

Hello Neighbor,

If you are looking for the views of the people running for the board try these articles in the local newspapers:

- Rim Country Gazette, Schwalm/Dickinson:  
[http://www.rimcountrygazette.com/index.php?option=com\\_content&view=article&id=4437:water-board-members-get-their-say&catid=68:local-news&Itemid=102](http://www.rimcountrygazette.com/index.php?option=com_content&view=article&id=4437:water-board-members-get-their-say&catid=68:local-news&Itemid=102)
- Rim Country Gazette, Schleizer:  
[http://www.rimcountrygazette.com/index.php?option=com\\_content&view=article&id=4525:water-board-members-get-their-say&catid=68:local-news&Itemid=102](http://www.rimcountrygazette.com/index.php?option=com_content&view=article&id=4525:water-board-members-get-their-say&catid=68:local-news&Itemid=102)
- Rim Country Gazette, Smith/Weeks: Coming in next weeks issue.
- Payson Roundup:  
[http://www.paysonroundup.com/news/2008/oct/14/five\\_seek\\_four\\_spots\\_pinestrawberry\\_water\\_board/](http://www.paysonroundup.com/news/2008/oct/14/five_seek_four_spots_pinestrawberry_water_board/)
- Payson Roundup:  
[http://www.paysonroundup.com/news/2008/oct/17/pine\\_strawberry\\_water\\_board\\_candidates\\_answer\\_ques/](http://www.paysonroundup.com/news/2008/oct/17/pine_strawberry_water_board_candidates_answer_ques/)

### **October 16, 2008 PSWID Meeting**

**Next regular PSWID Meeting: Thursday November 20, 2008 7:00 PM at the Pine Cultural Center**

Comment: Mr. Pugel and his surrogates in Rim Country Water worked vigorously all meeting to try and make the case that I am a front for Mr. Hardcastle. I receive no compensation from anyone for this. No one directs what I write and the conclusions are my own. There are two sides to this story and I try to present the information from both sides. I draw my own conclusions and I hope that I provide you with enough information to draw your own.

Rim Country Water is currently circulating material that attempts to show that I am aligned with Brooke. You can find my response to those claims at my campaign website: [www.Schwalm4PSWID.com](http://www.Schwalm4PSWID.com).

#### **1. Board Rescinds K2 Agreement**

- The board voted to send a letter to Brooke “denouncing” the Joint Development Well Agreement (JDWA). According to Mr. Gliege this is a way of saying that the district is no longer bound by the contract and will not follow it. Basically the district has declared the contract as void.
- The board said that they were taking this action in response to Brooke’s letter that said that Brooke was going ahead with the K2 well. While the board didn’t mention it in the meeting, Brooke had informed us that morning that they had notified the board that Brooke had signed a contract with a driller and would be requesting a draw from the escrow account next week.
- Mr. Gliege and the board indicated that Brooke is likely to sue and that this would go to binding arbitration under the clause in the JDWA. Comment: It isn’t clear how you can say you are no longer bound by the contract, but still invoke the arbitration clause in the contract. The arbitration clause appears to me to be for

settling disputes within the contract, not whether the entire contract itself is valid or not. I sent Mr. Haney and Mr. Gliege an email asking for clarification. Mr. Haney replied that Mr. Gliege would respond when he had time. I haven't received a specific reply to the question yet.

- Comment: The community is going to regret this decision for a long time because it has the potential to be very costly with the legal fees and whatever the eventual settlement is. This also greatly reduces the possibility of finding a solution to the water problems if the water company purchase fails.
- Comment: How confident are lenders going to be about lending to an organization that is currently in litigation over a contract that it has broken?

## 2. Board Sends Offer for \$2.55 Million to Brooke

- The board voted to send an offer to Brooke of \$2.55 million. This consists of \$1.98 million for the assets, \$498,000 for the value of the business as a going concern, and \$70,000 for the property.
- The board took a half step back from taking immediate possession. The board said that they may not do that, but it is an option that they will consider.
- Mr. Haney said that Stone & Youngberg has formed a team to look at financing options. They are looking at getting interim financing at a local financial institution that has recently done a similar deal. The board has requested to get on the WIFA priority list for the permanent financing. Comment: WIFA won't finance a hostile purchase, but once the purchase is made then WIFA could provide funds to refinance. WIFA fund requests for 2009 are currently three times greater than the available money, 2010 is probably the earliest that the district would have a chance to get WIFA money.
- Mr. Haney said that Dan Jackson of Economists.com was directed to produce a cash flow analysis for the system. Assuming a purchase price of \$2.55 million and an additional \$2 million for other costs, it was stated that rates would not have to be increased for two years. Comment: If this is based on the Coe and Van Loo (CVL) numbers, then there are significant operations expenses that are not being addressed. Also, there was no vote by the board to authorize this that I am aware of.
- Mr. Haney indicated that this would be sufficient to get things to a place where we could avoid water hauling and restrictions. He stated that the additional capital improvements would depend on what the community decided that it wants. He gave no indication on how the community's wishes were going to be determined.
- The board indicated that the difference in water rates between Pine and Strawberry would be maintained for those two years and then gradually would be brought together. Comment: Not clear how it is fair to have one district and have some people paying more than others for the same level of service.
- The board thinks that since Mr. Hardcastle said in some ACC testimony in 2006 that he thought that the companies were worth \$3 million that Brooke can't ask for more than that. The contention of the board is that with their offer of \$2.55 million that there is only a small difference in price and that it can be negotiated/mediated with Brooke from there. Comment: I really have no idea how anyone could believe this. I generally think the board members are sincere and that part of the problem is that they are being fed bad advice and information, but

it should be common sense that this statement does not bind Brooke to a maximum price. I think that the animosity that Mr. Pugel, Rim Country Water, and the board have towards Brooke and Mr. Hardcastle clouds their judgment. Purchasing the water companies is a business deal, but it is being treated as a means to punish Brooke and Mr. Hardcastle for perceived past wrongs. People typically don't make good decisions when they are angry.

### 3. Treasurer's Report

- In April the PSWID account balance was \$133,005. As reported in this meeting, the account balance is \$9583. At the prior meeting the account balance was \$16,893. It seems that tax receipts flow into the board on a quarterly basis, so there should probably be \$22,500 coming into the account in October.
- In June the reserve account was established at \$100,000. As reported in this meeting the reserve balance is \$30,771. At the prior meeting, the account balance was \$46,597.
- When the reserve account was created, the board was asked whether a budget was being established for the reserve account. The answer was that there didn't need to be one because there would be a board vote when allocating funds from the reserve account. The board said that the Coe and Van Loo (CVL) expenses would come from the reserve account. The board has authorized three tasks for CVL which come to a total of \$38,500. The board authorized an additional \$5500 for CVL, for a total of \$44,000. The reserve account shows spending of \$69,229.
- The question is where did the additional \$25,229 from the reserve account go and why wasn't there a board vote to authorize that spending? The board promised to post the treasurer's report on the PSWID website, but they haven't posted any since June. As a result, the public can't tell where that money went.
- Comment: I don't think that anyone thought that the condemnation path that the board is on would be cheap, but I think that there is a real danger of the board running out of money. Especially now that they have added in the expense of the K2 litigation. Brooke has a lot more resources than the district does and a typical strategy when the two sides are mismatched is for the side with more money to bleed the other side dry. The board may be thinking that they can get access to the \$288,000 in escrow money, but I expect that Brooke will fight that all the way. The other way that the board can get money is through a special property tax assessment on the properties in the district. The bottom line is that all of this is coming out of the community's pockets. Our taxes pay the district's side of the expenses and water rates will pay for the other side.

### 4. History of Board Activities

- Mr. Dickinson read off a long list of items that the board considers milestone events of their tenure. It is a long list that I won't attempt to recreate here. Mr. Dickinson said that he would send me a copy in the future. I will post it to the website when I receive it.

### 5. Board Reaction to Brooke Letter

- The board had a very negative reaction to the Brooke letter. Mr. Dickinson disputed the claim that they had refused to meet with Brooke, stating that they had been unable to meet at the time requested. Other parts of the Brooke letter were disputed throughout the meeting. Due to the amount of material I don't think that

their response can be given justice in a summarized form, so I have offered to post a response to the Brooke letter on the website if they wish to provide me with one.

- The board also had a negative reaction to our having posted the letter on the website. It is a public document that is posted on the ACC website, so we have every right to post it on our website. There was some complaining about the timing with which we posted it. Brooke sent the letter to the board and to the ACC on Friday October 10<sup>th</sup>. I received a copy of the letter from Brooke on the following Monday. Since it was interesting and relevant to what is going on with water issues, I posted it to the website and included a summary of it in the email that I sent out that evening.
- Comment: I think the board does itself, and the community, a disservice when it hides the communication with Brooke behind its lawyer. If it is something that is being provided to Brooke or received from Brooke it is no mystery to either party. Why should it be kept a mystery from the public?

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](mailto:WaterForPineStrawberry@hotmail.com). Emails on earlier meetings are available on our website: [www.WaterForPineStrawberry.com](http://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](http://www.WaterForPineStrawberry.com), for more information. The website for PSWID is [www.pswid.org](http://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.