

Hello Neighbor,

This is the second part of the January 20th meeting summary. This email will address:

1. The use of the bill delinquent date instead of the due date to determine when the new rates were applied.
2. The new rate structure which includes 3000 gallons of usage
3. Projection of future rate increases that will be required

Comment: The bottom line for what is going on with the PSWID board mirrors the issues at the national level that gave rise to the Tea Party. We have a bunch of arrogant politicians who feel entitled to our money and feel free to direct our money and public property to their patrons, that small group of developers. Despite an appraisal value of \$210,000 they have paid \$450,000 to Mr. Loren Peterson for a well that they are only guaranteed half the output of, 15 gpm. They are paying Mr. Ray Pugel \$570,000 for a well that the public has spent \$165,000 repairing and improving. To add insult to injury the total price tag will be \$1 million for a well that produces dirty water. Now the board is preparing to hand Mr. Mark Fumusa his golden egg by buying the Solitude Trails water system. The district already gets all the water it wants from the Solitude Trails well. Mr. Fumusa is asking \$500,000 for assets that might be worth \$75,000 on a good day. The district had an option that would have transferred those assets to the district at no cost, but they handed that option back to Mr. Fumusa.

Many times it has been obvious that the board members have not read the documents that they are voting on, don't explain to the public the contents of their actions, and they feel threatened when the public asks questions. Part of what has motivated me to put in the time and effort for the last three years is that if we can't get a local water board to be honest and to spend our money with the same care that they spend their own, what chance do we have to get that kind of behavior at a higher level? Responsibility starts here. If you think that the public has a right to be treated honestly and that the money that you work hard for should be spent carefully, then let your neighbors know and let the board know.

This is also about our future in this community. This board has stated in the past that they think that imposing a sewer system without public consent is within their power. They have set that aside for now to focus on the water issues, but it will be an issue in the future. There is also the future issue of incorporation. Incorporation brings with it 640 acres of forest land, certainly something to tempt that small group of developers. If we allow the PSWID board to take advantage of the community now, then they will have that same attitude when the other issues come up in the future.

January 20, 2010 PSWID Meeting, Part 2

Next regular PSWID Meeting: Thursday March 17, 2011 at 7:30 PM at the PSWID Office

1. Effectivity of January Rate Increase

- a. Mr. Lovetro aggressively defended his manipulation of the January 1st rate effectivity date, saying that it was his duty to maintain the revenues for the budget that was approved in July, that the budget assumed that the revenue would be there on day one of January, and that without this change they would not have seen revenue until late February or early March. As with so many things that Mr. Lovetro and the board say, these statements are not supported by the facts.
- b. The board did say that they had poorly communicated the rate change. In fact, it was so poorly communicated that one of the board members said that he was surprised to see the rates applied to his December bill.
- c. The claim is being made that the board “had to” manipulate the effective date in order to meet the revenue projections that were in the budget that was approved on July 3, 2010. That claim is not supported by the facts:
 - i. The only legal requirement with regard to the July 3rd budget is that they are not allowed to spend more than the amount that is budgeted, which is \$3,123,080. If they spend less because there is less revenue, then that is okay.
 - ii. At the October PSWID meeting Mr. Mike Greer stated that there would be a \$295,750 surplus for this fiscal year.
 - iii. The July 3rd budget revenue forecast for Water Base and Excess Gallon Fees was \$1,360,899. By the end of November, the district had collected \$532,325 for the fiscal year, with \$84,336 of that collected in November. After manipulating the effective date of the new rates, the district collected \$130,989 in December. If the board had left the effective date alone, the district would have had collected about \$84,336 for December and that plus half the new revenue in January, and using Mr. Greer’s projection of post rate increase revenue, the year’s revenue would have been about \$35,500 higher than the July budget. With the change in the effective date of the rates, the projected revenue from the water base and usage fees for the year is about \$107,000 higher than the original budget.
 - (1) Revenue Forecast in Budget: \$1,360,899
 - (2) Revenue Forecast with No Manipulation: \$1,396,402
 - (3) Revenue Forecast with Manipulation: \$1,467,890
- d. Comment: In October, the projection provided to the public was for a \$295,750 surplus. Then, supposedly there is a dire shortfall ahead that requires manipulation of the effective date. A simple look at the districts own financial numbers shows that revenues were running ahead of the July 3rd budget without manipulating the date. With the manipulation, the district is taking an additional \$107,000 over the July 3rd budget. What is going on here? Are they just so incompetent that they can’t figure out what their revenues are going to be? Did Mr. Lovetro decide that they needed another \$100,000 over what the board had told the community that they needed? Is there a budget problem that they don’t want to talk about that they are trying to cover up with this money? Did Mr. Lovetro make a thoughtless decision and is now scrambling for cover, hoping that no one will notice that what he is saying doesn’t square with the facts? There is a long history of the board getting the financial numbers wrong. Strangely enough, all those errors are in the direction that benefits whatever story they are spinning

at the time. Can't say for sure what is going on here. The only thing that can be said with surety is that the July 3rd budget estimate of revenues would have been met without manipulating the effective date.

- e. Water bills are due when rendered and the penalty begins about three weeks after the meter is read. That means that half or more of the January revenue would be received by the end of January, with the rest arriving in early February. The reading of 25% of the meters each week and the lag between billing and receiving payment have been there since PSWID took control of the water system.
 - f. Comment: How can Mr. Lovetro be so confused about this?
 - g. Article IV, Section 3.8 of the PSWID Rules and Regulations document states: "Bills are due when rendered and delinquent 30 days thereafter." When asked how, given their own rules about when the bill is due, could January rates be applied to a bill due in December, the lawyer popped up out of his seat and said that they could defend that to the Attorney General.
 - h. Comment: Whether a lawyer can make an argument that something is legal or not doesn't make it the right thing to do. Manipulating the effective dates in a way that is not customary to the way in which rates are applied in a wide range of industries is a deception of the community. The point is that this board had a choice and they chose to deceive. It is about the integrity of Mr. Lovetro who made the decision and the board members who thought nothing of it.
2. Water Rate Structure
- a. As noted in the last email, the ACC no longer had any oversight once the district bought the water company. There apparently isn't anyone that can provide adult supervision to the board, other than the voters every two years, or with a recall.
 - b. There were two rate increases this year. The one in August made the rates the same between Pine and Strawberry and made the Pine summer rates apply all year long. The most recent rate increase has everyone paying for 3000 gallons of water, whether you use it or not. The first rate increase was inevitable as we are all one water system now. Strawberry hadn't seen a rate increase since 2000, so there was a big step up. In general, being in this system is a bad deal for those in Strawberry since they are now helping to pay to solve Pine's water problems, but there is no going back now.
 - c. There are two problems with the structure of the second rate increase. The first problem is that by including 3000 gallons it removes the incentives for water conservation and the ability for those on tight incomes to manage their water usage for financial reasons. At the July 3rd rate hearing Mr. Claderon, with his usual level of sensitivity, said: "Not talking more than \$200 per household and if we can't afford that then maybe we should go on welfare." For some people that \$200 is an issue. The second problem is that the financial burden is applied unevenly to members of the community. In the discussions leading up to the rate increase the board clearly wanted to shift more of the cost burden to weekenders. This was based on the rationale that the weekenders create the peaks in the summer and that those peaks require a bigger water system than would otherwise be required. However, the approach that was taken also swept a large number of full time residents in small households, water conscious households, and empty lots into the same bucket. To make matters worse large water users in Pine, such

as Pine Ice, see only small increases in their water costs. **So the bottom line is that people who don't use much water are paying for the cost of improvements and those who use a lot of water are paying very little towards the costs of improvements in the water system.**

- d. Comment: It would have been much more fair to just have had an across the board increase in the base rate and some adjustments in the usage rates. It's true that the need to meet the summer July 4th weekend peak drives the size of the water system and that has to be paid for. It also true that large water users drive the size of the water system as well. That large users have mostly escaped any impact isn't right.
 - e. Comment: A water system generates revenue by selling water. Water conservation cuts into that revenue. The board has set up a rate structure that sells water, whether you want it or not. It should also be noted that the major point of all that has gone on in the past is to provide a system where people can live more normal lives when it comes to water usage and that water conservation would be a choice and not a priority. Water usage is going to rise naturally. There would be significant increases if Pine's water usage rose to equal Strawberry's.
 - f. We prepared an estimate of what expenses will be like a couple of years into the future. We assumed that the board will keep their promise to remove the property tax subsidy of the water system, that expenses will grow by 5%, that the payment of principal on the loans has begun, and that the district has borrowed the additional \$5,000,000 for capital improvements that is in their current plan. **That estimate shows that rates will need to increase by another 50% over the next couple of years.**
3. There have been some letters to the editor in the Payson Roundup:
- a. <http://www.paysonroundup.com/news/2011/jan/18/arizona-corporation-commission-investigation-reque/>
 - b. <http://www.paysonroundup.com/news/2011/jan/18/pswid-needs-rethink-its-rate-increase/>
 - c. <http://www.paysonroundup.com/news/2011/jan/21/pswid-actions-proteted-investigation-sought/>
 - d. <http://www.paysonroundup.com/news/2011/jan/25/water-gold-pine-strawberry/>
 - e. <http://www.paysonroundup.com/news/2011/jan/28/pswid-residents-urged-complain-acc/>
 - f. <http://www.paysonroundup.com/news/2011/feb/04/good-pine-water-systems-require-us-pay-our-share-c/>.
 - g. <http://www.paysonroundup.com/news/2011/feb/08/pswid-treat-part-timers-you-do-full-timers/>
 - h. <http://www.paysonroundup.com/news/2011/feb/08/kudos-pswid/>
4. Payson Roundup Articles
- a. <http://www.paysonroundup.com/news/2011/jan/25/milk-ranch-well-purchase-gets-final-approval/>
 - b. <http://www.paysonroundup.com/news/2011/jan/22/well-connection-expected/>

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 community's 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.