

Hello Neighbor,

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.

In the meeting Mr. Greer asked what our group was trying to accomplish. It is a fair question which I will address in more detail later, but basically;

- We want the actions of the board to be ethical and legal
 - We believe that the board has come up short with the hiring of Mr. Gliege despite his conflicts of interest and by not getting the county attorney to issue an independent ruling on whether the district is already a domestic water district
- We want the board to be good stewards of our money
- We want the actions of the board to be for the benefit of the whole community
 - We are not opposed to the purchase of the water companies. The K2 project that the prior board had put in place was much less expensive than purchasing the water companies and provided water faster, however, we acknowledge that the recall election was a referendum on purchasing the water companies and that the community chose the path of purchasing the water companies.
 - We believe that it is very important that the community own the major sources of water and not be dependent on private well owners
 - We believe that a professional independent cost analysis of the various options needs to be done before making decisions
 - A cost analysis of breaching the contract on K2 versus finishing K2
 - An appraisal of the cost of leasing or purchasing the Milk Ranch well
 - An analysis of the cost of connecting the Milk Ranch well into the system
 - An analysis of the cost of drilling and connecting a new deep well in Pine
 - The public should be given a rate impact analysis for purchasing the water companies under the different options well before any purchase decision is made. Public comment should be taken and considered as part of the final decision process.
 - Based on the information that we have, we believe that the best solution for the community is to finish the K2 well (it is likely to cost more for the breach of contract than to finish it) and then purchase the water companies. At that point the Milk Ranch well could be purchased and there would be no need for drilling a new deep well in Pine.

May 17, 2008 PSWID Meeting

1. Mrs. Hall's Resignation was accepted

- The board accepted Mrs. Hall's resignation
- Mrs. Hall spoke to both local papers about the reasons for her resignation. The two articles cover different topics, so we suggest reading both of them. Rim Country Gazette: http://www.rimcountrygazette.com/index.php?option=com_content&task=view&id=3043&Itemid=2 and Payson Roundup: <http://www.paysonroundup.com/section/localnews/story/34200>
- When Mr. Haney asked for comments from the board, Mr. Greer rudely criticized Mrs. Hall's comment in the Rim Country Gazette article that "The current proposed budget is more than the last board spent in the last three and one-half years combined". He called that "ridiculous" and read off some large numbers for prior year's budgets and said that the proposed budget of \$90,000 was much less than those.
- Mr. Greer is incorrect in his claim. Last years budget was for \$72,000. As Mr. Greer has stated in past meetings, the same property tax assessment was used for this year's budget as last year's budget. Since the tax base has increased over last year, that means this year's budget has to be more than last year's. The large numbers that Mr. Greer quoted included the money that had gone unspent in prior years. The previous board was very frugal in its actual expenditures. The actual

- expenditures for 2005/2006 were \$3982, for 2006/2007 they were \$12,915, and for the portion of 2007/2008 that the former board was in place, they were \$30,000 to \$35,000 (includes cost of the recall election).
- The board will be looking to fill Mrs. Hall's seat for the remainder of the year. It wasn't clear what the process for applying for that position is. If you are interested, please contact the PSWID board through their website: www.pswid.org.
2. Pine Water Users Association contacted
 - Mr. Smith indicated that he had spoken with a Mr. Fuller at the Pine Water Users Association about water sharing. They indicated that they may be interested in sharing some portion of their water.
 3. Financing Options Being Reviewed for Purchase
 - Financing options for the purchase of the water companies are being investigated. When all of the options have been explored, there will be a presentation to the board.
 4. K2 Escrow Account
 - Mr. Greer reported on his efforts to get information on the escrow accounts. Pioneer Title doesn't have any of the current board members authorized for access to the account. Mr. Greer sent info about the change to the board to Pioneer Title. Pioneer Title says that it may cost more to set the account up as interest bearing than the interest that can be earned over the expected life of the account.
 5. Costs for Mr. Chaney's Petition to Withdraw
 - The question was asked as to whether Mr. Chaney would be reimbursing the district for the costs associated with his petition. Mostly this covers the printing of the notification in the Roundup.
 - The board doesn't have a fee structure in place for this type of petition. Mr. Chaney was asked whether he would cover the costs and he said yes.
 6. New Microphones for Cultural Center
 - The board purchased a new microphone system and donated it to the Cultural Center. Prior microphones only worked for about every third word. The new microphones were a great improvement to the flow of the meeting.
 7. Milk Ranch Well Presentation
 - Mr. Ploughe, the hydrologist that has been involved in the development of the Milk Ranch well, made a presentation on the well. He talked about the history of drilling the well and the problems that were overcome to complete the well.
 - He said that the water quality was good. He said that there are issues with sand in the well and that pumping at 100 gallons per minute (gpm) would keep the sand to an acceptable level. He also described an approach using sand screens down in the well itself which would allow higher pump rates.
 - Mr. Pugel was gracious enough to provide us with a copy of the presentation and it has been posted on the website. The presentation was very informative.
 8. Disclosing Proposal Made to Brooke
 - There is not a Non-Disclosure Agreement in place with Brooke Utilities for the purchase negotiations
 - Mr. Gliege said that the board does not need to provide the public with information that is discussed in executive session, but that the board can make that available at their discretion
 - The board voted to provide the proposal to the public
 9. Basis for Considering PSWID a Domestic Water District
 - Mr. Gliege presented his reasoning as to why PSWID is actually a domestic water district rather than an improvement district. The claim is that when the Gila County Board of Supervisors formed the district in 1996 that they added Chapter 6 Article 4 which defines elected boards for domestic water improvement districts. Since there is a separately elected board of directors, this shows compliance with the domestic water district statutes.
 - Our request to the board was that since everyone has believed for the last 12 years that it is an improvement district and not a domestic district that they should ask the county attorney for a concurring opinion.
 - The board's response boiled down to this is their position, they aren't asking the county attorney, and if you don't like it, sue them.

- Our concern here is that the board has a lot of self interest in taking this position because then they don't have to go through with the process of converting from an improvement district to a domestic district. Mr. Gliege may be right that the district is actually a domestic district, but it looks to be self serving that the board is declaring a beneficial status for itself and is not confident enough about it that they will seek independent confirmation of that status. Getting an opinion from the county attorney would remove whatever doubt may exist in the community.

10. 2008/2009 Budget

- The board is required by law to publish their budget twice in the local paper prior to the meeting at which it is approved. In that publication it was indicated that the May 17th meeting would be a budget workshop. The board forgot to make that an agenda item and it wasn't until an audience member pointed that out at the end of the meeting that they realized that they had to approve the budget that day.
- The budget was approved without any public comment being taken.
- Mr. Smith expressed his concern that the money to finish the underground survey of water in the Pine area had been dropped from the budget. Mr. Greer suggested that they could figure out a way to use money leftover from prior years to fund that.
- The budget that was approved is:

○ Site Rental	\$ 600.00
○ Record Storage	360.00
○ Travel	1,000.00
○ Administrative	5,400.00
○ Internet Expenses	575.00
○ Office Supplies	1,000.00
○ Independent Contractor	6,000.00
○ Miscellaneous Expenses	200.00
○ Contingency	12,365.00
○ Financial Audit	3,500.00
○ Legal Fees	37,000.00
○ Water Conservation	12,000.00
○ Public Election Fees	10,000.00
○	
○ Total Expenses	90,000.00

- For comparison, the budget for last year was:

○ Operating Expenses	\$12,000
○ Financial Audit	\$2,000
○ Legal Fees	\$30,000
○ Public Election Fees	\$28,000
○	
○ Total Expenses	\$72,000
- Our thoughts on the budget:
 - Why is the financial audit so much more costly than last year?
 - With the upcoming breach of contract for K2, the legal fee portion is probably much to small
 - Why do we need to spend significant amounts on water conversation? Pine has one of the lowest per user consumptions in the state, so is it a good use of money to try and reduce that further? We would like the board to indicate the water savings that this money will produce.

11. K2 Response

- After the executive session the board returned and talked about a letter that they received from Brooke. Brooke requested that the board affirm that they are moving forward with K2. This is due to the conflict of interest that exists with Mr. Gliege representing both the board, which is supposed to be supporting the agreement and Mr. Greer and Mr. Krafczyk in their efforts to invalidate the agreement. If the board does not affirm their intent to fulfill their obligations under the agreement, then Brooke will sue for breach of contract.

- Mr. Haney said that they will be responding to Brooke that they have not received information that they requested from Brooke so the board can not respond.
- We have posted the entire letter on the website.

Next special PSWID Meeting: Thursday June 5, 2008 7:00 PM at the Pine Cultural Center

**Note: The hearing for Mr. Chaney's request to withdraw will be part the June 5th meeting.
Public comment will be taken at that time.**

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.