

Water Rates up 42% while Country Clubs SAVE \$1.13 Million!



UPCOMING EVENTS

January 22, 2020

Chat with the Mayor,
Church for the Nations,
200 W Frontier St. - 8 am

January 22, 2020

Building Advisory Board
Town Hall - 5:00 pm

January 23, 2020

Town Council Meeting
Town Hall - 5:30 pm

January 29, 2020

Chat with the Mayor,
Church for the Nations,
200 W Frontier St. - 8 am

February 4, 2020

Special Town Council Meeting
Town Hall - 4:00 pm

February 5, 2020

Chat with the Mayor,
Church for the Nations,
200 W Frontier St. - 8 am

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and are answering a call from
the public for true news,
a fresh alternative.
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in with the TRUE!*

Council Votes to Remove RCEA-SLE Board Members



From left to right: RCEA-SLE board members Rich Richie, Jennifer Smith and Larry Sugarman. Back Row: Steve Smith, Barbara Underwood, Chris Higgins, Mayor Tom Morrissey, Suzi Tubbs.

Grounds for the Removal Lists RCEA-SLE's Breach of IGAs and ARS Violations

A detailed list assimilated by Jim Ferris was read into public record at Wednesday night's special meeting of the Town Council. The meeting started off with Jennifer Smith reading a statement from the RCEA-SLE about the damage done to her and other Board Members Larry Sugarman, and Rich Richie, by the Council requesting discussion for their removal. She finally insisted the Council had no cause to remove any board members talking through the 3 minute bell like it didn't apply to her. The Mayor graciously allowed her to continue. Jennifer's representation of the Town on the RCEA-SLE has not included any correspondence with the Mayor, Vice Mayor Sterner, Councilwoman Tubbs or Councilman Ferris. The same is true with Richie and Sugarman. Are they choosing to only communicate with Smith, Underwood and Higgins? Why not create a

cordial relationship with all council members to actually do what they claim they want and work together?

Agenda Item #2: Discussion and possible action regarding Rim Country Educational Alliance (RCEA) Board Member Appointment and/or removal.¹ You can watch the video of the meeting [here](#).²

Jim Ferris's statement as follows:

RCEA-SLE Breach of IGAs and ARS Violations

- ✓ If the SLE can incur debt, it can create potential contingent liabilities for the Town.
- ✓ If the SLE can assign interest in the property to a third party, that is a problem
- ✓ If the SLE can do whatever they wish on its property, it can create an adverse effect on adjacent property belonging to Payson citizens and the Town of Payson.
- ✓ If the SLE can solely determine the nature of what commercial enterprises can operate on SLE property, it can allow commercial activity that may detrimental to other existing commercial enterprises in the Town.
- ✓ The SLE has authority to and may purchase property that the Town would have otherwise acquired for the benefit of the citizens of Payson.
- ✓ The citizens of Payson have the privilege of voting for representatives that pledge to carry out the policies they agree with, and if they fail, they can vote those representatives out of office at the next election.
- ✓ When the SLE hand selects its directors that commit to advancing the agenda of the MHA/RCEF board of directors, neither the citizens nor the parties that created the SLE have a say in the actions or direction of the SLE. And the RCEA-SLE is an entity that is not accountable to anyone except those who control the purse strings.

The SLE Board of Directors have been negligent in their responsibilities to carry out the terms and provisions of the following three agreements between the SLE and the Town of Payson (ToP):

- 1) **Resolution 2617**³ (Intergovernmental Agreement) dated July 6, 2011 and signed by Mayor Kenny Evans on August 30, 2011;
- 2) **Governance Agreement**⁴ attached as Exhibit A to the aforementioned Intergovernmental Agreement dated July 6, 2011 and signed by Mayor Kenny Evans on July 7, 2011;
- 3) TOP **Resolution No. 2898**⁵ dated January 21, 2016 signed by Kenny Evans is an IGA between the ToP and the RCEA for the purpose of having the ToP provide plan review and field inspections services on the SLE property. On April 11, 2019 the RCEA-SLE board approved a motion to develop athletic fields. On 5/16/2019 the

RCEA-SLE Board passed Resolution 16 which stated that the RCEA-SLE will no longer abide by the IGA and **Resolution 2898** whereby the RCEA-SLE agreed to use the ToP Public works Departments and ToP building permits, inspections, and codes for development activities on RCEA-SLE property. The Roundup reported (with pictures) the bulldozed ground on the SLE property along South Mud Springs Road just after it happened on 6/21/2019. The IGA Agreement, **Res. 2898 Section 1 Term. 1.1:** states – *This agreement shall be effective as of the date written above and shall remain in effect until December 31, 2020 or until cancelled upon 90 days written notice by either party.* In other words, the Town was to receive a 90-day written notice of cancellation. The RCEA-SLE board passed their **Resolution 36**⁶ on May 16, 2019 which appears to cancel Res 2898. No notice was given to the Town.

RCEA Resolution: 36 dated May 16, 2019 **Section 1:** *For sound reason deemed by the board of RCEA, we hereby exempt the RCEA-SLE from all provisions of the Payson Town Code and wave application of Resolution 29, adopted January 14, 2016 and **Resolution 327** adopted December 7, 2016 as it relates to development authorized by an affirmative vote of the board and taken for and on behalf of the RCEA.*

The Payson Newspaper has been created by citizens of Payson who demand the TRUTH be told in Payson. If there is only one source for news, and the reporting is completely biased, you're not getting the whole story. We feel newspapers have a responsibility to the community to keep the people informed without trying to promote an agenda for their own personal gain. To disinform the public is wrong, any way you look at it. What is written today is our history tomorrow. It is too important to let one group continue to deprive us of the truth; thus this publication was born.

We check the facts, and provide the link to the proof so you can see it for yourselves. We care about our history being written with truth and integrity. The people should have a voice, and be able to question things in our town without threats. This is our town, it belongs to the people. If you would like to be on the email list for The Payson Newspaper or to submit an ad send an email to news@savepaysonaz.com. We ask that you help our efforts and get the word out to neighbors, friends and family. Please print and distribute to as many people as you'd like.

Thank You!

There was no notice given to the Town, and they bulldozed the property on or before June 21, 2019 which was approximately 36 days from their vote to void Res. 2898 – a breach of the IGA. RCEA-SLE meeting minutes of this same May 16, 2019 RCEA board meeting recorded a motion by Rich Richey, seconded by Larry Sugarman, to affirm that RCEF, LLC (member organization of the MHAF) is authorized to build athletic fields on the campus property. The motion passed unanimously. The ToP council was not informed this was going to happen. There was also a motion to affirm authorization of RCEF's enterprise authority and direction to proceed as **acting agent** for and on behalf of the RCEA, including any and all of the above listed items.

The Arizona Department of Environmental Quality-Closure of July 11, 2019 Notice of Opportunity to Correct Deficiencies was issued because the RCEA-SLE bulldozed the SLE property without first obtaining a ADEQ drainage permit.

The RCEA Budget for 2019-20 shows the only revenue sources being Loan Proceeds of \$15,000. The budget shows no anticipated revenue generation. There were no line items for loan repayment.

A document headed: Property Master Plan; Rim Country Educational Campus dated Nov. 30, 2015 states that the "Adoption of a Plan incorporating generally accepted planning principles is a requirement of the IGA that initially formed the RCEA in 2011." Where are the generally accepted planning principles that were adopted as required? It also stated that the RCEA and the RCEF jointly own the 253-acre site. Another breach of the IGA.

Section 3.1 The Entity shall operate within an annually adopted budget and shall comply with all statues, laws, and regulations including rules established by the Government Accounting Standards Board.

The SLE is in violation of [A.R.S. 41-151.14](#)⁸ State and local public records management; violation; classification; definition and [A.R.S. 39-101](#)⁹ Permanent public records; quality; storage; violation; classification

The Town of Payson could seek a remedy through [A.R.S. 39-121.02](#)¹⁰ Action on denial of access; costs and attorney fees; damages

Section 7.3 Cancellation. This IGA is subject to the provisions of [A.R.S. 38-511](#)¹¹ which provides for cancellation of contracts by the Parties for certain conflicts of interests.

Section 7.5 No Third Party Beneficiaries. No term or provision of this IGA is intended to, or shall, be for the benefit of any person, firm, organization, or corporation not a party hereto, and no such other person, firm,

organization, or corporation shall have any right or cause of action hereunder.

The MHA/RCEF and Kenny Evans have been allowed to benefit from the actions and authority of the Entity. Evans has claimed to have invested his own money into the MHA. Evans was ToP Mayor for eight years in which the RCEA-SLE were created along with all the IGAs between the ToP and the RCEA-SLE, RCEF and MHAF. Evans negotiated the agreements, voted on the agreements, and signed the agreements between the TOP and the RCEA-SLE and RCEF. Huge conflict of interest.

Violation of A.R.S, 38-501 et seq. Conflict of Interest

Section 7.6 Non-Appropriation/Non-Receipt. *Nothing herein shall be construed as obligating any Party to expend, or as involving any Party in any contact or other obligation for the future payment of money in excess of the appropriations authorized by law and administratively allocated. Nor shall anything herein be construed as obligating the Parties to expend, or as involving the Parties in any contract or other obligation for future payment of money if such Party does not have sufficient revenues for this expenditure.*

We find that the TOP may be contingently liable for debt obligations that the RCEA-SLE has or may have enter into, and Jennifer Smith eluded to in her statement at Wednesday's meeting.

Governance Agreement

Article 4.2 Because the Entity has failed to provide required financial records and has failed to provide requested evidence of any debt obligation; the current Board of Directors have been illegitimately placed on a prequalified list for selection by the town council. The Town has never received evidence of private placement funding such as loan agreements or debt instruments. Loans extended from third party for the use of the SLE as a mechanism for financial gain is not a legitimate arms-length transaction and may be construed as a fraudulent means to control board members.

Article 4.4 *Directors may be removed only by their appointing Members for Cause.*

This document presents numerous breaches of the provisions of the IGAs and the Governance Agreement between the Members.

Article 4.8.3 We have never received the requested Property Master Plan.

Article 8.2 Within ninety (90) days following the close of each fiscal year, the Governing Body shall have caused to be conducted an independent annual audit of the preceding year's financial activities.

The Entity has failed to provide (and possibly preform) the annual audit as required and as requested.

Article 14.1 All property owned by the Entity shall be held in the name of the Entity.

We know that an undivided one-half interest in the 253-acre forest service property was transferred to the RCEF.

Article 14.3 The Entity has not provided updated Property Master Plans when required and has not provide evidence that they have incorporated generally accepted planning principles, including steps to protect environmental areas and appropriately buffer adjoining uses. The planned athletic fields abut residential areas with no buffer.

Article 15.2 Open Meeting Laws – The Entity is subject to Arizona’s Open Meeting Laws, **A.R.S. 38-431**, et seq.

We know from RCEA Meeting Minutes that they failed to comply.

Article 15.3 Conflict of Interest – The Entity and its Directors are subject to Arizona’s Conflict of Interest Statues, **A.R.S. 38-501**,et seq.

RCEA-SLE partners with RCEF, a member organization of MHAF. Kenny Evans is President of the MHA and has personal financial involvement in the MHA. Richard Johnson is a Board Member of the MHA and President of the RCEF. John Naughton is the Treasure of the MHA and on the RCEF Board. Jennifer Smith is on the MHA Board and on the RCEA board. Sanja Long is on the RCEF board and is the CEO of the MAHF. The joint membership in multiple board may not be a violation of ARS; however, the membership, partnership, and agreements between the organizations and local governments is concerning.

Bottom line is they have failed to report to or provide any information to the Town of Payson, as a member of the RCEA-SLE and party to the above-mentioned agreements.★

Water Rates Up 42% While County Clubs SAVE \$1.13 Million



The review of past capital projects has been ridiculed as a “BOONDOGGLE” by some in the local established media. I think you may have a different opinion about that when you know the facts about the implementation of Resolution 2724 and 2725. These agreements were the blueprint for saving residents of Chaparral Pines and The Rim Golf Club \$1.13 Million in water cost since 2014, while the water rates for all other Payson customers rose 42.22% for the same time period (69.26% from 2011 to date).

Freedom of information requests resulted in the acquisition of detailed cost and water usage charts for the country clubs (JFM) as well as detailed rate information for all other Payson water customers. We are grateful for the cooperation of the management and staff of the Water Department for providing this very detailed data. Those charts and links to resolution [2724](#) & [2725](#) are included in this article. Please review the details they contain to fully understand why we are concerned with the results of this project. Is it possible to recover a portion of the \$1.13M for the town?

The following excerpts from our December 20th article and the FOIA information will show the true results of the JFM water project.

From our December 20, 2019 article:

In 2013 the Rim Golf Club and Chaparral Pines were in desperate need of water for their golf courses. Reclaimed effluent from the sanitary district and well water from Star Valley were not meeting demand.

Working with the Town, a solution to the problem was crafted in the form of Resolution [2724](#)¹² & [2725](#)¹³. Resolution 2724 was an agreement between Joint Facilities Management, LLC (JFM)¹⁴ which is comprised of investment groups from the two country clubs, (The Rim Investments, LLC and Chaparral Pines Investments, LLC), the RCEA-SLE, and the Town of Payson to construct a waterline from the treatment plant at Mesa Del Caballo to the Chaparral Pines Golf Course on Tyler Parkway. This agreement required JFM to pay the RCEA-SLE \$700k to coordinate, design, and build this waterline. When completed, it would be given to the Town along with a payment of \$100K.

In reality, the RCEA-SLE did not coordinate, design, and pay for construction of the waterline as required by Resolution 2724. The Town of Payson actually did all the work and paid all the bills. The amount of reimbursement received by the town to recover those costs is unclear, but consider the following quote from a Payson Roundup article dated December 5, 2019 entitled “Is it Better to Pay for or Sell C.C. Cragin Water?” Michele Nelson quoted an official, apparently from the RCEA-SLE, saying they, “used the remaining money (roughly \$100,000) to pay for archaeological studies necessary to buy the land and engineering studies of needed infrastructure”. We suggest that our readers review that December 5th Roundup article and seriously analyze all the comments it contains.

Why was the RCEA-SLE part of this contract when the Town could have contracted directly with JFM (see Resolution 2724)¹⁵? Remember, the town actually paid for and did all the work to complete this project, contrary to what was stated in Resolution 2724.

Since untreated C.C. Cragin water was not available in 2013, Resolution 2724 & 2725 crafted a pricing structure to provide JFM potable water at untreated water rates, until the untreated water was available. Did the Town and JFM know it would be years before the C.C. Cragin project could provide untreated water? In reality, the untreated water was not available until late 2019.

From the FOIA provided data we now know that since 2014 JFM used 210,184,300 gallons of potable water to irrigate the golf courses (645 acre ft.) at a total cost to them of \$716,830. If they had been paying the same price for that water as anyone else in town their total cost would have been \$1,848,267. **Their net savings from 2014 to July of this year was \$1,131,438.** These are exact figures provided by the Payson Water department.

This cost savings was more than enough to pay for the original \$700,000 JFM paid the RCEA (SLE) . In reality then, the Town of Payson, **not JFM**, actually paid for the construction of the untreated waterline to Chaparral Pines by the water cost savings granted to JFM. A substantial portion of the original \$700K (at least \$100K, see quote above) also accrued to the RCEA (SLE) . A forensic audit of Town of Payson and RCEA(SLE) financial records is needed to determine the actual figures. To date the RCEA(SLE) has not provided the necessary records and an audit of town financial records has not yet scheduled.

From 2014 to July 2019 Payson water customers endured rate increases totaling 42.22% (SEE THE ATTACHED RATE CHART) while the Country Clubs enjoyed a fixed low rate (\$2.06/1000 gallons) for the same potable water. This situation is further exacerbated by the fact that Resolution 2724 locks in the low \$2.06/1000 gallon rate to JFM for **50 YEARS** (subject to complicated minimal CPI adjustments after 11 years). Regular water customers are enduring higher rates that might have been lower if JFM had been paying their fair share. **We need to start reducing water rates as soon as possible and stop subsidizing the country clubs.**

Mayor Morrissey is committed to reducing water rates as soon as possible and is looking into every possible means to accomplish this goal .

Reviewing completed capital projects is business as usual for most large companies and government bodies. There are some who think this type of review is a waste of time (**a boondoggle**). Why wouldn't the Town want to learn from past mistakes to determine what is needed to improve contracting and procurement procedures? It is obvious from reviewing this project that improvements are definitely necessary. Locking in water rates for 50 years as resolution 2724 does is outrageous and raises questions about what the original \$700,000 actually paid for. We encourage our readers to diligently study

Resolution 2724 and 2725 and the FOIA data we have provided so you can form your own opinion.

We encourage the people of Payson to attend the Capital Improvement committee public meetings¹⁶ and show your support for the committee members because, they are facing serious ridicule and intimidation from other local media outlets and political figures for their efforts. ★

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Town of Payson Potable Water Delivery Fee Comparison for JFM Bulk Water

Reading		Calculated Standard Town Fees	Actual Usage Billed Per Resolution 2724 & 2725		Difference
Date	Usage Gallons				
Groundwater from Wells					
06/25/14	8,444,000	\$ 57,905.42	\$ 65,405.42	\$ (7,500.00)	
07/11/14	9,773,000	\$ 67,022.36	\$ 75,522.36	\$ (8,500.00)	
2014 Total	18,217,000	\$ 124,928	\$ 140,928	\$ (16,000)	

Note: Actual Billed Per Resolution 2724 & 2725 includes a \$500 per day administrative fee for 2014

6/23/15	4,992,000	\$ 35,920.97	\$ 14,976.00	\$ 20,944.97
7/20/15	5,740,000	\$ 41,306.57	\$ 17,220.00	\$ 24,086.57
2015 Total	10,732,000	\$ 77,228	\$ 32,196	\$ 45,032

3/24/16	6,432,000	\$ 49,760.74	\$ 19,296.00	\$ 30,464.74
4/11/16	8,422,000	\$ 65,163.34	\$ 25,266.00	\$ 39,897.34
5/24/16	5,701,000	\$ 44,102.80	\$ 17,103.00	\$ 26,999.80
6/24/16	13,802,000	\$ 106,804.54	\$ 41,406.00	\$ 65,398.54
7/26/16	12,539,000	\$ 97,028.92	\$ 37,617.00	\$ 59,411.92
8/5/16	2,124,000	\$ 16,416.82	\$ 6,372.00	\$ 10,044.82
2016 Total	49,020,000	\$ 379,277	\$ 147,060	\$ 232,217

4/24/17	11,164,000	\$ 99,333.21	\$ 33,492.00	\$ 65,841.21
5/24/17	12,304,000	\$ 109,479.21	\$ 36,912.00	\$ 72,567.21
6/23/17	12,978,000	\$ 115,477.81	\$ 38,934.00	\$ 76,543.81
7/24/17	15,068,000	\$ 134,078.81	\$ 45,204.00	\$ 88,874.81
8/24/17	241,000	\$ 2,118.51	\$ 723.00	\$ 1,395.51
9/22/17	6,131,000	\$ 54,539.51	\$ 18,393.00	\$ 36,146.51
10/24/17	6,689,000	\$ 59,505.71	\$ 20,067.00	\$ 39,438.71
2017 Total	64,575,000	\$ 574,533	\$ 193,725	\$ 380,808

4/12/18	3,216,000	\$ 32,901.43	\$ 9,648.00	\$ 23,253.43
4/23/18	2,538,000	\$ 25,958.71	\$ 7,614.00	\$ 18,344.71
5/23/18	14,608,000	\$ 149,555.51	\$ 43,824.00	\$ 105,731.51
6/22/18	14,517,000	\$ 148,623.67	\$ 43,551.00	\$ 105,072.67
7/23/18	9,798,000	\$ 100,301.11	\$ 29,394.00	\$ 70,907.11
8/23/18	7,527,000	\$ 77,046.07	\$ 22,581.00	\$ 54,465.07
8/24/18	287,000	\$ 2,908.47	\$ 861.00	\$ 2,047.47
2018 Total	52,491,000	\$ 537,295	\$ 157,473	\$ 379,822

4/24/19	6,468,000	\$ 66,201.91	\$ 19,404.00	\$ 46,797.91
5/24/19	1,465,100	\$ 14,972.21	\$ 4,395.30	\$ 10,576.91
6/24/19	1,533,200	\$ 15,669.56	\$ 4,599.60	\$ 11,069.96
7/24/19	5,683,000	\$ 58,163.51	\$ 17,049.00	\$ 41,114.51
2019 Total	15,149,300	\$ 155,007	\$ 45,448	\$ 109,559

Totals	210,184,300	\$ 1,848,267	\$ 716,830	\$ 1,131,438
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Note: Calculated Standard Town Fees are based upon the adopted standard water rates at the time of service
This table includes only fees for water service and does not include water taxations.

FACTS ARE VERY IMPORTANT

The following is a excerpt from a December 27, 2019 Roundup article covering the CIP Committee meeting. It is important to compare the actual data from Resolution 2724 to the data contained in this article. We are including a link to **Resolution 2724** so you can view the exact details.

The portions of this quote highlighted with bold print should be compared with Resolution 2724.

*“ Ferris focused in on the contract for that raw water pipeline, which allows the town to sell the wastewater to the country clubs and the **developers of the university site (?)**, owned by the Rim Country Educational Foundation (RCEF), which was created by the MHA Foundation to develop the university site.*

*The country clubs agreed to pay for **the \$1 million raw water pipeline (?)** through a **con- tract with the RCEF (?)**, in return for a long-term water contract. The town agreed to provide a hookup to the town’s existing water system to provide irrigation water in the summer at a reduced rate pending arrival of the C.C. Cragin water. However, **the town delayed construction of the pipeline by some three years, since it didn’t need the water at that point and didn’t want to have to start making payments on the WIFA loan.**” ★*

Water Fees as of 10/1/2011	
Consumption	
0-2,000 Gallon (Minimum)	\$ 23.78
2,001 to 5,000 Gal	\$ 3.21
5,0001 to 10,000 Gal	\$ 4.23
10,001 to 20,000 Gal	\$ 4.84
20,001 + Gal	\$ 6.05

Water Fees as of 10/1/2013	
Consumption	
0-2,000 Gallon (Minimum)	\$ 26.96
2,001 to 5,000 Gal	\$ 3.64
5,0001 to 10,000 Gal	\$ 4.80
10,001 to 20,000 Gal	\$ 5.49
20,001 + Gal	\$ 6.86

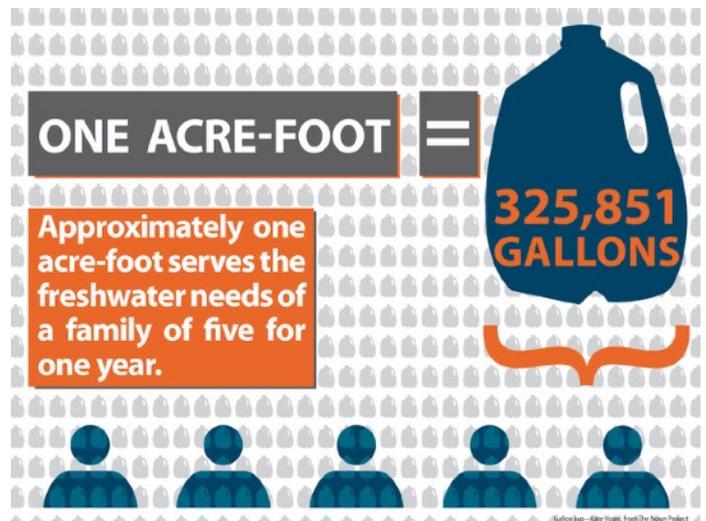
Water Fees as of 10/1/2014	
Consumption	
0-2,000 Gallon (Minimum)	\$ 28.31
2,001 to 5,000 Gal	\$ 3.82
5,0001 to 10,000 Gal	\$ 5.04
10,001 to 20,000 Gal	\$ 5.76
20,001 + Gal	\$ 7.20

Water Fees as of 10/1/2015	
Consumption	
0-2,000 Gallon (Minimum)	\$ 30.43
2,001 to 5,000 Gal	\$ 4.11
5,0001 to 10,000 Gal	\$ 5.42
10,001 to 20,000 Gal	\$ 6.20
20,001 + Gal	\$ 7.74

Water Fees as of 10/1/2016	
Consumption	
0-2,000 Gallon (Minimum)	\$ 35.00
2,001 to 5,000 Gal	\$ 4.72
5,0001 to 10,000 Gal	\$ 6.23
10,001 to 20,000 Gal	\$ 7.13
20,001 + Gal	\$ 8.90

Water Fees as of 10/1/2017	
Consumption	
0-2,000 Gallon (Minimum)	\$ 40.25
2,001 to 5,000 Gal	\$ 5.43
5,0001 to 10,000 Gal	\$ 7.17
10,001 to 20,000 Gal	\$ 8.20
20,001 + Gal	\$ 10.24

JFM Water Fees per Resolutions 2724 & 2725	
Consumption	
Per 1,000 Gal	\$ 2.06
Per 1,000 Gal	\$ 3.00



NOTE: To the left is the RATE TABLE for past years, the bottom box is the rate The Town sells water to JFM for. \$2.06 per 1,000 until 200 acre feet per year is consumed, then it is \$3.00 per 1000 gallons per Resolution 2725.

EDITORIAL BY JIM FERRIS

First, let's start with the MHA Foundation (MHA). Who is the MHA? For the most part the MHA board is made up of the past officers and directors of the Mogollon Health Alliance, Inc. - the community organization which was overseeing the Hospital. I have a sheet showing the past and present officers and directors of the various organizations (MHA, RCEF, and RCEA). As you can see there is a small but very consistent core who have held these positions over the years. I will refer to them as the **Faction**.

Where did the MHA get all its capital? From a \$40M donation from Banner. Why did Banner donate \$40M to the MHA? Because the Mogollon Health Alliance, Inc. merged with Banner and as part of the merger agreement Banner agreed to 'donate' \$40M to the newly formed MHA Foundation. This was the event that started us down the path we're on now. If the Mogollon Health Alliance was a community organization charged with overseeing the Hospital, why would they merge with Banner and allow \$40M to be paid to the MHA? Here's the potential self-serving intent behind it all. The same people, officers and directors of the Mogollon Health Alliance, that were put in charge of overseeing the Hospital for us are the same people that set up the MHA and structured the mission to serve their vision, their agenda and their interests. So, when they say that it wasn't the MHA that initiated the formation of the RCEA-SLE it doesn't quite pass the smell test with me. The Mogollon Health Alliance Board were people appointed to serve as temporary custodians of our Hospital, not permanent dictators dictating how our Hospital's economic value was to be diverted and used. I believe that what transpired in this conversion may have been purposely orchestrated. I believe this was in the planning several years before the merger. How the dance was choreographed so that it could be claimed that the community overwhelmingly wanted to pursue a four-year university - I don't know. 🙄



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ASPIRE ARIZONA FOUNDATION

INTERESTING NOTE: The Aspire Arizona Foundation has taken down their Board of Directors page from their website. We referenced the page in Issue #3 Footnotes:

2. Aspire Arizona Foundation Board:
<http://aspirearizona.com/our-aspirations/board-of-directors/>



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Also keep in mind that Dignity Health was willing to pay \$21M more for the Hospital than Banner was willing to donate to the MHA; this according to what was reported by the Payson Roundup. There was an attempt to justify the merger with Banner and leaving \$21M on the table, but I don't believe the rationale comes close to justifying the merger.

What could we have done with \$21M? Well let's see – a really nice community center with an aquatic feature would have been a huge benefit to our community and its citizens; and it would have had a substantial impact on their quality of life. The concern about the Rumsey Park Pool would not be hanging over our heads. But let's not stop there. I think we could have also covered the Event Center – Another huge beneficial impact to our community. These are facilities and amenities that most all citizens of Payson could have enjoyed and benefited from.

Five years ago, the citizens of Payson were not given an option as to whether THEIR Hospital was liquidated, nor were they given a choice as to how THEIR funds were to be used after liquidation. Did the citizens realize they were forgoing the opportunity to have a community/aquatic center and a covered event center in lieu of their money being used to chase the pipe dream of a four-year university? What would they have chosen if given those options? What would have had the greatest impact on their quality of life? What would have benefitted the greater number of citizens in Payson? I think we all know the answers to these questions. And when you consider the fact that we could have received the additional \$21M, we could have had all these facilities without diminishing the current value of the MHA Fund one penny. It would not have costs the citizen nor the Town one penny. The foundation would have been left with enough of your assets invested to cover current charitable giving plus cover any potential operating deficits of these new facilities. WOW! How great is that?

Remember at the last Council meeting when it was said that us outsiders coming into Payson would destroy all the good work of the RCEA and then leave the Town. What about the big real estate investors that have already benefited from the false hype of ASU signing an agreement any day. Look how some advertise commercial property today – they are still selling the sizzle of the 6000-student campus coming any day now. After they have milked their large capital gains, are they sticking around? Retired, fix-income folks like me came to Payson because we loved the people, the culture and the natural beauty of Payson. I do not want to go anywhere else – I cannot afford to move around like the more affluent people are able to do. I came to Payson to make it my home, not my investment in real estate.

Also, at the last Council Meeting it was said that Payson has already benefitted greatly from the RCEA, and what they are doing has not cost Payson any money. WHAT! The RCEA has done nothing but spend your money? The last figure I heard was that they have spent \$14M. Whose money do they think they are spending? It's costing the citizens of Payson plenty because we have had to forgo the opportunity of having and enjoying the previously mentioned community facility so that you can use our money on your pipe dream. We're paying big time. We, the citizens of Payson could be benefitting and enjoying these facilities TODAY! Can you imagine the tax revenues these facilities could be generating for the Town TODAY? The Hospital was a community asset which was created by the contributions of money, sweat, and tears by the whole community for over six decades. The Hospital belonged to the community and was controlled by the Community. The \$40M that Banner donated was for the value of your asset, not for the value of an asset that the MHA owned. The MHA wasn't even in existence at that time; yet they had the right to confiscate your money and pursue what? The MHA had a fiduciary responsibility to this community to use those assets in a manner that would benefit the community. The economic value and control of the Hospital is no longer yours. The value of the Hospital was yours until this Faction gained control of the it and siphoned its value off to be used for their purposes and not yours. Have they ever given one word of thanks to the generosity of this community for the privilege of having those funds in the first place? They take full credit for what you have sacrificed. Why would they? By all appearances you would think it was their hard-earned money. The economic value of the Hospital was converted for the use and purpose as directed by a small self-appointed Faction.

Many parents have strongly expressed dissatisfaction that Payson doesn't have enough for the kids to do. Businesspeople claim that it is hard to get workers to move their families to Payson because there is a lack of amenities for the children of their prospective employees. Well we, the community had, and still have, the assets to address these deficiencies. Please, when you voice your wishes and desires to have a community center and a new pool, be sure that you also let those who hold the community treasure chest know. They have capital assets which belong to you and can provide these amenities for you and the community. The senior center would not have to build their own separate facility had these assets been made available.

I just didn't one day wake up and decide that I didn't like the MHA or the Faction and decide to go after them. Rather, it was after the MHA came to us and started asking for your tax dollars to help fund Cable One and other improvements on the SLE property that sparked my

curiosity. The more I researched the more suspicious I became. Especially when we ran into resistance and dead ends when trying to gather documentation and information regarding the RCEA and consequently the MHA and the RCEF. Remember their claim about being private? How can an SLE remain private from its member organizations? How can a 501 (c) (3) claim to be private when they register with the Arizona Corporation Commission as a public charitable foundation? In an interview last June, Kenny Evans came right out and said something to the effect that there were a bunch of scallywags screaming about them (MHA) being secretive. We're not secretive, he said, were private and we have a right to our privacy. Well, we too have a right to share in the value of our asset that were liquidated.

Did you know that the RCEA has no source of revenue? Where do they get their capital to do anything? – The RCEF or MHA. Where does the RCEF get their capital resources? That's right the MHA. Who controls what the RCEF and the RCEA does? That's obvious – the MHA. Who sits on these various boards and who selects them? – that's right the Faction. They just play musical chairs. I have provided a sheet that shows who the officers and directors are of the various organizations and when their terms started. As you can see it's been the same Faction for years. Most organizational bylaws allow for one or two terms with at least a one-year mandatory absence – this must not exist in the RCEF/MHA bylaws. But what about the RCEA Board? I thought the member entities (Town of Payson and Town of Star Valley) that created the RCEA would or should appointed the Board - Not here. Remember Kenny Evans – past Mayor – President of the MHA – he negotiated and constructed the Intergovernmental Agreements – lobbied for them – voted for them - and signed them? What a special privilege that must have been – some may say a huge conflict of interest. No surprise then that there is a provision in the Intergovernmental Agreement that states if there is any private funding, then the private funding source gets to select the candidates that the Town Councils must select from. Folks if you think they are providing candidates that are not in lockstep with the Faction and loyal to their agenda, you are sadly mistaken. If you think membership to these organizations is open and diverse, you are again sadly mistaken. As a member entity of the SLE, I don't think it's asking too much for the Town to have meaningful and effective representation on the SLE.

The SLE was created by two elected bodies (Payson and Star Valley). The mayor of Payson at that time, Kenny Evans, President of the MHA, having a vested interest in a connected third party entity (the MHA) and consequently the RCEF and RCEA; then structured the IGA, in my humble opinion, knowing that his organization can engage in the self-serving activity of

choosing RCEA board members that would serve MHA purposes. The mission of the MHA is dependent on the RCEA-SLE as the primary conduit for their planned ventures. This denies the Town of any meaningful representation. We now have a third-party with a vested interest dictating who serves on the SLE board. Your elected Town Council that created the SLE, and being a member entity of the SLE, has virtually no say in who is appointed to that board. We have no recourse if the RCEA board is acting in a way that is contrary to the best interests of the Town and its citizens. It is a political subdivision of Arizona and the citizens have no say or no recourse in how it operates. If you do not like how I represent you, you have recourse; vote me out of office. However, one remedy the Council can exercise is to vote to dismiss RCEA board members for cause. I believe I have documented and demonstrated ample justification for the dismissal of the RCEA-SLE board members representing the Town of Payson.

As long as the SLE, or should I say the Faction can do whatever they want on this property the Town of Payson and the citizens of Payson face unnecessary and undesirable risks. As mentioned in my arguments 'for cause', I detail how the RCEA has unilaterally, and without giving an agreed notice to the Town, passed Resolution 36 which basically dissolves their agreement to work with the Town Public Works Department and declare that they are exempt from following Town codes and ordinance. Do you think the current RCEA board supported and/or voted for this action? The unconstrained actions of the RCEA can be detrimental to the best interests of the Town. That is why I want the Town to gain some semblance of control over the RCEA-SLE. Possibly dissolving the SLE which would result in the SLE property coming under the jurisdiction of the Town of Payson. Only then will the citizens have any say and control in what happens on that property.

Why are they so opposed to our search for answers and accountability? Think about this. If this Faction is successful in developing a major portion of the SLE property, imagine the income, the revenue flow from all the leases. All that would be coming into the Factions coffers year after year. They will desperately do anything to preserve their revenue. All this potential revenue would be the result of them investing your money. They have no risk. How much of that revenue would be coming back to benefit you or the Town? Imagine, If those same assets were invested in facilities and programs that most citizens could benefit from and those facilities were conveniently located on property readily accessible to our kids and citizens; and located on Town property that is totally controlled by the Town – how nice would that be? But if that were to happen, how much revenue would the MHA reap from such a scenario? - \$0. And I

believe that's what they're afraid of - The loss of what they see as their future revenues and the loss of economic power and control.

As a duly elected councilman representing the citizens of Payson it's my duty to provide due diligence in researching issues brought before me. As part of my due diligence, I and the Town requested financial records, documents, and background information on these organizations. This became necessary especially when these organizations began requesting substantial funding from the Town. What compounded our interest in these organizations is when they started bulldozing trees on the SLE property along Mud Springs Road. That's why I was compelled to start researching these organizations; and the more I learned the more I became suspicious of the motives and intent driving these activities. The more I tried to get answers, more red flags kept popping up.

As I explained, the RCEA is so embedded with the RCEF through a number of partnership agreements and leases; and due to the RCEA's financial dependency on the RCEF and MHA, they are completely unable to function as a separate entity. Yet Jennifer Smith claimed that the RCEA-SLE was a totally separate and independent entity. The RCEA's own budget shows no revenue. Yet the MHA and RCEF claim to have loaned the RCEA millions of dollars even though they know the RCEA has no income or revenues to repay any such loans. At the same time the MHA and the RCEF use the RCEA-SLE as a tool for their own purposes. Whose pockets will all future income end up in anyway?

The RCEF/MHA/Kenny Evans have such a close partnership and relationship with the RCEA; and the Town of Payson created the RCEA and is a member organization of the RCEA, yet the RCEF/MHA/Kenny Evans are threatening to sue the Town of Payson. It's like suing your parents because you don't like their curfew. It's hard to wrap your brain around that concept. Except that the real driver is the MHA. The Faction may have past ventures and activities that they just as soon not see the light of day; and don't forget the millions of lost revenues to the Faction if we take any action that may affect the SLE. Their **\$87.4M 'Notice of Claim'** ¹⁴ against Tom Morrissey and I is an attempt to silence us and others. I believe they desperately need to preserve their future pot of gold.

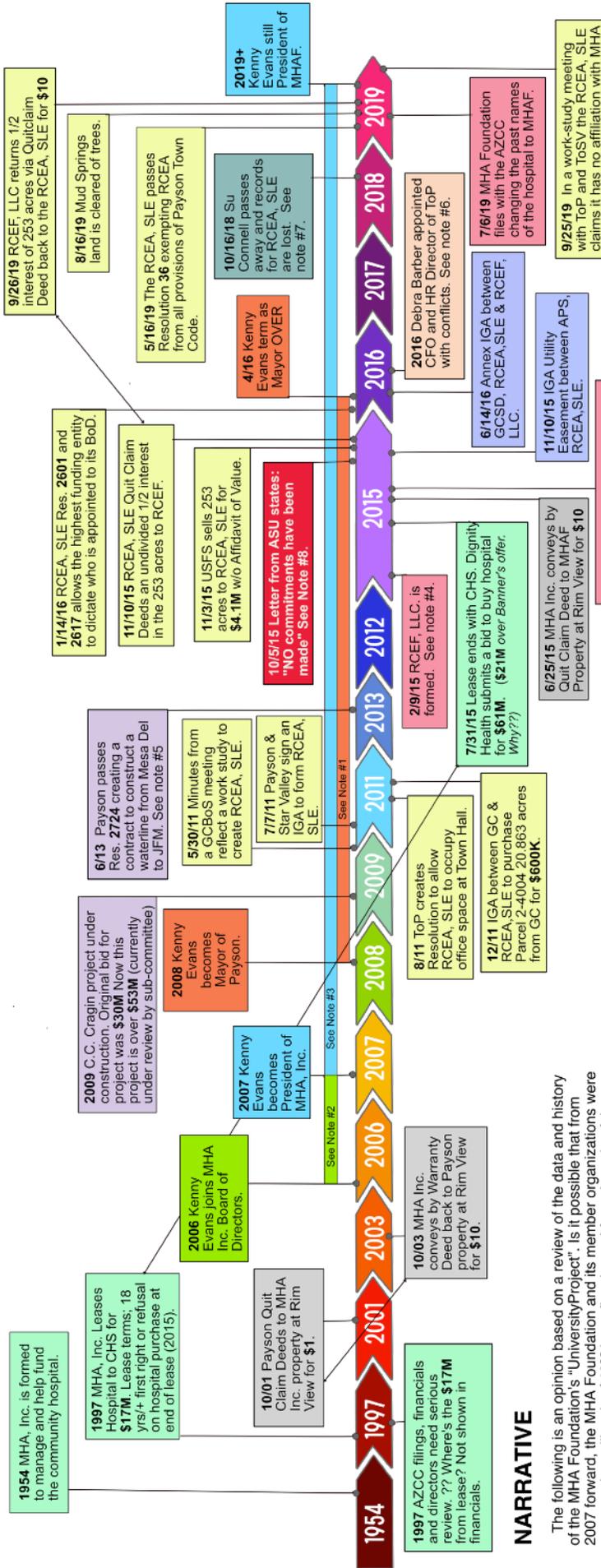
Why would they spend in the neighborhood of \$100K to \$200K to recall us, threaten to sue us, intimidate us, and generally resist our discovery efforts every turn of the way? The suspicion grows so I will continue my discovery efforts until there is open and honest transparency and the ordinary citizens with their exceptional character and big hearts are provided some benefit for their generosity and for their hard work over the years. I have already spent months collecting and

analyzing documents and information, no reason to stop now. I simply want a fair and just outcome for the people of Payson. Thank you – and thank you for allowing me to serve you.

Footnotes:

1. **Agenda for 1/15/20** Special Meeting: <http://www.paysonaz.gov/Council/agendas/2020/01-15-20-SPA-RCEA/01-15-20-SPA-RCEA.htm>
2. **1/15/20 Video** of Meeting: http://payson.granicus.com/MediaPlayer.php?view_id=17&clip_id=2357
3. **Resolution 2617**: <http://savepaysonaz.com/data/documents/ToP-Res2617.pdf>
4. **Governance Agreement**: <http://www.paysonaz.gov/Council/agendas/2011/07-07-11-A/G3Res2617.pdf>
5. **ToP Resolution 2898**: <http://www.paysonaz.gov/Council/agendas/2016/01-21-16-A/G2Res2898.pdf>
6. **RCEA Res. 36**: https://www.rimcountryeducationalalliance.org/uploads/8/5/8/7/8587126/05.16.19_rcea_board_after_meetin_g_packetx.pdf
7. **RCEA Res. 32**: https://www.rimcountryeducationalalliance.org/uploads/8/5/8/7/8587126/05.16.19_rcea_board_after_meetin_g_packetx.pdf
8. **A.R.S. 41-151.14**: <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/41/00151-14.htm>
9. **A.R.S. 39-101**: <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/39/00101.htm>
10. **A.R.S. 39-121.02**: <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/39/00121-02.htm>
11. **A.R.S. 38-511**: <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/38/00511.htm>
12. **Resolution 2724 link**: <http://paysonaz.gov/Council/agendas/2013/06-06-13-A/G4Res2724waterdelivery.pdf>
13. **Resolution 2725 link**: <http://paysonaz.gov/Council/agendas/2013/06-06-13-A/G4BRes2725.pdf>
14. **Notice of Claim against the Town of Payson**: <http://savepaysonaz.com/data/documents/87-million-Claims.pdf>
15. **Minutes from Subcommittee** for Review of Past Capital Improvements Projects, October 18, 2019 link: http://www.paysonaz.gov/BnC/srpcip/actions/2019/10-18-19-SRPCIP_Minutes.pdf

MHA EVENT TIMELINE



LEGEND

- MHA Foundation = Mogollon Health Alliance Foundation a 501c3 (company on top of the pyramid)
- RCEA, SLE = Rim Country Educational Alliance. A Separate Legal Entity and a Political Subdivision
- RCEF, LLC = Rim Country Educational Foundation a for profit limited liability company
- JFM= Joint Facilities Management, the company that owns Chaparral Pines and The Rim
- MHA Inc = Mogollon Health Alliance a for-profit AZ Corporation
- C. Cragin = the \$53M water project previously known as Blue Ridge Reservoir North of Payson.

SPECIAL NOTES

- Kenny Evans was Mayor of Payson and President of the MHA Foundation during this time.
- Kenny Evans was Mayor of Payson and a MHA Foundation board member during this time.
- Kenny Evans was Mayor of Payson and as president of the MHA Foundation was able to dictate who was nominated to the RCEA-SLE board of directors based on the MHA Foundation providing majority funding (SLE Governance agreement).
- The MHA Foundation created the RCEF, LLC. (Rim Country Educational Foundation, LLC. a for profit entity) purportedly to raise funds for the RCEA, SLE but in fact this entity was created to take operational control and ownership of the property. This is evidenced by the quit claim deed for an undivided half interest in the property issued two months after the RCEF, LLC. was created.
- The contract between the Town of Payson, Joint Facilities Management (JFM), and the RCEA, SLE to build this pipeline calls for the JFM to pay the RCEA, SLE \$700,000 to design and build the facility and then pay the Town \$100,000 of that sum to assume ownership and maintenance going forward. In reality the Town paid for everything and was reimbursed \$455,533 (per FOIA data). The remaining \$244,467 was retained by the RCEA, SLE as profit. The Town could have contracted directly with the JFM to build this project and retained the \$244,567 profit that went to the RCEA, SLE. The RCEA, SLE has no property on the pipeline route and no reason to be involved with this project.
- The Town of Payson's CFO's husband was appointed by Kenny Evans to the Airport Commission, his company also contributed \$500 to the Unite Payson Recall.
- Su Connell, ToP council woman for 12 years and Secretary of MHA Foundation, occupied an office for RCEA, SLE in the Town Hall complex from 2011 to 2018. After her passing on 10/16/18 all records kept there for RCEA, SLE are lost according to an RCEA, SLE spokesperson.
- IMPORTANT!!!** BEFORE the 253 acres were purchased, a letter to RCEA, SLE from ASU's Richard H. Stanley states: **"We have made NO commitments and NO commitments have been made to us, and the discussions to date have not progressed to formal negotiations."**

NARRATIVE

The following is an opinion based on a review of the data and history of the MHA Foundation's "UniversityProject". Is it possible that from 2007 forward, the MHA Foundation and its member organizations were structured to utilize the \$40M in profits gleaned from the sale of the community's hospital to obtain the 253 acre "University Site" for a very low price (\$4.1M) and then develop the property "FOR PROFIT"? To accomplish this, it appears that Mayor Evans's used his influence as Mayor to form a separate legal entity (SLE) which could purchase the property for a low appraised price (because the Mayor had it zoned for educational use) rather than through a public bid process. Once the Separate Legal Entity was created the arrangement also allows any property owned by the SLE to make its own rules and zoning (not confined to educational use) without regard for the town of Payson's codes or ordinances.

By being president of the MHA Foundation concurrently with being the Mayor of Payson, during the creation of the SLE he was in a position to vote and lobby Town Council and staff for approval of the SLE that the MHA Foundation wanted.

It is of special interest to note that when the hospital was sold the \$40M offer from Banner was approved while a \$61M cash offer from Dignity Health was rejected. Leaving \$21M on the table for the community.

It appears that the structure of the various associated entities of the MHA Foundation and the board of director appointment process was designed to place total control of the property in the hands of the MHA Foundation through the appointments of a few select individuals. These individuals were appointed to the boards of directors over several years with some being on two boards at the same time. The common denominator in all of this is former mayor Kenny Evans who was Mayor from 2009 to 2016 and president of the MHA Foundation from 2007 to presently.

There are still many questions about this entity that can not be answered. Tax and financial records have been formally requested. These records are legally required to be available to the public upon request. It is our goal to have the appropriate agencies require the financial records of the associated entities be available.