

Hello Neighbor,

From the February 29, 2008 legal brief prepared by the ACC legal staff, they said:

“The arguments that are being advanced against the [K2] agreement are to the benefit of a small group of developers and against the overwhelming need of the public for more water.”

As you will see in the summary below, that small group of developers are beginning to enrich themselves at the expense of the community.

April 17, 2010 PSWID Meeting

Next regular PSWID Meeting: Wednesday May 26, 2010 at 7:00 PM at the Pine Cultural Center

PSWID has scheduled a special meeting on Wednesday May 5, 2010 at 7:00 PM at the Pine Cultural Center. The 2010-2011 budget will be discussed and Mr. Dan Jackson will be explaining utility accounting to the board.

1. Water Meters

- a. The board said that there is currently no plan to turn off the seasonal water meters at the beginning of May.
- b. I received an email from a gentleman who had his service disconnected in 1982 when he put his own well in. He has started receiving bills from PSWID for an inactive water meter. He doesn't know where that water meter is on his property and has asked PSWID to remove it, if they can find it.
- c. Comment: The board talked about charging property owners the monthly base fee for inactive meters. Apparently they don't have to vote, although I would think this requires a change to the rate structure that they had to vote to approve. This means that you can't really ever turn off your service without having them physically remove the meter. Turning service back on means that they will have to reinstall the meter.

2. Water Sharing Agreements

- a. I reviewed all of the water sharing agreements and a summary of the major aspects of the water sharing agreements can be found here: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .
- b. Most of the water sharing agreements have the same basic content. They pay for water on a sliding scale based upon the volume of water pumped, with payments ranging from \$0.50 to \$1.25 per thousand gallons. There is no inflation adjustment. Most require the water sharing partner to pay for electricity and repairs. They have an initial agreement duration (ranging from 5 to 25 years). At the end of the agreement duration they can be terminated/renegotiated and they auto-renew for another 5 years.
- c. There are two water sharing agreements that are significantly different from the others, one is with Solitude Trails DWID (Mr. Mark Fumusa) and the other one is with Timber Ridge Holdings (Mr. Brent Weekes).

- d. The Solitude Trails DWID and the water sharing agreement, which was signed in 1996, were the result of an illegal line extension that was put in place by E&R, which the ACC would later not accept.
 - i. As part of the water sharing agreement, Brooke gave up that portion of its CC&N and the agreement's termination clause was written to return the Solitude Trails water system back to the water company once the water company had sufficient water to service it, ACC approval to provide service, and the last lot in Solitude Trails is sold. Thus restoring things to what they were before the illegal line extension was discovered. The water sharing agreement states that this was the intent of both parties.
 - ii. Water purchases by the water company are priced at \$1.00 per thousand and are not subjected to the sliding scale.
 - iii. Solitude Trails pays for electricity and repairs.
 - iv. Water company pipes are used to move water from the Solitude Trails well to the subdivision.
 - v. Mr. Fumusa has been holding the last lot in Solitude Trails to block the transfer of the Solitude Trails water system back to the water company.
 - vi. The relevant portions of the water sharing agreement can be viewed here:
<http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .
- e. The Timber Ridge Holdings water sharing agreement, which was signed in 2008, includes a water wheeling agreement to move water from the Timber Ridge wells to the Timber Ridge sub-division using the district's pipes.
 - i. Water purchases by the water company are priced at \$1.50 per thousand and when water delivery begins to Timber Ridge the price increases to \$3.00 per thousand and that price will increase 5% per year after that.
 - ii. A \$2.50 per thousand wheeling fee would be collected by the water company for water delivered to Timber Ridge. No yearly adjustment on this fee is provided for.
 - iii. Agreement lasts 15 years or until Timber Ridge no longer needs water wheeling.
 - iv. The relevant portions of the water sharing agreement can be viewed here:
<http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .
- f. Another water sharing agreement of interest is the one for the Stetson well. The Stetson well is unusable by the district. About a 2' section of German Ranch RD was not included in the Utility easement and the private land owners have denied Brooke access. They have continued to deny PSWID access. It was later discovered that due to the overhead power lines those in charge of drilling the well had moved it a few feet to the east, placing it

too close to the septic. In the meeting Mr. Jones claimed it was moved because Brooke did not want to spend \$5000 to move the power lines. Brooke's explanation is that the decision was made on the fly by the driller.

- g. Water sharing agreements provide 49% of our water. The board talked about how they want to move away from water sharing agreements in the long run as district owned supplies come on line. The board said that they want to be "fair" to water sharing partners and that the expenditure of an additional \$24,000 per year (currently \$35,000 per year for water sharing agreements) is a moral issue not a fiduciary issue. The board emphasized wanting to treat all of the water sharing partners equally. The board did not address the additional costs for electricity and maintenance of the wells.
- h. In defending the changes, Mr. Harry Jones, interim General Manager, said, "Important people own the resources that we need to have access to and they need to be treated correctly."
- i. The board approved going forward with the following changes to the well sharing agreements:
 - i. Set water payments at \$1.00 per thousand with a yearly escalator based upon Consumer Price Index (CPI).
 - ii. District to take on the costs for electricity and maintenance of the wells.
 - iii. Abandon the Stetson well due to septic and easement issues.
 - iv. Reduce the wheeling fee for Timber Ridge water from \$2.50 to \$1.00 per thousand.
 - v. Remove the Solitude Trails termination clause that would transfer the Solitude trails assets to PSWID.
- j. Comment: If the board wants to treat all the well owners equally, why wasn't a wheeling charge added to the Solitude Trails agreement?
- k. Comment: Mr. Jones' comment about "important people own the resources" pretty much sums up what is going on here. Mr. Fumusa and Mr. Weekes, are members of that small band of developers who are benefitting at the expense of the community. They didn't like the terms of their water agreements and the board made the changes they wanted because they are "important". Applying new terms to all of the other water sharing agreements is the cover for changing theirs.
- l. Comment: Mr. Fumusa is the biggest winner because the board handed him unencumbered ownership of the Solitude Trails water assets. Mr. Fumusa recently tried to sell those assets to PSWID for \$500,000 (real value is probably closer to \$50,000). PSWID could have had those assets for free had they just waited Mr. Fumusa out. Mr. Weekes received a much reduced cost for supplying water to his development. All courtesy of your pocketbook.
- m. Comment: There is an argument to be made that the district has gained in the reliability of the water supply by taking on the electricity and maintenance costs. In a dispute, the water sharing partner can disrupt

water delivery by not paying electricity bills or making needed repairs. Back in the summer of 2001 (not exactly sure which year, but around then), the Solitude Trails well failed, leaving southern Pine without water for a week and a tanker truck of potable water was brought in and parked at Hardscrabble. Mr. Fumusa refused to make repairs to the well, in spite of his contractual obligation to do so. He eventually did make those repairs, but it illustrates the possible leverage that a well owner achieves preventing access to water in the summer. During the meeting Mr. Jones pointed out that they couldn't use the Timber Ridge wells because the electricity had been shut off for non-payment. It appears that Mr. Weekes was exercising his ability to disrupt water delivery.

3. Water Exploration

- a. In a new twist, the board got all of the information on the water exploration status and planning in executive session so that the public couldn't hear what is going on. After the executive session, they took several actions based on whatever the information was that they received.
- b. The board voted to suspend test well drilling activities until after the peak pumping season (September or October). Apparently they are concerned that the deep well drilling might damage the shallow aquifer at a time that they are depending on it. The cost of waiting will be the \$15,000 cost to redeploy the drilling rig. About \$38,000 has been spent on casing pipe for the drilling, this can be stored and utilized when drilling of test wells begins.
- c. Comment: There may be other issues to deal with in regard to the test well. My understanding is that they failed to obtain the permission of the property owner whose land they intended to dump the drilling water on. I don't know if they were later able to get the permission. My neighbor told me that Mr. Jones came by and told him that they would be running an 8 inch pipe across his property to get the water to dump, that he would have to move his horses, and that access to his house would be blocked for a month or more. None of this came as a request. It seems to me that there is a general lack of regard for private property by PSWID. The district seems to take the approach that they are going to act like they don't need your permission and then try and bluff their way through.
- d. The Milk Ranch well's pump has been destroyed by sand. They want to put a smaller diameter pump in. Due to the downsizing of the pump, they need to drop down to a 3" discharge pipe. The board voted to add an additional \$7800 to the \$55,000 already budgeted to fix the Milk Ranch well.
- e. Board member, Mr. Ron Calderon, said that Mr. Ray Pugel wants the district to change the appraiser of the Milk Ranch well to a Mr. Clifford Saylor (sp?). Mr. Calderon said that Mr. Pugel wants "Someone local, somebody who knows the area, somebody who knows what we are doing, and someone from Kentucky doesn't". Mr. Calderon made a motion to have the appraiser changed.

- f. In the discussion of changing the appraiser, it was pointed out that the buyer gets to pick their own appraiser and that Mr. Pugel is free to have his own appraisal done. Mr. Haney said, “Using a real-estate appraiser to appraise capital assets doesn’t make any damn sense on the planet.” It was explained that about 20 people, many of whom work out of the Payson office of Tetra Tech, worked on the appraisal and that the lead engineer works out of Tetra Tech’s Tennessee office. The board voted 5-2 to stay with the current approach of having Tetra Tech perform the appraisal. Mr. Calderon and Mr. Gary Levetro dissented.
 - g. Comment: To their credit, the board rejected Mr. Pugel’s brazen attempt to have the board use an appraiser that Mr. Pugel could influence. It apparently isn’t enough that Mr. Pugel has the district paying to fix his well and make it more valuable before it is purchased, now he wants to be able to direct the appraisal process in his favor. Yet another example of a member of that small group of developers trying to benefit at the expense of the community.
4. Strawberry Hollow Appraisal
- a. The summary portion of the Strawberry Hollow well appraisal and a supplement to that appraisal that explains why hydrological problems with the well reduce the value substantially can be found here: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> . The detail sheets from the appraisal were not included to reduce the size. If you would like to look at those, let us know.
 - b. The appraisal took six different approaches to calculating the value of the well and associated property and equipment. The appraisal is based up a Replacement Cost New Less Depreciation (RCNLD) approach. Tetra Tech produced three valuations based upon internal approaches and three outside vendors submitted proposals which Tetra Tech then used. Two of the outside vendors produced proposals that didn’t match the current well and ran higher in cost. Throwing those two out, the average of the other four is **\$210,000**.
 - c. In addition, Tetra Tech provided a supplement that addressed further reductions in the well’s value because there is a pump stuck in it and the water produced has sand in it. Reductions for those issues brought the valuation down to **\$163,000**.
 - d. The positives for the well are:
 - i. Can be easily connected into the PSWID water system.
 - ii. Already ADEQ approved for use
 - e. The negatives for the well:
 - i. Stuck pump
 - ii. Water has sand in it which will result in increased operations and maintenance costs.
 - f. The well appraisal talks about an old pump that is stuck at the 1016 foot level. This blocks access to the bottom 300 feet of the well, with 200 feet of water level being above the stuck pump. The stuck pump prevents the installation of a filter pack to deal with the sand issues. When asked about

- whether the pump would be difficult to remove, the board said that there was going to be an effort to do that the week after the meeting.
- g. Comment: While it wasn't stated who was paying for the pump removal, if it follows the direction of everything else, PSWID will be paying for it. Spending our money to increase the value of the Strawberry Hollow well before they buy it.
 - h. Comment: The appraisal price is much less than the \$400,000 number that has been floating around as the desired/expected price for the Strawberry Hollow well. It will be interesting to see whether another of that small group of developers is enriched at the community's expense.
5. Fiscal Year 2010-2011 Budget
- a. Staff is preparing a budget and it will be discussed at the May 5th meeting. The budget needs to be printed in the local paper by May 16th and there will be a budget hearing for the public on June 19th.
6. Financial Reporting
- a. For the month of March:
 - i. Revenue: \$86,071.68 (includes \$16,733.19 in property taxes)
 - ii. Expenses: \$114,335.57 (includes \$19,268.78 in depreciation)
 - iii. Interest Expense: \$17,803.56
 - iv. Net Income: **-\$46,067.45**
 - v. Capitalized Work in Progress: \$45,226.54 (These are engineering and other expenses that they decided to move out of the operations budget. These are expenses associated with the two wells.)
 - b. For the year to date:
 - i. Revenue: \$712,349.61 (includes \$215,517.25 in property taxes)
 - ii. Expenses: \$783,376.21 (includes \$111,439.47 in depreciation)
 - iii. Interest Expense: \$105,995.86
 - iv. Net Income: **-\$177,022.46**
 - v. Capitalized Work in Progress: \$69,162.81
7. Miscellaneous
- a. PSWID has received six applications for the District Manager position. The board postponed addressing them until the May 5th meeting. They are going to notify the applicants that they are being considered. There was some concern by the board about leaving the applicants hanging out there for so long. Board members were urged to review the applicant information prior to the May 5th meeting.
 - b. Ms. Stephanie Gliege tendered her resignation as PSWID legal counsel effective May 10th. Board will begin conducting a search for a replacement.
 - c. The board approved the changes to the district's rules and regulations document that were discussed in a February meeting.

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.