

**PINE-STRAWBERRY WATER IMPROVEMENT DISTRICT**

**Special Meeting**

**Thursday, June 23, 2016 at 5:30 p.m.**

**PSWID Administrative Office**

**6306 W Hardscrabble Rd.**

**Pine, AZ 85544**

**1. CALL TO ORDER**

Trent McNeeley called the meeting to order at 5:35 p.m.

**2. PLEDGE OF ALLEGIANCE**

Led by Trent McNeeley

**3. ROLL CALL OF BOARD MEMBERS**

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

- 4. APPROVAL OF MINUTES:** Minutes from the June 16, 2016 meeting. Rus Brock suggested changes be made in the verbiage on items 5A, 10, 13, and 17. Maher Hazine moved to approve the minutes with the suggested changes. Tom Weeks seconded the motion. The motion was approved with Richard James abstaining since he was not at the meeting for items 15-20.

**5. CALL TO THE PUBLIC**

There were no public comments. Maher Hazine asked Rus Brock to elaborate on the vote for the tax rate at the June 16 meeting where Richard James changed his vote so the public would know. Rus said that since he had not announced the results of the vote, that Richard could change his vote per his conversation with the district attorney. Also Richard had not submitted a written notice of his resignation, so he is still on the board.

**6. DISCUSS AND TAKE POSSIBLE ACTION RELATED TO THE RULES OF PROCEDURE FOR HANDLING A MOTION.**

Presented by Rus Brock. Votes may be changed if the chair has not announced the results of the vote. If the chair makes a procedural call, the board may vote either for or against it. The PSWID board seated prior to 2014 chose to not follow Roberts Rules of Order and that is not in the by-laws. Larry Bagshaw moved to use Roberts Rules of Order. Richard James seconded the motion. After discussion, Larry changed the motion to change the by-laws verbiage to include Roberts Rules of Order for the meetings. Richard seconded the amended motion. The motion carried unanimously.

- 7. DISCUSS VARIOUS OPTIONS FOR RATES, LOAN PAYOFF AND ADOPTION OF THE 2016/17 BUDGET.** Presented by Maher Hazine. Maher discussed the rate restructure from the 6/9 and 6/11 meetings and the proposed .7% increased tax levy. Based on the feedback from

those meetings, the base rate for 1 inch meters was kept the same as it previously was. The base rate changes for 1.5 inch meters and larger and all commercial users; along with the increased usage rates for usage over 5000 gallons of water would generate approximately \$98,000 which could be applied to the loan. That restructuring allowed Maher to reduce the proposed increased tax levy to .35%. He had also called the bank about dedicating the funds collected through the rate increase and tax levy to paying off the loan before 2025. If the district was to refinance the loan in 2025, it would cost quite a lot. The district could open an escrow account for loan pay off which would need our attorney's approval and the account would have to meet the IRS limitations on reserve accounts. Basically if the federal interest rate was 3.5% or greater, there would be no penalty of payoff, but if it is less there would be a penalty. Larry Bagshaw asked about the possibility of an irrevocable trust. Maher said it would not be necessary. He said that depending on the terms of the agreement for the escrow account, the district could make periodic, not necessarily quarterly as current, payments on the loan. Richard James thought that there were still a lot of ifs. Tom Weeks had no problems with the rate increase going to the loan payoff as the district's largest commercial customer. Ron Calderon stated that taxes were still unfair and that people did not realize they were paying property taxes to the district. Rus Brock asked if the purchase of the water system from Brooks was voted on by the property owners. It was. Paul Randall asked what the original purchase price was. Tom Weeks responded that it was \$4.5 million, with Chase Bank making the district take on an additional \$2 million to drill wells. At the time of the buyout, owners of vacant lots could not build on those lots or even get a meter. Sam Schwalm commented that people in the Phoenix area still think that Pine does not have an adequate water supply.

- 8. DISCUSS AND TAKE POSSIBLE ACTION RELATED TO THE RECONSIDERATION OF THE PREVIOUS ADOPTION OF THE 2016/17 RATES.** Presented by Maher Hazine. Maher reviewed the rates approved at the 6/16/2016 meeting. He asked if the board wanted to raise the base rate. Most of the board thought that the base rate was fine as approved. Tom Weeks moved that the previously adopted rates be accepted and Larry Bagshaw seconded the motion. Since the rates were already approved, no action was required. Tom and Larry withdrew their motion and second. There would be no change to the 6/16/2016 vote.
- 9. DISCUSS AND TAKE POSSIBLE ACTION RELATED TO THE PROPERTY TAX LEVY FOR FISCAL YEAR 2016/17.** Presented by Maher Hazine. Maher moved that the board adjust the tax levy to \$691,200. Larry Bagshaw seconded the motion. Maher pointed out that the reduced tax levy would still leave a balance of approximately \$517,000 due on the loan in 2025. Paul Randall asked if we wanted to change the base rate, what would be the procedure. The board would have to go back and change the vote on item 8. Paul said he would like to consider a rate increase. Rus Brock said that this needed to be tabled and move back to item 8.

**8a.** Paul moved that the board reconsider the rates. Maher seconded the motion for purpose of discussion only. It was approved 4 to 3 with Paul, Tom, Rus, and Trent voting in favor and Larry, Rich, and Maher voting against. Paul then moved that the

board increase the rates as approved but raise the base rate by an additional \$5.04 per account. Tom Weeks seconded the motion. Rus asked what that would generate. Maher said an additional \$191,177. Tom stated that it would even out the fees, but people that are not hooked up to the system would not pay. Rus said it would put a bigger burden on the income sensitive users. Tom stated that people are against any tax increase. Ron Smith wanted to know the difference in the number of rate payers versus tax payers. There are 3161 customer accounts and 4006 tax parcels in the district. That meant that 25% of the property owners would get a free ride if the base rate was increased. Paul said people he had talked to would rather have a rate increase than a tax increase. Larry Bagshaw said that personally as a water user not on district water, but paying district taxes, he would rather see the taxes raised than the rates. Maher said he does not like taxes, but that raising the tax rate was the right thing to do. Richard agreed, but thought it would be better to raise the taxes next year. Maher said that the tax levy could always be adjusted down in the future as property values rise. Rus asked that the motion be repeated which it was and a vote was called for. Richard, Tom, Larry, Rus, Maher, and Trent all voted no and Paul voted yes. The motion failed. Maher then moved that the board reconsider the rates to the originally approved rates. Tom Weeks seconded the motion. The vote was approved unanimously.

Maier then moved to adjust the tax levy to \$691,200. Larry seconded the motion. Tom Weeks asked what the 2013 tax rate was. Sam Schwalm stated that it was \$625,000 with \$500,000 for the loan and \$125,000 for a reserve fund. After a short discussion, a vote was called. The motion passed 4 to 3 with Tom, Larry, Rus, and Maher voting yes and Richard, Paul, and Trent voting no.

**10. DISCUSS AND TAKE POSSIBLE ACTION RELATED TO THE FISCAL YEAR 2016/17 BUDGET.**

Presented by Maher Hazine. The budget as presented for the 6/16/2016 meeting was displayed and the changes would be the income from the tax levy of \$691,200 and from the rate increase of \$98,000. That would make the total revenue and expenses \$3, 988,611. Tom Weeks moved to accept the budget as presented. Larry Bagshaw seconded the motion. Richard James stated that the vote made for the tax levy would have failed if the chair had not voted. It was pointed out that Trent was the acting chair for this meeting, not Rus. Due to the concern that the additional revenues would not be used to pay off the loan, Tom amended the motion to include that the additional monies would be used to pay off the current loan. Larry seconded the motion. A vote was called. It was approved unanimously.

**11. DISCUSS AND TAKE POSSIBLE ACTION RELATED TO STATUS, PRIORITIZATION AND FUNDING OF 2015/16 CAPITAL PROJECTS.**

Presented by Maher Hazine. Maher covered the progress report from EPS. He had to clarify with them that they were to start design on all the projects so that they could be approved by ADEQ and be ready to put out for bid in September for fall construction. The designs would take from 3 weeks to 1 month to

complete. The failure of a check valve at the 300K tank was discussed. The failure caused water to be put back into the Milk Ranch 2 well. Also the Rimwood tank was still having excessive water usage and the need for additional storage was discussed briefly.

- 12. IDENTIFY POTENTIAL AGENDA ITEMS FOR THE NEXT SCHEDULED BOARD OF DIRECTOR'S MEETING ON JULY 21, 2016.** The part time office manager, Karen will start work on Tuesday 6/28. Richard James expressed concern that she would not be able to help the current staff in her 20 hours, but only have time to take over the items Harry Jones is doing. He also asked that the board balance their own workload more evenly.

In July, there will be a presentation by Accounting for You. There should be a bank agreement for the escrow account to approve. Emergency procedures for well outages should be evaluated. Roberts Rules of Order need to be officially incorporated into the by-laws.

**13. MOTION TO ADJOURN.**

Tom Weeks moved to adjourn the meeting. Maher Hazine seconded the motion. The vote was unanimous in favor of the motion.