

Hello Neighbor,

I address two meetings in this email, the regular meeting that was held on July 16th and the special meeting they held yesterday on July 26th. There have been a few court filings, of no great consequence, I'll try and get them posted by the end of the week.

July 16, 2009 PSWID Meeting

Next regular PSWID Meeting: Thursday August 20, 2009 7:00 PM at the Pine Cultural Center

1. PSWID Board Approves 2009-2010 Budget

- Property tax collection raised from \$90,000 to \$300,000
- Carry over of \$79,000 from current year
- Board will have \$379,000 to carry on the condemnation litigation
- Board stated that they have not included money in the budget to cover the cost of sanction for the failure of immediate possession or the K2 breach of contract. Mr. Haney said the \$300,000 was based on an estimate of legal fees by Mr. Gliege,
- The total budget approved is \$9,401,000 which reflects the possibility of purchasing the water systems. With a loan of \$5,428,000, water system revenues of \$1,200,000, and tax collections/carry forward of \$379,000, there is only \$7,007,000 of revenue identified. The board did not say where the other \$2,394,000 is coming from.
- Mr. Haney stated that the need to increase property tax collections to \$300,000 is for the condemnation litigation. He said that if the situation changes before the August 13th deadline for budget submittal that the board will reduce that amount.
- Comment: It is my view that they have under-funded for the litigation. They are currently spending about \$35,000 a month, which would be \$420,000 if nothing changes. I don't think that from a legal point of view anything gets easier going forward. Add on top of that the risk of costs for sanctions and/or the K2 breach and the risk of running out of money before the litigation is complete gets much higher. The consequences of running out of money would be a failed condemnation. This would result in the district having to pay Brooke's costs associated with the condemnation and the inability to file for condemnation again for several years. In essence, the \$420,000 spent last year and the \$380,000 to be spent this year will be lost. Add to that the legal costs for Brooke and the total cost to the community would be over \$1 million.

2. PSWID Board Approves Extending Compass Bank Loan Commitment

- The Compass Bank commitment expires on July 31st. Board voted to authorize Mr. Jones to work out with Compass Bank an extension of the loan commitment for two months. Anticipated cost to extend the commitment is about \$5,000 per month.
- Comment: The board is doing this in case their discussions with Brooke bear fruit.

3. Milk Ranch Well Evaluation on Hold

- Mr. Jones stated that the Milk Ranch well evaluation had been put on hold until the acquisition of the water systems is sorted out. The well has significant problems with sand and the resolution of that problem will be costly.

- Comment: If they are required to buy the Milk Ranch well as a condition for closing the loan, how can they stop the evaluation? When asked, Mr. Haney said that they do not know the value of the well and that an appraisal will need to be done.

4. Talks With Brooke

- Mr. Haney stated that additional talks with Brooke have occurred since the initial meeting on the 7th. He said that they are talking and are very productive.

July 26, 2009 PSWID Meeting

1. Executive Session

- The purpose of the executive session was to bring board members up to speed on the discussions with Brooke.

2. Comment

- The board was not happy when I asked them about who negotiated the Compass Bank agreement and which side asked for the Milk Ranch well purchase clause. At first they refused to answer the first part of the question and then they said they all had a hand in it. Didn't get a direct answer to the second part. They then tried to explain why it was a normal clause for a bank to ask for. One board member said that if we know what was going on in executive session, we would know that the question is moot.
- The clause is just a bit too convenient. Why would a bank require the district to buy a well when neither the bank nor the district know the cost of that well or its ability to be turned into a production well, given its well known sand problems. It might be possible to consider as innocuous a clause that said "The District shall acquire or drill a high capacity well within the first year of operation." Given that the board has been clear that their intent is to buy the Milk Ranch well, why have a clause that takes responsibility for making that decision out of their hands? To have cover in case the well turns out to be a turkey?
- The Compass Bank commitment is at the center of the failure of immediate possession. That failure has cost the tax payers lots of money. The board needs to explain what happened. The board was trying to commit the community to a loan for \$6.4 million while hiding the contents of the loan agreement from the public. Had the immediate possession not failed, we would only be learning this after the loan had been made. If the community has to pay for it, the community should know the terms and conditions well before the board votes to accept them.

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.