

Hello Neighbor,

July 24, 2010 PSWID Meeting

Next regular PSWID Meeting: Saturday August 21, 2010 at 1:00 PM at the Pine Cultural Center

1. Correction

- a. Mr. Calderon provided me with some information that made me realize that I had been saying that the wet winter which resulted in there being no water hauling the next summer was the winter of 2005/2006. In fact it was the winter of 2004/2005.

A recap of the water hauling for summers by Pine Water Co are:

- i. 2003: 2,179,000 gallons
- ii. 2004: 937,000 gallons
- iii. 2005: 0 gallons
- iv. 2006: 675,000 gallons
- v. 2007: 3,217,000 gallons
- vi. 2008: 0 gallons

2. Mr. Bill Haney Resigns from Board

- a. A copy of the letter read by Mr. Tom Weeks during the meeting can be found here: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .
- b. Payson Roundup article on Mr. Haney's resignation: <http://www.paysonroundup.com/news/2010/jul/27/pswid-board-president-resigns-during-meeting/> .
- c. Comment: This board has succeeded in running off everyone that had even a question about whether the Milk Ranch well is a good value for the community. The common thread through all of this is that only people who had some semblance of experience in the water business had to go. Is it a coincidence that the people who know what they are doing when it comes to water systems also had sufficient reservations about the value of the Milk Ranch well that they were seen as a threat? A particularly good example of this is Mr. Mike Ploughe, the father of the Milk Ranch well and the hydrologist for the district. Mr. Ploughe was lauded by Mr. Pugel and his surrogates for several years for his vision and skill in finding water in Pine. Then, suddenly, he doesn't know what he is doing and needs to be terminated? He works with the well owners and the board for years, and then he is suddenly creating a hostile environment? This is clearly about the conspiracy theory faction that controls the board not wanting to hear what they were being told. Rather than address the issues, it was easier to just squash any different viewpoint.
- d. Comment: I have decided not to run for the board in the November election. I work 50 hours a week and I can barely keep up with what I currently do. If I ran for the board I would have to give this up. Being on the board would mean being on the wrong end of a lot of 6-1 votes. I think it is pretty well documented what the current board thinks of views that are different than their own. So I am thinking that I can be more valuable to the community outside of the board than on it. The new board members won't be seated until January and I expect all the

money will be burned by then and the next board will be focused on dealing with the consequences and the refinancing of the Compass Bank loan.

3. Strawberry Hollow/ Milk Ranch Well Status
 - a. A purchase contract for Strawberry Hollow is being worked back and forth between attorneys. Progress is being made.
 - b. Some type of offer/contract has been prepared for Milk Ranch well. When asked if an appraisal will be obtained still using the dodge of “if the bank requires one”.
 - c. We pointed out that the option to evaluate and buy the Milk Ranch well has a clause that says: “The purchase price and terms would be negotiated based on the completion of an appraisal of the well, property, and easements to be conveyed, and the venture capital risk factors inherent in drilling such a well.” When Mr. David Davis was asked why that didn’t come into play with regard to the position now that no appraisal is required, he said that both parties had agreed to modify that. There has not been a vote by the board to amend that agreement.
 - d. Comment: There is nothing to stop the current board from over-paying for a well that we spent the money to fix. The board needs to come to their senses and start realizing that they were elected to look out for the financial interests of the community, not those of Mr. Pugel. No sane person spends their own money to fix something they don’t own so that it is more expensive when they do buy it. No one spends \$570,000 for something without doing due diligence. The board needs to go through the normal steps that all public entities go through and get an appraisal. Due diligence does not mean taking Mr. Pugel’s word that he “knows” what it is worth. The board should be ashamed to be spending their neighbor’s money in this way.
4. Comment From Someone Who Has Gone Through This
 - a. Mr. Stan Francom is the General Manager for the Carefree Water Co. He has had the experience of taking the Carefree Water Co. from private to public and building an improved water system over time. He has a weekend home in the community and has been following what has been going on since early on. He has been kind enough to answer my questions and provide insights over the years. He sent me the following recently:

“I question in all this intra-board communication if maybe the open meeting laws have been violated. If someone were to present this to the County Attorney there could be repercussion. This just should not happen. This mess appears to be a result of Board members and administrative personnel following their own agenda and not the agenda of what is best for the Water Company and its customers. No strong vision of what and how to accomplish what needed to be done and no strong leadership to direct to that end. It is too bad but this is what usually happens in the first go around of many utility boards especially when Board members do not accept that they have no expertise and do not rely on those that do. It is just very fortunate that there probably will not be a water shortage this year as that would just break the camels back and the whole thing would just fall apart with everyone blaming some one else. The first step to resolve this issue is to get a water manager that has water company operational experience and has the best interest of the community as his goal. (Hiring an outside operations company or operator is a mistake as there main motivation is not to maximize long term benefit to the water

company or its customers.) The next thing is to have a Board of Directors that is knowledgeable enough to understand that they should not be involved in the day to day operations and that their function is to receive, review and approve or disapprove recommendations from the water manager based upon common and approved goals.. Running a water company is not only a technical issue but is also an art and as such more than one person making daily decisions never will work out. You can look at the successful and harmonious boards and councils and they all have these characteristics in common:

- They recognize that they do not have expertise in every facet of their responsibilities.
- The hire staff and administrators that together have experience and expertise to be able to provide guidance to the Board in helping arrive at goals and making decisions to support those goals
- As individuals they have the ability to suppress their own agendas for the benefit of the community
- They have the ability to agree to disagree without rancor or holding a grudge

In our Company we have totally changed every aspect of this Utility since the purchase. We have increased our water supply, we have increased our water storage capacities, we have provided for emergency operations and we have upgraded our distribution system making our ability to supply water to our customers reliable, consistent and of good quality. We have taken the Company from running out of water each summer to a position of increasing our aquifer and sufficient water for a 100 year supply at anticipate build out of the service. We have added 200 fire hydrants and the ability to supply fire flow as required by Rural Metro. All this has come about because of strong leadership in consistent pursuit of the goals established by the first Board of Directors eleven years ago. The key was to establish goals that were in the best interest of the community and then to pursue those goals. The customers have benefited and they can see and realize that they have been benefited which has made a difference in their lives and has added value to their properties. Hopefully that can happen in Pine so that we may all benefit. Maybe we have to struggle thru this administration as a learning process and hopefully we can get things on the right track by getting the right Board members next election.”

5. Board Hires New District Engineer
 - a. The board voted to hire the company Verde Engineering for the District Engineer, contingent on agreement to district policies and retainer fee.
6. June Financials
 - a. The district started posting all the different financial sheets again. They can be found at: <http://www.pswid.org/>, then click on the Financial Data link that can be found under the PSWID logo.
 - b. Cash Flow Position for June:
 - i. Total Cash In: \$111,012.98
 - ii. Total Cash Out: \$116,707.29
 - iii. Net Cash Flow: -\$5694.31
 - c. Compass Bank report for the month of June:
 - i. Revenue: \$110,943.96 (includes \$4809.93 in property taxes)
 - ii. Expenses: \$131,706.04 (includes \$19,444.26 in depreciation)

- iii. Interest Expense: \$18,766.80
 - iv. Net Income: -\$39,459.86
 - d. Cash Flow Position for year to date:
 - i. Total Cash In: \$1,082,999.00
 - ii. Total Cash Out: \$1,009,734.31
 - iii. Net Cash Flow: \$73,264.69
 - e. Compass Bank report for the year to date:
 - i. Revenue: \$1,082,376.55 (includes \$302,889.50 in property taxes)
 - ii. Expenses: \$1,144,811.86 (includes \$169,396.19 in depreciation)
 - iii. Interest Expense: \$162,645.55
 - iv. Net Income: -\$224,458.41
 - f. Comment: These are the 2009-2010 fiscal year-end results. The positive net cash flow for the year is misleading because the district bought an extra month's revenue (~\$100,000) from Brooke when they purchased the water systems. The district also moved the engineering and hydrology expenses out of the operations budget into capital improvement budget. The engineering expenses for the year were \$52,729.13.
 - g. Comment: Adjusting for the two items above, the actual cash flow and net income are listed below. Clearly they needed to raise water rates to try and balance out the red-ink.
 - i. 2009-2010 FY Cash Flow: -\$79,464.44
 - ii. 2009-2010 FY Net Income: -\$377,187.54
- 7. Employee Compensation Plan
 - a. Jane Emberty, a compensation specialist, gave a presentation to the board about establishing a compensation philosophy to guide the board in making employee pay and benefits decisions. She provides services for determining proper pay scales and benefit packages.
- 8. Facebook for Water For Pine Strawberry
 - a. We put up a Facebook page. Not exactly sure how best to use it yet, but hopefully we will learn as we go along how make it an effective communication tool. If anyone has experience/ideas on how to use Facebook effectively for this type of group please let me know.
 - b. Join us on [FACEBOOK](#).

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.