

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

MINUTES

Special Board Meeting – August 10, 2010

1) CALL TO ORDER

Pine-Strawberry Water Improvement District meeting was called to order at 7:01 PM by Tom Weeks, Vice-Chairman.

2) PLEDGE OF ALLEGIANCE

3) ROLL CALL

Board Members Present:

Tom Weeks

Ron Calderon

Mike Greer

Richard Dickinson

Don Smith

Gary Lovetro

There was a Quorum – 6 Board Members present.

Also Present:

Dennis Burrell – Interim General Manager

David Davis – Legal Counsel (arrived at 7:10PM)

Number of public attendees not noted.

4) NEW BUSINESS

- a. Election of officers to fill vacant Chairman Position.

Tom Weeks was nominated by Don Smith.

Gary Lovetro was nominated by Mike Greer.

Vote: Tom Weeks – 2

Gary Lovetro – 4

Gary Lovetro was elected as the new PSWID Chairman. Tom Weeks will continue as Vice-Chairman.

- b. Receive a presentation from Strawberry Hollow LLC, Attorney.

Steve Wene, the attorney for Strawberry Hollow LLC was introduced and initiated his discussion with a review of his background. He is a "Water Rights" attorney and represents many water companies and districts. He also represents many DWID's mostly small such as Safford. He does represent Metropolitan in Tucson which is one of the largest in the state. He indicated he has followed the PSWID "case" through the ACC and is very familiar with our issues. He stated he understood that one of our main issues was having enough water to supply during peak demands.

Mr. Wene briefly outlined the proposal for the acquisition of the SH3 Well by the District. He outlined on the chalk board the design of the system to point out that it was the acquisition of more than just a well. He indicated the proposed purchase price was \$475,000. He pointed out that with the acquisition of the SH3 Well the District would have use of a very large (140,000 gallons) storage tank. The storage tank was built to over compensate for the needs of the Strawberry Hollow community estimated to be 72 customers at build out. There are currently approximately 20 customers that will be using water from the shallow

Strawberry Hollow #2 well. The design of the deep well (SH3 well) provides that the water goes through a filtration system and then can be pumped into the storage tank or directly into the PSWID system when it is connected. In his opinion the only point to be worked out is how to ensure that there is enough water to serve the needs of the potential 72 customers in Strawberry Hollow at build out. Mr. Wene pointed out that most of the water in the storage tank was not needed by the residents of Strawberry Hollow. There was a question from the PSWID Board related to water requirements for fire protection. He pointed out that water for fire protection was considered in the design criteria, and was not an issue. Mr. Wene estimated that the reserve water needs of the current Strawberry Hollow customers was approximately 100 gallons per day per customer, and water reserve needs for a two week period in the event the SH2 well was out of service might be about 30,000 gallons. He pointed out that the 140,000 gallons of storage capacity was more than adequate to address those needs. Strawberry Hollow #3 well is currently pumping at a volume of about 27 to 30 gallons per minute.

Pam Mason asked a question related to the "longevity" and construction of the SH3 well. Loren Peterson responded that the construction of the well was not temporary, and according to ADWR criteria it was about 100 years. Loren mentioned that both Strawberry Hollow wells (#2 and #3) were used to obtain the 100 year adequacy. Ms. Mason asked another question related to maintaining the 100 year certification on the well when Strawberry Hollow was built out. Mr. Wene addressed her question and indicated that there was enough water being produced so that even at build out the 100 year adequacy would not be in jeopardy.

A "blue card" was turned in by Ginger Kauffman a resident of Strawberry. She praised the PSWID Board on our accomplishments to date. She indicated that in prior years she had to store and haul water upstairs at her residence in anticipation of the system running out of water during high demand weekends. She indicated that now she has not had to haul water upstairs, and she expressed her appreciation to the Board.

Motion to move to Executive Session – Richard
Second – Don
Vote 6 – 0 Motion passed.

(5) EXECUTIVE SESSION

Motion to open Executive Session – Tom
Second – Richard
Vote 6 – 0 Motion passed, Executive Session opened.

- a. Discuss negotiation points related to acquisition of SH# Well with PSWID attorney.

Mr. Peterson and Mr. Wene joined the Board members in Executive Session to discuss negotiation points related to the acquisition of the SH3 Well.

- b. Discuss negotiation points related to acquisition of Milk Ranch Well with PSWID attorney.

Mr. Pugel and Mr. Randall joined the Board members in Executive Session to discuss negotiation points related to the acquisition of the Milk Ranch Well.

Motion to end Executive Session – Richard
Second - Tom
Vote – 6 - 0 motion passed.

Motion to reopen public session – Don
Second – Mike
Vote – 6 – 0 motion passed. Public session reopened.

(6) NEW BUSINESS PURSUANT TO EXECUTIVE SESSION

- a. Discuss and take possible action related to the acquisition of the SH3 Well.

Motion - offer to purchase the SH3 Well consistent with exchanged contracts final form to be completed by attorneys. General terms with a purchase price of \$450,000, \$10,000 to be a non-refundable deposit with a 90 day bank financing deadline and a "good faith" agreement to deliver water to each other at wholesale rate if water is available. – Mike

Second – Richard

Board discussion followed.

Sam Schwalm asked a question related to paying over "appraised" value for the well. Richard responded that the motor and pump stuck at the bottom of the well had been removed, and the well had been pumped and tested. Items not in the appraisal that added value to the acquisition included land acquisition, the filter system and building, the fact that all regulatory testing had been completed and passed, and the proximity and ease of connection resulted in a cost savings to the District. Tom offered that the well had been in operation for over 30 days. Gary mentioned that use of the storage tank was also not included in the initial appraisal. Mike also mentioned that the well was capable of producing 60 gallons per minute with the right pump and motor installed. Don Smith included that he thought the price of the well acquisition was a good deal for the District.

Call for the vote.

Vote 6 – 0 Motion passed unanimously.

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

Tom indicated that the only action to be taken at this time is to do further testing of the well. Gary gave direction to General Manager Dennis Burrell to resume testing of the well necessary to determine capacity and value of the well. This process would include pulling the motor and pump necessary to determine cause of previous failure, and pump test the well for 30 days. We believe the motor is under warranty, but we won't know results until it's pulled and evaluated.

(7) CALL TO ADJOURN

Motion to adjourn – Mike
Second – Tom
Vote 6 – 0 Meeting adjourned.