

Hello Neighbor,

This email will cover the board meeting. Brooke filed a response to PSWID's motion to vacate and PSWID filed a response to Brooke's motion for sanctions. I will address those in a couple of days. In the meantime, the original motions and both responses can be read here: <http://www.waterforpinestrawberry.com/data%20pages/PurchasePSWIDDocs.htm> . They are interesting reading.

June 20, 2009 PSWID Meeting

Next regular PSWID Meeting: Thursday July 16, 2009 7:00 PM at the Pine Cultural Center

1. Meeting To Be Held With Brooke

- The board agreed to Brooke's request for a meeting between the entire board and Mr. Hardcastle without attorneys. Since the entire board will be there, it has to be run as a public meeting and the meeting with Mr. Hardcastle will take place in executive session. The meeting has yet to be scheduled, but Mr. Haney indicated that it would be soon.
- Comment: The board seems to think that they may be able to negotiate a purchase price at this meeting. Whatever happens, there will probably be a lot of frank discussion about what has gone on and the position that each side thinks that the other is in.

2. Board's Answer To Questions

- The board was asked several questions about why the financing fell through, how much the failure of immediate possession was going to cost the community, etc. The board refused to answer. They said to go read the court filings (which are at the link at the start of the email).
- Comment: This is an unacceptable response from the board. The court filings are being done in Yavapai County, so if we weren't posting them, the public would not have general access to them. At \$0.50 a page it can also get pretty expensive for the longer ones. If the board wants to limit their responses to what is in the filings, then they can answer the questions asked by the public along those lines, not make people go find the answers on their own.
- Comment: Mr. Greer was also irritated that the questions being asked were being framed to "indict" the board. The board has spent \$400,000 and ended up doing a swan dive into a manure pile. There are a lot of difficult questions that need to be answered. It is not in the board's or the community's best interest for them to hide behind their lawyer and not address the public's questions in a straight forward manner.

3. 2009-2010 Tentative Budget

- The board approved a tentative budget for fiscal year 2009-2010 of \$9,401,000 which starts July 1st. This budget covers the possibility that the water companies will be acquired during that fiscal year. It is posted here: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .

- The budget also has to cover the case where the water companies are not acquired and the year is spent in litigation. This means that the property tax portion of the budget needs to be enough to cover those expenses.
- The budget assumes that property taxes bring in \$300,000 (up from this year's \$90,000) and that there is a \$100,000 carry over from this year. It assumes \$9,000,000 from loan proceeds and water system revenues if the water companies are purchased. Included is \$1,000 in interest income.
- For expenses, the budget has \$9200 in general expenses, \$64,480 for the interim general manager, \$24,000 in "non-acquisition" legal expenses, and the remainder in acquisition costs.
- With only \$114,000 at the start of June and assuming their current spend rate continues in June, the carry over will likely be \$80,000, not the \$100,000 that the board uses in the budget.
- Comment: If the board is serious about pursuing the condemnation litigation, then they have to craft the budget to support the worst case legal scenario so that they don't run out of money before they can complete the litigation. That worst case scenario is:
 - Litigation/acquisition costs continue at present rate, about \$35,000/month: \$420,000
 - PSWID is sanctioned for immediate possession failure: \$75,000
 - PSWID is forced to put up a bond/pay for Brooke's condemnation litigation costs: \$300,000
 - Brooke activates the K2 breach arbitration and PSWID loses: \$350,000
 - Total: \$1,145,000
- Comment: If PSWID runs out of money during the condemnation litigation, then the condemnation will fail and there will be nothing for all the litigation costs, so it is best to have enough money. If the board stops now and tries to settle, the worst case bill likely drops to the neighborhood of \$300,000 to \$350,000. Compass Bank has a condition on the loan that the purchase be closed by July 31st. If they can't get the purchase done by then, the board would be prudent to stop if they are once again without financing.
- Comment: Based on the tentative budget, PSWID will have about \$370,000 to cover whatever happens in the coming year. They spent about \$420,000 on the acquisition effort this year. Given their track record so far, what are the odds that they spend less and prevail in the legal liabilities that they have created for the community? This is our money, is it worth spending this much to satisfy a local developer/realtor's desire to control the water system?

4. County Line of Credit

- In response to the question of how they were going to deal with running out of money in July, the board stated that the County would extend them a line of credit against future tax collections.
- From the Gila County website it states:
 "As Treasurer and Banker this office keeps track of each political sub-division's budget. We can not purchase the checks they have written if they are spending over their adopted budget amounts. We establish a line of credit for each political sub-division. Extensive monitoring is required and our servicing bank can grant the line of credit or can refuse same. Lines of credit have many restrictions as outlined in the Arizona Revised Statutes and by the Arizona banking regulations.

Prior to June 30th each year all lines of credit (a loan from the servicing bank) must be paid in full.”

5. Rim Country Gazette Column

- I will be writing a column for the Rim Country Gazette (www.rimcountrygazette.com) on the water issues in Pine-Strawberry. It will be on an as time permits basis. Probably something every other week or so.

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.