

RE: Clarification of Expenditures
From: **Sam Schwalm** (waterforpinestrawberry@hotmail.com)
Sent: Thu 5/29/08 1:44 PM
To: *****@qwestoffice.net

Hello Mr. Greer,

Please see my responses below.

Sam Schwalm

From: *****@qwestoffice.net
To: waterforpinestrawberry@hotmail.com
Subject: Clarification of Expenditures
Date: Fri, 23 May 2008 17:03:15 -0500

Once again, Mr. Schwalm, you have reported information inaccurately. To clarify actual expenditures of the PSWID Board over the past three and one half years, I have attached copies of the actual County records for clarification. As you will note, warrants redeemed by the prior Board through the end of March 2008 total \$376,982.97.

SS-> The data that I used for the 2005/2006 and 2006/2007 expenditures were taken directly from the PSWID website. The 2007/2008 expenditures were an estimate for the prior board's time, based on a year-to-date of \$29,460 through the end of December that was provided by the prior Treasurer for the board.

You are confusing operational budget with capital budget. An operational budget is the budget for expenditures needed to meet the needs of the board on an on-going basis. A capital budget is for investment in equipment or physical facilities. The \$300,000 is a capital budget since it is meant for drilling the K2 well and is not for a year to year operational expense.

While I haven't taken the time to verify the numbers that you came up with, the difference that you claim amounts to an additional \$1182.25 for the 2005/2006 and 2006/2007 expenditures. Your number for the 2007/2008 expenditures is \$58,904.

Contrary to Barbara Hall's statement that the current proposed budget is greater than the total expenditures of the previous board for the past three and one half years, it is obvious that statement is incorrect as shown by the attached documentation.

SS-> Using the numbers that you provided, the total operational budget expenditures for the last three years are \$76,983, which as Mrs. Hall stated, is less

than the \$90,000 budget for 2008/2009. The \$90,000 is a 25% increase over last year's budget of \$72,000.

I believe that you owe Mrs. Hall an apology at the next board meeting.

To what point and purpose are your efforts? You were asked this question, "What do you want?" in the last Board meeting. To date, we have not received a response from you.

SS-> At the start of the May 17th PSWID Meeting Summary email (the one that you are responding to) I listed what our expectations of the board are. I will speak to those expectations in more detail at the next board meeting. I have expressed these items to the board in the past via email and through public comment at board meetings.

It is evident that the voters of the PSWID realize that the fastest way to resolving our problems is to eliminate the one thing standing in the way, Brooke Utilities. As documented by the Arizona Corporation Commission, they've had to bring Brooke Utilities kicking and screaming to do what's necessary to provide an adequate water supply. Furthermore, it has also been documented, under oath, that Brooke Utilities is guilty of sending Pine water to Strawberry while Pine Water Company customers pay hauling charges. In addition, the wells owned by Pine Water Company located in Strawberry did not produce for the benefit of Pine customers. There are so many improprieties on behalf of Brooke Utilities, that I couldn't even list them all. Is that the kind of utility company that you want to continue to do business with?

SS-> As we have said in public comment and emails, we are not against the purchase of the water companies. Our expectation is that the board will make decisions that are in the best interest of the whole community, not just in the interest of a select few.

The recall election saw a dishonest portrayal by Rim Country Water of the K2 project, the previous board's actions, and the cost of purchasing the water companies. We can't undo the results of that dishonesty. We can have the expectation that this board will be honest with the community and provide accurate information on the costs and the tradeoffs that the board makes when determining our water future.

You cite an example of the dishonesty that was perpetrated on the public by RCW. As part of the ACC action to remove Mr. Pugel's well from the CC&N of Pine Water Company, Mr. Gliedge and Mr. Pugel interviewed a former employee, Mr. James Bossart. Mr. Gliedge, lawyer for Mr. Pugel and for principals in RCW, crafted a set of questions that brought out that Mr. Bossart had transferred water from Pine to Strawberry during the summer of 2007. These questions avoided asking why those

transfers occurred. RCW was quick to claim that this showed that PWCo was charging Pine customers for hauled water and then sending it to Strawberry to avoid the cost of hauling water to Strawberry.

After the recall election, there was a second round of testimony by Mr. Bossart where the attorney for Brooke, Mr. Shapiro, asked the "why" questions. The reason for the transfers is that water hauled for Strawberry was offloaded into the Pine storage tank and then sent to Strawberry through the Magnolia pipeline. In addition to what is in the testimony, there were instances where water emergencies in Strawberry were addressed quickly by borrowing water from Pine and then having Strawberry return the water later when the emergency had passed.

I will post the testimony on the website so that you can read it.

If you have a different idea for solving Pine and Strawberry's utility problem, put together a proposal which should include the following

SS-> I am curious when the board will provide this kind of information on their plan?

1. A detailed explanation of your objective and how it benefits the taxpayers and rate payers of the PSWID.

SS-> Complete the K2 well prior to purchasing the water companies. This benefits the taxpayers because they will have a well for their \$300,000, not just lawyers that are wealthy from litigating the breach of contract. We believe that the cost to the district of breaching the contract will be as much or more than the cost to the district of completing the well. Completing the K2 well would give the district control of a major source of water and reduces the dependency on private wells. Water that the district controls will be less expensive to the rate payers. This will provide redundancy to the Milk Ranch well if it is added to the system and removes the need to drill another deep well at a later date.

2. An action plan to achieve your goal

SS-> Step 1 is to execute the current K2 agreement. Step 2 is to purchase the water companies after step 1 has completed the portion covered by the district's money.

3. A finance plan that supports the goal that does not include spending \$300,000 of taxpayer money to benefit a private utility company.

SS-> There is no need for the finance plan because the \$300,000 has already been set aside. We could argue about who benefits from the \$300,000, but since the water companies will be purchased, ultimately the benefit goes to the tax/rate payers as now they have a well instead of nothing for their money.

You can contact me directly at *****@qwestoffice.net.
Mike Greer