

**PINE-STRAWBERRY WATER IMPROVEMENT DISTRICT**

**BOARD OF DIRECTORS WORK SESSION**

**Tuesday, December 9, 2014 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 5:01 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, Trent McNeeley, Richard James, and Larry Bagshaw. Paul Randall arrived at 5:05 p.m. Don Smith was absent. A quorum was present.

**IV. CALL TO THE PUBLIC**

There were no comments from the public.

**V. REGULAR AGENDA ITEMS**

A. Information/Discussion/Action regarding the amendments to the CH2M Hill Contract. The discussion was led by Rus Brock. He had summarized nine items that the board should address on his cover page to the contract that he had modified and sent to the board for review. Those items and the discussion that ensued follow.

- 1) PSWID needs to spend less on O & M. In order to gain funds to make the improvements that are in the master plan, the board needs to cut back spending on overhead and maintenance. Maher Hazine said that the district needed to control the costs, not necessarily cut the spending. Tom Weeks said that the district needs to get what it is paying for.
- 2) PSWID needs to obtain visibility of the rebatable accounts. Currently we are just writing checks to CH2M Hill for non-itemized invoices; the contract says that the district is supposed to receive itemized invoices. We are also paying a mark-up on items CH2M Hill purchases. We currently have no visibility as to what we are paying for and what the mark-up is and how much in late fees we are paying due to the delay in the invoices being paid by CH2M Hill. Trent McNeeley commented that CH2M Hill's "breaks" for buying power are not being passed on to the district. Rus Brock was not sure PSWID is even getting any discounts. Tom Weeks commented that most of their buying is local and we might get better rates for paying on time.

- Richard James suggested we pay for inventory in advance. Maher Hazine commented that we don't know if they are doing any duplicate buying. We need to limit the mark-up and not have district credit cards floating around. He suggested we not pay until CH2M Hill provides invoices for the rebatable items. Beckie Sigeti said that PSWID had accounts in place prior to CH2M Hill. There are no controls over their cost spending and that no itemized billing is ever provided. Controls need to be put into place. Currently they purchase with a CH2M Hill credit card and do not provide the district any receipts. Larry Bagshaw commented that we do not want the same situation the district had with Greer misusing a credit card. Beckie said that we used to have purchase orders and that only two people could make purchases. Now anyone can buy supplies and go to Payson multiple times in a day or week. Maher suggested that we put in controls and require purchase orders, detailed invoices referenced to job numbers. Pam Mason stated we should get reduced pricing for buying in bulk. Maher wants controls on buying and pricing. Tom said we do not have anyone watching out for PSWID's interests. CH2M Hill has sloppy procedures and they need to have more frequent audits. Ric Hawthorne said that the cost for sloppy management should be reimbursed and that we need more accountability from them or that we should pull things under the district's control.
- 3) We need inventory controls. Maher suggested that we withhold 10% of the monthly payment until things improve. Rus Brock said that there is no incentive for them to improve with a 5 year contract. Maher said that generally CH2M Hill has an outstanding reputation and should be willing to co-operate. Larry Bagshaw said that there are enough reasons to give them incentive to improve.
  - 4) We need to obtain independent accounting. We cannot have the accountant working for CH2M Hill. Maher said we would have to hire someone other than Beckie unless they would waive the contract provisions for her. Beckie said that currently she makes copies of Brad Cole's invoices and sends to Denver for payment. She also wanted to know if the accounting position was removed from CH2M Hill what guarantee would the accountant have for job stability. Paul commented that the ability to retain her job was based on performance. Rus commented that since the board terms are staggered, there should be no concern for the position. Larry also commented that with the current board that there will be stability.
  - 5) We need to add clarity to the contract about who does what functions and who pays for those functions.
  - 6) CH2M Hill needs to follow PSWID's rules and regulations.
  - 7) We need to provide oversight. Rus commented that the district manager is the biggest weak spot since he is not doing his job. Richard James commented that the field manager needs to go. Tom Weeks said that we are not getting what we need and we will need to make the changes to do it. It will be a long term process to fix. Richard asked Beckie how current we were on service orders. She responded that 50% were past due and that that was being covered up. Rus commented that we cannot control who they hire and fire and how they perform. Maher commented that we can tell them that certain people are no longer welcome on the contract and that we need to add verbiage to the contract to cover performance.

- 8) We need to revise the contract to a one year agreement at their discretion. Tom said that if CH2M Hill was doing what they were supposed to do, there would be no problem. The contract is only as good as the management. Maher said to tie the contract to performance. They have an audit team that comes once a year. Beckie commented that the audit team does come, but they sit around and talk on their phones, but do not talk to the employees or board members. Rus questioned how to put performance measures into the contract. Maher said it could be done, but would not be easy.
- 9) Where does PSWID draw the line? Should CH2M Hill control the field work and PSWID take over the entire customer service end? Should Brad be moved to the field office? Tom commented that most of the contract offers received when the previous board was considering the district management had a clear separation between the field and the office. CH2 M Hill was the only one that had a combined staff. Maher commented that there were no procedures in place to unite the field with the office staff. Sam Schwalm said the only way to reduce the costs is to reduce the head count. Pull the office staff and district manager to PSWID's control. Richard said that the office staff is a small amount of the cost. We needed less of a bully attitude from the field and more of a team attitude. Rus said he needed to go through the contract and have a conference call during the next meeting with Gary Young.

Maher said we should transfer the vehicles to CH2M Hill. Larry said that they were required by the contract to provide vehicles. Beckie said they provide one vehicle and the district provides four. If they drive the CH2M Hill vehicle, they could go anywhere. They took the CH2M Hill stickers off of that vehicle. Paul Randall said that they should pay for maintenance per the contract. Beckie responded that PSWID pays maintenance under rebatables. Pam Mason asked what happens if we give them the vehicles and they leave and we then have to buy new ones? Paul commented that we do not trust them. Trent McNeeley asked who in Prescott Valley oversees CH2M Hill. Maher responded that they have several people.

Rus Brock asked if it would be better to start over with Prescott Valley's agreement and modify it. Both Maher Hazine and Ric Hawthorne said yes. Maher will get a digital copy of their agreement. Richard James wanted to know how soon he could get it. Rus said it would definitely help to have it to work from. Maher said he could probably have it the next day. Trent McNeeley said that we should probably reach out to Gary Young for his thoughts on our using the Prescott Valley contract as a template. Maher thought that just presenting Rus's letter regarding the contract modifications would suffice. Paul Randall commented that he would rather work through the Prescott Valley contract than rework ours. Virginia Smith commented that with \$60,000 unaccounted for last year that we would have probable cause to terminate the contract. Tom responded that we have to bring things to CH2M Hill before we could terminate the contract. Tom asked Rus and Maher to work on Prescott Valley's contract. Paul wants a copy. Larry asked if the contract work session would be an executive session or an open meeting. Tom said it would be an open meeting. Beckie asked how the office staff should conduct themselves. Tom

responded business as usual. Wendy Quinton asked if we got rid of Brad if things would go better. Tom responded that it was CH2M Hill's decision and they knew that we were unhappy with him. Richard commented that steps were made in increasing understanding conduct and corrections.

- B. Information/Discussion/Action regarding items for the December agenda.  
Brad Coles' items, Beckie's items, Richard's list, Maher – CH2M Hill's safety training program from Brad.

**VI. ADJOURNMENT**

Richard James moved to adjourn. Larry Bagshaw seconded. The motion carried unanimously.