

Hello Neighbor,

Mr. Gliege's invoices for the first eight months are provided. The 2008/2009 budget starts with the June invoice that was paid in July:

- April: \$4210; May: \$6450; June: \$10,455; July: \$12,690; August: \$7507.50; September: \$11,504.00; October: \$16,055.00; November: \$25,957.16
- Average per month: \$11,853.58
- Total: **\$94,828.66**
- 2008/2009 Budget for Attorney Fees: \$37,000
- Total 2008/2009 Budget: \$90,000
- Total Against 2008/2009 Budget: **\$84,168.66**
- Projection For 2008/2009 Budget: \$168,337.32

Coe and Van Loo (CVL) invoices:

- July: \$21,159.10; August: \$15,990.90; September: \$1500.00; October: \$5500.00; November: \$7481.65
- Total: **\$51,631.65**

Mr. Harry Jones' invoices:

- November: \$3209.56
- Total: **\$3209.56**

District Regular Account Balance (end of December): **\$19,775.14**

District Reserve Account Balance (end of December): **\$3383.96**

The district is on the edge of bankruptcy. With all of the legal activity, the spending rate is at \$25,000 to \$30,000 per month. During the meeting Mr. Gliege said that the district is going to have to pay \$60,000 up front to the arbitrators. That means the board would need about \$90,000 in January, versus the \$22,000 that they have.

I don't know what ability the county has to provide "emergency" funding, but I believe that the only long-term course that the board will have is to initiate a special property tax assessment. If the negotiation agreement that is described later in this email goes through, then that will get the board out of this jam.

January 15, 2009 PSWID Meeting

Next regular PSWID Meeting: Thursday February 19, 2009 7:00 PM at the Pine Cultural Center

1. Things Do a 180 Degree Turn

- The board announced that they are working on an agreement with Brooke to enable negotiations between the district and Brooke on price and terms for acquisition of PWCo and SWCo.
- The board approved the agreement to negotiate as it currently stands. Negotiation of the final wording is ongoing.
- The major points of the agreement as it currently stands are:

- Brooke will withdraw the arbitration of the Joint Well Development Agreement (JWDA) for the K2 well. Brooke can refile after July 1st if the condemnation has not been successful. Success is measured by the district reaching agreement on price/terms, obtaining financing, and closing on the acquisition. Brooke is allowed to include the value of the JWDA in the condemnation discussions. Mr. Gliege indicated that Brooke had verbally said that if significant progress has been made by the July 1st date, but not everything is complete by then that the date could be extended.
- District will withdraw the CC&N revocation request to the ACC. The district will not be able to refile this action in the future. Mr. Pugel asked at the meeting if members of the public would be able to file a request for revocation of the CC&N independent from the district and Mr. Gliege indicated that this would be possible.
- Brooke will allow the release of the \$287,000 in escrow funds being held for the JWDA back to the district.
- A meeting will be held between the two sides to try and come to a settlement on price and terms of the sale. The meeting is currently scheduled for February 5th.
- The Payson Roundup has an article on the agreement:
http://www.paysonroundup.com/news/2009/jan/16/last_ditch_talks_set_buyout/.
- Comment: It is always better to have the two sides talking rather than litigating, so the agreement to negotiate is a positive step by both sides. Whether they are ultimately successful in agreeing on price and terms will reveal itself with time.
- Comment: An interesting question is whether Brooke has blinked here and that this is a “win” for the board. The following is my speculation on what this means to both sides. Brooke has been public with two things, they will sell the water companies if the price is right and that they want to recover the money that they spent on the K2 well. The other thing to keep in mind is that the board is going to go bankrupt this month without this agreement.
 - The arbitration over the K2 well was Brooke’s attempt to recover the funds that they had spent on the K2 well. By now being able to include those costs in the condemnation price discussions, it saves both sides the significant costs involved with going through arbitration. If things go well, Brooke recovers the K2 costs as part of the sales price. If things don’t go well, then Brooke can refile the arbitration. By withdrawing the arbitration, Brooke doesn’t lose anything and both sides save a bunch of money.
 - If Brooke’s goal is to sell the water companies for a reasonable price, then it needs the district as a buyer. If the district goes bankrupt, it puts into doubt that the condemnation will be successful. Releasing the escrow money back to the district solves the district’s money problems and keeps them as a viable purchaser. It would seem that both sides win with this.
 - Dropping the CC&N revocation action with the ACC is of little consequence to the district, since if they were actually successful in revoking the CC&N it would shut off water to the whole town and there was very little chance that they would be successful in this action. Dropping it saves both sides legal fees, so both sides win.

- Negotiating price and terms is a win for both sides in that both sides save the legal fees that would come from a multi-year litigation over the condemnation price. If there isn't agreement, then Brooke can try and get the price that they think is fair through litigation and a jury trial.
 - So all in all, both sides get what they need out of this agreement, along with an opportunity to substantially reduce the costs on both sides.
 - Comment: Another thing to consider is what does this mean for the K2 well? Removing the money from the escrow fund would appear to kill the K2 well. If the condemnation fails and Brooke ends up refilling the arbitration over the JWDA, they probably have a choice of seeking recovery of costs and damages or to enforce performance of the contract. With this agreement, the K2 well is dead, but like any character in a soap opera, it is possible for it to return from the dead at a later date.
2. Payment for ACC Intervenor Filings
- The board was asked if they had paid for part of the ACC filings by the intervenors, Mr. Greer and Mr. Krafzyck. They answered that they had paid about a third of the costs. The reason given was that the ACC had asked the district to provide information on the status of the condemnation.
3. Election of District Officers
- All of the officers were re-elected to their current positions for the coming year.
4. Established Contract with Economists.com
- Mr. Haney said that they would be needing support from Economists.com in the future. The board approved paying Mr. Jackson \$175 an hour and his assistant \$125 an hour.
 - There was no definition of the type of work or amount of work that Economists.com will be doing in the future. This is an open ended, use it when they need it type deal.

This email is from the group Water For Pine Strawberry. We will be sending out an email after each of the PSWID meetings with a summary of what the board did, additional facts that are relevant to what went on, and some commentary. Please forward this email to friends and neighbors that are interested in the local water issues. If you would like to be added to or removed from the list for these emails, please reply to WaterForPineStrawberry@hotmail.com. Emails on earlier meetings are available on our website: www.WaterForPineStrawberry.com.

Water For Pine Strawberry is a group of residents who are concerned about the communities water issues and how they can best be resolved. Visit our web site, www.WaterForPineStrawberry.com, for more information. The website for PSWID is www.pswid.org.

Clarifications can be submitted by anyone who is explicitly named, implicitly identifiable, or a board member to items in this email. Clarifications will be posted on our website. We reserve the right to post a response. Clarifications must deal with the topics discussed in the email that relate to the individual or the board. They must be in family friendly

language and be non-abusive. When the clarification is accepted, it will be posted to the website and notice of that posting will be added to the next email.