

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: www.waterforpinestrawberry.com.

We have been recording the last few PSWID meetings. When you see something in “ ” attributed to a person, that indicates that we have transcribed what they said from the recording. We are making every effort to accurately transcribe what the person said. We are working on adding the recordings to the website.

I live in Pine and I would like to better understand the concerns that those who live in Strawberry have about the water situation. During the recall, there seemed to be a lot of resistance to the K2 well from residents in Strawberry. I see the K2 project as a positive for Strawberry because it opens up access to a new source of water at no cost to Strawberry residents. It removes the need to supply water to Pine from Strawberry's shallow aquifer, leaving more water for the local wells.

I see the current path as being more negative for Strawberry residents. After the water companies are purchased, the water district will be run as one entity. As result, both communities will have equal access to the available water and Strawberry will be at the same level of restriction as Pine. No more Stage 5 in Pine and Stage 1 in Strawberry. Once more water is added into the system, stages will become less of a concern. Strawberry residents will also end up paying part of the cost to solve Pine's water problems.

If you are in Strawberry and have a minute to put down your views on the K2 well and any concerns about or support for the purchasing of the water companies, please reply back to this email. I will consolidate what I get and publish the results in a future email.

Not to leave those out who live in Pine, I would be interested in your thoughts as well. Just be sure to indicate which town so I can group the responses.

June 19, 2008 PSWID Meeting

Next regular PSWID Meeting: Thursday July 17, 2008 7:00 PM at the Pine Cultural Center

1. Establishment of Interest Bearing Escrow Accounts
 - The board voted to break the \$287,000 in the non-interest bearing escrow account into three interest bearing accounts (currently 2%) at a cost of \$150 per account. The three accounts will be less than \$100,000 each, so they will qualify for FDIC insurance.
2. Board Approved the 2008/2009 Budget
 - Budget is for \$90,000, a 25% increase over the \$72,000 of 2007/2008
 - The board also has approximately \$140,000 of funds that have rolled over from prior years. In the last meeting they moved \$100,000 of that into a reserve account so that they can spend it.
 - The following questions were asked during public comment:
 - What is the “Independent Contractor” listed in the budget (\$6000) for? Ans: To hire a district manager prior to completion of the water company purchase.
 - Why is the financial audit budgeted for \$3500 when the prior year it was \$2000? Ans: They had no reason.
 - Is the board going to provide a breakdown of how they plan to spend the \$100,000 reserve budget? Ans: No. The board will have to vote to make any expenditure from that reserve account, so notice will be given then. The board does not have a plan right now on how they will spend it, other than funding the Coe and Van Loo contract.
 - Why did the budget need to go up by 25% when two thirds of that went into a line item called “Contingency Funds”? Ans: We didn't raise the assessment rate. Followup question: But you could have asked for less and the rate would have gone down. Ans from Mr. Smith: “Having been on several boards over the last 14 years I can tell you that

we can reduce the rate from this board, that's true, but your tax evaluation will still go up. Because the county spends it elsewhere.”

- Mr. Smith is incorrect in his statement. The PSWID assessment is a separate line item on the tax bill since it is only charged to residents of the PSWID district. If the board spends less, the assessment goes down and it costs us less at tax time.

3. Public Comment

- Mr. Bob Cassaro pointed out there is a lot of common ground between what Water For Pine Strawberry (this group) and the board are saying. He indicated that he didn't understand the rationale for why finishing the K2 well under the current agreement makes sense. He talked about the need for the board to have an operational plan and that if the board has one, that they should publish it. If they don't have one, then the board needs to generate one. Mr. Haney then asked if Mr. Cassaro would serve on a committee to generate a plan. There was a lot of discussion and it settled out to the idea that Mr. Cassaro would look at setting up an independent citizens group to provide input to the board along these lines.
 - Two things about the discussion caused me a lot of concern. One was that Mr. Haney said: “I guess what it really meant was, we do have I think I generalized plan of what we want to do. In writing, no specifics because so many things are in flux, we don't have specifics either.” and the other was another board member's comment that they may have possession of the water companies in January of next year.
The board needs to have a solid operational plan in place prior to taking control of the water companies or the transition will be very painful for the water customers. There are a lot of items that need to be put in place ahead of time like trucks, backhoes, office space, computer systems, billing systems, call centers, etc. I don't see how they can do that in time for January if they only have a general idea about things now. The other part of the concern is that a January date implies that they will be doing a condemnation with immediate possession. This is very risky for the community as it is essentially writing a blank check for the purchase price.
- Mr. Mike Taylor asked about the lack of activity for the public committees that had been formed several months ago. The board's answer was that because there have been so many special meetings, the board's workload has not allowed them to get the committees started and that they will be started in the future.

4. Mrs. Schleizer defended the Board's Actions in Hiring Mr. Gliege

- Mrs. Schleizer said the following: “I'll make it brief, first of all I'm real grateful that this meeting did not go the way others have recently. Because I have been concerned about repeated comments that several of the members of the public have made implying that this board somehow has behaved illegally or unethically. I don't believe those claims have had any substance and I really take exception to them. This board has worked extremely hard to get to where we are at right now. The newspapers tend to capitalize on that type of unsubstantiated sensationalism, and even though I have at several meetings repeatedly asked what we have done the only characterization for this illegal and unethical behavior has been that we have hired Gliege, as our attorney. When we proposed to hire Gliege there was reference that no one had done due diligence in looking at the other water attorney's. I personally did, I personally looked at the sites that Ms. Mason recommended that we look at. I personally contacted the Bar Association and I looked at all the attorney's that represented water interests that I was able to find and looked at their Bar Association Record. But the one thing that I considered when hiring Gliege more than anything was my fiduciary responsibility to take care of tax payer dollars. And we knew going into this that legal fees were going to be substantial. I was attempting to minimize those legal fees in my choice of Gliege based on his awareness of the situation and specifically his awareness of the situation here, in Pine and Strawberry. My estimation just in dealing with attorney's lately with my personal life is that we probably saved about \$35,000 in getting an attorney up to speed and learning what is going on here. Probably saved a lot more than that because there is extensive knowledge on Gliege's part as to the history of this water systems in this area. My belief is that you have a board, a very hard working diligent people like I mentioned earlier. We have been on board for 12 weeks now and we have had 8 meetings. That is a significant amount of time because it is not just the time we are sitting here, its the answering of emails, its the reviewing of

material, its the doing the research to get ready for these meetings. I really resent the implications that have been printed in the paper and I resent the implications that certain members of the public have made in these meetings. We have made a great effort to allow public comment and we recognize that that public comment often is of opinion but to continue to make opinion unsubstantiated opinions and consider them as fact when your stating them, to me is slanderous. It is slanderous to all of the board members that sit up here and work so hard. That's all I wanted to say."

- It is more than just implications in the paper and by members of the public. A fellow board member felt so uncomfortable with the actions of this board that she resigned and characterized those actions as unethical and potentially illegal. I had a long talk with Mrs. Hall about the reasons behind her resignation. The hiring of Mr. Gliedge is the part of that that is visible to the public, so it is what gets pointed to. In addition to that hiring, there was a struggle to control the agenda for that first, March 27th, meeting. As vice-chair, Mrs. Hall assumed the chairmanship of the board when Mr. Gary Sherlock was replaced. The responsibility of the chairman is to set the agenda for the meeting. She produced an agenda that had the formation of a committee to find legal counsel, but Mr. Haney altered the agenda before he published it. Now, I am sure that it was no mystery to Mr. Haney that he would be elected chairman at that first meeting, but he was so impatient to get to the hiring of Mr. Gliedge that he couldn't wait until the next meeting (which was a week later on April 3rd) when he would have had control of the agenda. Altering the agenda was not an ethical act.
- Mrs. Hall has additional examples, but this email is getting to be long enough.
- Everything indicates that the hiring of Mr. Gliedge was a done deal before the March 27th meeting.
 - Mr. Haney was forwarding emails from the public to Mr. Gliedge for advice prior to the March 27th meeting
 - Mr. Gliedge came to the meeting with a contract for his services in hand. (A copy of the contract has been posted on the website)
 - When that agenda item was arrived at in the meeting, Mr. Smith immediately made a motion to hire Mr. Gliedge
 - Mr. Haney asked Mr. Gliedge about the issue of conflicts of interest. Mr. Gliedge said that the client could waive those conflicts of interest. Various members of the board said that they didn't have any problems with those conflicts and Mr. Gliedge was hired.
- If the board had performed due diligence they would have done the following:
 - Determined the availability, capability, and level of experience with utility condemnation of other attorneys, as well as for Mr. Gliedge.
 - Evaluated those attorneys against each other and selected the best one
 - In relation to Mr. Gliedge this would have included:
 - Identify each conflict of interest and how that would impact his ability to represent the board
 - Evaluated Mr. Gliedge's prior period as the lawyer for the PSWID board. There was concern at that time over the amount of money expended for the intervention in the Pine Water Co. rate case. Coupled with Mr. Gliedge's censure by the state bar for charging excessively for a litigation, this should have been an area of concern for the board.
- The claim is made that hiring Mr. Gliedge saved \$35,000. Not clear how that number was arrived at. It is probably true that a new attorney to the situation would require some extra time to come up to speed, but I don't think it would take anywhere near the 116 hours that are implied. In any case, that would be one of the evaluation criteria between the attorneys.

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.