



PINE-STRAWBERRY WATER IMPROVEMENT DISTRICT

November 15, 2013

Gila County Department of Elections
5515 S Apache Avenue Suite #900
Globe, AZ 85501

Attention: Eric Mariscal
Elections Specialist

Dear Eric,

Per your request enclosed is the original resignation letters which were hand delivered to my office on November 15, 2013 at approximately 7:30 a.m. Should you need any further information please feel free to contact me directly.

Sincerely,

Rebecca M. Sigeti
CH2MHill Employee on behalf of PSWID
Controller/Accounting Manager
acctgmanager@pswid.org

P.O. Box 134
Pine AZ 85544
#928-476-4222

To: Sent Via Fax 11-15-2013 8:00AM

Tommie Martin- Gila County Supervisor

cc: Supervisor Michael Pastor, Supervisor John Marcanti, Gila County Board of Elections

From: Ray Pugel

Gila County Supervisors;

I, Ray Pugel, hereby resign as a board member of the Pine-Strawberry Water Improvement District effective 7:30 am, Friday, November 15, 2013.

No doubt you are aware of the 20 years of turmoil that has been in Pine-Strawberry concerning the water situation. At this time, the most effective thing I can do to help my community, along with my fellow board members, is to resign and turn over the district to the Gila County Board of Supervisors under provisions of the Arizona Revised Code 48-1082 and 48-1086 so that we may have a year of calm reflection and constructive debate prior to the 2014 general elections.

As you may know, a small group of discontents including our fellow board member, Sam Schwalm and his wife, have started a recall effort against 4 board members. If they are successful with their effort to obtain signatures through misinformation it will cost the district upwards of \$20,000 for a special election when a general election would be 5 months hence. It is now my understanding that there is a recall effort against Sam Schwalm. At some point this madness has to stop.

It is important to note that Mr. Schwalm is currently under investigation for violating the Arizona open meeting law statutes. He would have violated the statutes again had he not been stopped by other board members. (copy attached) He started a small group called "Water for Pine-Strawberry" prior to his appointment to the board that with his help has continually dispersed false information and kept our community on edge since the days of Robert Hardcastle and Brooke Utilities.

Rather than risk being removed from office and letting this small group of malcontents destroy the good work that has been done, we hope that the Board of Supervisors can bring some sanity and unbiased information to our community.

My wife and I, along with our friends personally risked our retirement funds on the Milk Ranch well to prove a sustainable water supply. In a few short years, 4 deep wells have been drilled that have tapped into a once unknown aquifer. This has moved Pine-Strawberry from once being known for a lack of water to probably having one of the best and most sustainable supplies in Arizona. Under oath, a geologist testified that we have tapped into an aquifer with a probable reserve of 45 billion gallons of water. The summer hauling of water and the exorbitant hauling fees have been eliminated.

The board has replaced all the water meters in the communities of which some were approaching 60 years old. Industry standards recommend changing meters at least every 10 to 12 years. Back up generators have been installed at key points in the distribution system to insure a water supply during power outages. Funds have been budgeted to repair our main 300,000 gallon storage tank which is in danger of collapse. A leak detection survey has pinpointed over 50 leaks which result in a water loss of over a million gallons a month. We have an apolitical, international company, CH2MHill operating our water system. They bring untold expertise and experience. Last night we approved a comprehensive master plan for the future of our water system. The first one since Pine-Strawberry was founded.

Unfortunately as you know, negative news, even if incorrect overrides positive information. In the future, the community will have to come to the realization that we have a water system at risk. We have over 40 miles of water mains that are thin-wall sewer pipe and are 6 decades old. As described by one Century Link employee; "We are afraid when we have to dig around the water mains because the only thing holding them together is the dirt around them." The system has been put together piece by

piece over decades without planning. Our oldest and largest subdivision, Cool Pines, has 2" mains where the industry standard is a minimum of 6". During the Hardcastle years, instead of repairing leaks properly, small water lines were inserted into larger mains to avoid the expense of proper repairs. At some point another calamity is going to occur.

For the past 3 years the budgeted contingency fund has been all but depleted due to unexpected projects such as having to put water mains on Pine Creek Canyon Rd. and for unexpected events and repairs. We have replenished it to a minimum to ease public discontent, however, budgeting experts recommend a contingency fund reserve of \$500,000.

It has been an educational experience for me as to why levels of government operate by crisis instead of planning mode. In our particular case, it is difficult to inform the public and make them understand when water is flowing out of their kitchen faucet. The public wants a first class water system with fire hydrants but they are not willing to pay for it. If you have a crisis like we have had in the past, they are willing to spend any amount in our immediate fix-it world of today. Case in point, in my possession from the water hauling years are petitions authorizing the bonding of 12 million dollars to buy and repair the system.

If I may make some recommendations to you, John Nelson would be the appropriate person to be your liaison to the district manager, Brad Cole. He is familiar with the finances and needs of the district and will save the district money vs. bringing someone up to speed. Because of his and our financial managers expertise, we are within 1.39% of forecast. Fortune 500 companies do not do that well. In addition, our district's attorney, Dan Torrens, has been excellent and has charged us nominal rates.

No matter who serves next on our board, they will face the same financial challenges of a deteriorating infrastructure and seasonally fluctuating income stream whose costs must be spread over a small customer economic base. At some point, the community will be forced to face the realities of what must be done.

If you need my help in the transition to the county, I will be glad to give you my full cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ray Pugel', written in a cursive style.

Ray Pugel

Former Board Chairman - PSWID



TOM HORNE
ATTORNEY GENERAL

OFFICE OF THE ARIZONA ATTORNEY GENERAL
CIVIL DIVISION/EDUCATION AND HEALTH SECTION

DEBRA STERLING
ASSISTANT ATTORNEY
GENERAL
DIRECT: (602) 542-8892
DEBRA.STERLING@AZAG.GOV

October 22, 2013

Mr. Ray Pugel
P.O. Box 699
Pine, AZ 85544

Re: Open Meeting Law Complaint
Pine Strawberry Water Improvement District
Received on July 26, 2013

Dear Mr. Pugel:

The Attorney General's Office Open Meeting Law Enforcement Team (OMLET) received your complaint against Pine Strawberry Water Improvement District ("Board") regarding an alleged Open Meeting Law. The complaint has been assigned to me for investigation. The complaint and the documentation for this Complaint was reviewed and presented to the Open Meeting Law Enforcement Team. We concluded that there was no evidence that there was a violation of the Open Meeting Law.

The allegation is that during the Board Member Report section of the meeting, Mr. Schwalm began to discuss a non-agenda item.

I have reviewed the agenda, the minutes and a videotape of the July 18, 2013 meeting. The agenda listed Item # 8 as Board Member Reports, without any specific matters listed. The minutes and the videotape demonstrate that upon Mr. Schwalm beginning his presentation, the Board appropriately voted to end the presentation. The Open Meeting Law requires that an agenda list the specific matters to be discussed, considered or decided at the meeting. Arizona Revised Statutes ("A.R.S.") § 38-431.02 (H). There are exception for discussion of an actual emergency, which is not applicable. The only other exception is that the chief administrator, presiding officer, or a member of the public body may present a brief summary of current events. A.R.S. § 38.431.02 (K). However, the public body may not discuss, deliberate or take any legal action on the matter presented. A presentation by a Board member to allegedly correct a factual issue from an earlier Budget Meeting and Hearing is not an appropriate matter under Board Members Report, as it is not a summary of current events. As the Board's counsel correctly stated, Board Member Reports are usually informational statements , such as reporting on public input to an individual Board member.

Letter to: Ray Pugel

Re: OML Complaint re Pine Strawberry Water Improvement District.

Date: October 22, 2013

Page 2 of 2

While the attempt to discuss the matter under the Board Member Reports was a potential violation of the Open Meeting Law, the Board promptly had the discussion ended, thereby avoiding a violation of the Open Meeting Law.

Thank you for your interest in the Open Meeting Law.

Sincerely,



Debra G. Sterling
Assistant Attorney General
Open Meeting Law Enforcement Team

It has been an honor and a privilege to serve on the Board of the PSWID for the last three years and nine months.

I have served as the Board Chairman and Vice Chairman for the last 10 months.

As a Board we have made tremendous progress providing unrestricted water to the communities of Pine and Strawberry. The Board has hired the most professional company in the world CH2MHill to manage the District. We have lifted the Meter moratorium, we have purchased two deep water wells, we have drilled a third deep water well and now completed the drilling of the fourth deep water well for the District. These four wells will provide enough water for the whole District for the next 15-20 years. We have refinanced the District's original purchase Loan at a cost of only \$70,000.00, saving several hundreds of thousands of dollars. We have installed 14 generators in the communities so customers would not be without water during the frequent power outages. We have made many infrastructure repairs to the system and have plans to make many more improvements this fiscal year. The District jointly with the County installed a new water main with fire hydrants in Pine Creek Canyon Road. We have completed the installation of 80% of the new water meters for the District. We have added a 40,000 gallon storage tank to Milk Ranch one. We have hired a company to develop a master plan and we have come in under budget on many projects for last fiscal year.

We have made many great accomplishments for the PSWID but there also have been a few disgruntled people that are still upset that their friends lost the recall election many years ago. These people continually complain and make accusations about me and my fellow Board members that simply are not true. This same group has never offered any constructive solutions but only complain. They have not given up and now because Sam Scwhalm is on the Board and he cannot always get his way his wife and Pam Mason have launched a recall against Four Board members including myself.

Just for info Sam is under an open Attorney General Investigation for 10 counts of violating the open meeting law. The attorney General has just closed another investigation against Sam for the Same violation.

I cannot in good faith let the district spend over \$20,000.00 on an unfounded spiteful recall election so with deep regret effective **November 15th, 2013, I offer my resignation.**

I would hope that the Board of supervisors will run the District till the November 2014 elections so there is time for some good candidates to come forward for the open Board positions.

I Know a great deal about the District operations so if there is anything I can do to help you with the transition please do not hesitate to call.

Respectfully,

Gary Lovetro

A handwritten signature in black ink, appearing to read 'Gary Lovetro', with a long horizontal line extending to the right.

Date: November 11, 2013
To: Gila County Board of Supervisors
From: Richard B. Dickinson, PSWID Board Secretary
Subject: Letter of Resignation

I have served the communities of Pine and Strawberry as an elected member and Secretary of the PSWID Board since January of 2008. During that time I participated in bringing many positive changes to the water District. We successfully acquired community ownership of the utility, eliminated summer weekend water shortages, eliminated water hauling charges, established ownership of 4 deep wells that should provide draught resistant water sources for the community for several years to come, and secured day to day management services from CH2MHill a fortune 500 company and leader in the field of water resource development and management. We also opened a local District office staffed daily and available to the water customers for "in person" interaction to address customer's needs.

Successful changes have not come easy, and there has always been a certain level of public controversy and misunderstanding. As a member of the Board I did my best to make decisions that were in the best interest of the public. In spite of encouraging public attendance at District meetings, providing informational videos and information on the District web site there remains controversy from a discontented group of citizens who disagree with the direction the District should take to address repairing and further developing the system infrastructure.

Recently the Board had no choice but to exhaust the contingency fund to pay for the Gila County project on Pine Creek Canyon Road, and to address a service outage created by pumps failing simultaneously. Water rate and property tax increases were required to replenish the contingency fund and prevent potential "special assessments" to the public. The decision for these increases was not made easily and not without consideration for financial difficulties that might be created for some. The Board Members have felt we were in a "no win" situation.

County election officials report the recent recall effort will cost the District an additional \$20,000 or more. Again we have wasted an opportunity to truly work together. Petty differences of opinion, rumor, and inaccurate biased articles in the newspaper support individual ego and self importance rather than a true sense of "community." I say ENOUGH!

I am submitting my resignation as PSWID Secretary and Member of the Board effective Friday, November 15, 2013. My last official duty for PSWID will be to complete the minutes for the PSWID Regular Board Meeting held on Thursday, November 14, 2013.

Respectively Submitted,



Richard B. Dickinson

November 15, 2013

I Ron Calderon

Resign from the Pine Strawberry Water Board as of November 15, 2013. I have been a board member since we bought out Brookes Utilities. There has never been a water shortage since the day we took over. The water system has been improved but we still have problems that need to be fixed since the system is very old and pipe need to be replaced. and fire hydrants need to be put in to protect this wonderful community.

The amount of water leaks that have been found makes us lose 33% of our water, these leaks need to be fixed.

A handwritten signature in cursive script that reads "Ron Calderon". The signature is written in black ink and is positioned above the printed name.

Ron Calderon

To The Gila County Board of Supervisors

As of November 15th 2013 I Micheal Claxton resign my position from the water board for the PSWT.

I can no longer serve on the water board and listen to Sam Schwalm make accusation about the other members and my friends that are untrue and unproven. Sam and his group have wasted thousands of dollars of the community's money with his false accusation towards some of the board members. And now wants to waste more by having a recall election.

I'm very proud to have served on the water board with Gary Lovetro, Richard Dickinson, Mike Greer, Ray Pugei and Ron Calderon. These men have spent countless hours trying to insure the water quality and its future for the communities of Pine and Strawberry. Without these men and their hard work Pine and Strawberry would still be paying to haul water and would continue to be suffering from water shortages.

Both communities owe these men a great deal of thanks for the work they have done to make the days of water hauling charges and outages a thing of the past. So please except my resignation from the water board affective as of November 15th 2013. And God help the community if the likes of Sam Schwalm and his group get there meat hooks into them.



11/15/13

Thank You Micheal Claxton.

Date 11/15/13