UTILITIES, INC. USED AND USEFUL IN THE PROVISION OF DOMESTIC WATER SERVICE TO THE HOMES AND PROPERTIES WITHIN THE BOUNDARIES OF THE PINE STRAWBERRY WATER IMPROVEMENT DISTRICT.

Bill Haney gave background explanation of previous discussion between PSWID Board Delegates and Pine Water Company with regard to acquisition of the PWCo and SWCo. Since the original meeting there has been no response from PWCo. The original proposal

was an offer to purchase the companies for \$ 2,000,000. The figure was based on best professional judgment at the time. PWCo requested additional information especially regarding financing. The PSWID Board requested qualifications from several consultants, and decided on the firm of Coe and Van Loo, LLC. CVL made a site visit on June 10, 2008, and has submitted initial appraisal figures to the PSWID Board. Final report and presentation materials will be presented at the next Regular Board Meeting. The PSWID Board did receive a 5 page letter from CVL outlining their recommendations.

Mr. Haney then presented an outline of the consultant's methodology described in the 5 page letter. Six different methods for analysis were described and resultant dollar value figures for each method reported. The value based on the methodology known as Replacement Cost New Less Depreciation (RCNLD), a common standard used, was \$ 2,172,446. The average of all six methodologies was \$ 2.5 million. Therefore, the recommended offer for purchase from the consultant should be in the range of \$ 2.17 to \$ 2.5 million.

Public Comment – Sam Schwalm

Mr. Schwalm questioned the current evaluation compared to the evaluation by same organization, Economist.com, done in 2003 which came in at a higher dollar figure. Mr. Haney explained that it was specifically pointed out in the previous study that the numbers were based on ACC reports and not a site visit to evaluate the condition of the system.

Mr. Schwalm also suggested the Board develop an understanding of the cost of running a water system before making an offer to purchase the companies. What will it do to the water rates?

Mr. Haney responded that some members of the Board "do this for a living," and he shared his own calculations regarding the operation of the water system. He suggested that it would cost approximately \$800,000 per year to operate the system. Based on the current water rates, the revenue generated would be about \$1.3 million, leaving \$473,000 for debt service. The \$ 473,000 invested at 4% over 20 years would earn approximately \$6.4 million providing substantial funds for system operation and capitol investment and improvement. Mr. Haney shared his thoughts on costs related to future infrastructure improvements. He concluded that at current water rates this is "very doable" and recommended the Board move forward should it decide to do so.

Motion to move forward accepting the RESOLUTION DETERMINING PUBLIC NEED AND AUTHORIZING ACQUISITION OF THE ASSETS OF PINE WATER COMPANY, STRAWBERRY WATER COMPANY AND BROOKE UTILITIES, INC. USED AND USEFUL IN THE PROVISION OF DOMESTIC WATER SERVICE TO THE HOMES AND PROPERTIES WITHIN THE BOUNDARIES OF THE PINE STRAWBERRY WATER IMPROVEMENT DISTRICT and offer to purchase for \$2.25 million. – Don Smith

Second – Ron Calderon

Discussion of dollar figure ensued.

Motion amended to reflect new dollar figure of \$ 2,172,446 – Don Smith

Second - amended to new dollar figure \$ 2,172,446 by Ron Calderon

Roll Call Vote:

Tom Weeks                yes

Don Smith                yes

Bill Haney                yes

Richard Dickinson      yes

Mike Greer                yes

Ron Calderon             yes

Motion passed unanimously. A letter will be sent to Brooke Utilities for purchase of PWCo and SWCo for \$ 2,172,446.

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

Ray Pugel read written statement declaring July 3, 2008 "Water Independence Day" for Pine and Strawberry. He asked that Mr. Hardcastle accept the purchase offer and allow the citizens of Pine and Strawberry to work through our water challenges.

**7) CALL TO ADJOURN**

Motion to adjourn – Don Smith

Second - Tom Weeks

Vote 6 – 0 Motion carried. Meeting adjourned.