



ARIZONA CITY SANITARY DISTRICT

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Dear Arizona City Sanitary District Customer:

This letter is intended to clear up the misconception surrounding the current lawsuit between the Arizona City Sanitary District and Arizona City Golf.

In April 1979, the Arizona City Sanitary District entered into an agreement with Arizona City Development Corporation, the California-based developer of Arizona City (owner: Michael Tennenbaum). ACDC owned the Golf Course and Country Club, Happy Days Park, Paradise Lake and its fountain, and the Racquet Club, which included an adjoining park and community swimming pool. Under that agreement, the District was to provide reclaimed water at no charge to the California developer to irrigate the Golf Course, the Park, the Lake and the Racquet Club.

In exchange for the free irrigation water, the developer agreed to maintain, at his expense, these amenities for use and enjoyment by Arizona City residents and taxpayers. The other main purpose of this Agreement was to conserve the use of groundwater within the District being used to irrigate the Golf Course, the Park and the Racquet Club, and to maintain the Lake levels. This groundwater would be freed up for future development of Arizona City.

The developer formed Arizona City Club, Inc. as a not-for-profit corporation and deeded all of these amenities to ACCI, subject to a deed restriction ensuring that these amenities would continue for 99 years. The terms of the agreement were mutually beneficial for 15 years. During that time, Arizona City residents were able to enjoy the public amenities being maintained by ACCI, the District provided free reclaimed water, and groundwater was being preserved.

But beginning in 1994, Tennenbaum began taking those public amenities and selling them off for his own profit. Tennenbaum and his sons have sold off every public amenity listed in the agreement, including Arizona City's groundwater rights, for a profit of

nearly \$5 million. All of the amenities Tennenbaum agreed to maintain for public use are gone and now belong to private owners. The golf course has been privatized. Yet, it continues to use water intended for the benefit of all Arizona City residents and taxpayers.

What began as a mutually beneficial agreement between the District, Tennenbaum and the Arizona City residents is now for the sole benefit of Tennenbaum and his partners. Tennenbaum owns approximately 40 percent of the golf course and is owed about \$700,000 by Arizona City Golf, secured by a mortgage against the golf course. Tennenbaum claims that the District must provide free reclaimed water forever!!

For years, the District has been subsidizing the golf course by providing reclaimed water for free. Being a political subdivision of the State of Arizona, the District by law is not allowed to subsidize a private business. There is no exception for golf courses. In reviewing reclaimed water policies in the nearby cities of Tucson and Chandler, we found that golf courses there rely heavily on purchasing reclaimed water to meet their irrigation needs. They readily pay for it. Like all other Arizona golf courses, the Arizona City golf course needs to pay for this valuable commodity that local taxpayer money helps provide.

The District will continue to deliver water to the golf course during the lawsuit. At the end of this lawsuit, there will be a fair and balanced agreement put in place which will provide for Arizona City Golf to pay for reclaimed water. The payment schedule will be phased in until such time when the Arizona City golf course owners will be paying for water the same as all other Arizona golf course owners – and you will be relieved of this financial burden.

We sincerely appreciate your continuing support in our efforts to obtain a fair and balanced agreement with the golf course. The Board will continue to fight for your rights, ensuring they will not stay forever in the hands of golf course owners and out-of-state developers who have their own interests – and bank accounts – in mind.

Yours very truly,



William Miller
Chairman