

Hello Neighbor,

A couple of articles of interest in the Payson Roundup:

- Mr. Bill Haney talks about the boards plans to secure additional water:
http://www.paysonroundup.com/news/2010/jan/08/pine_strawberry_awash_water/
- Mr. Mike Ploughe talks about well rejuvenation:
http://www.paysonroundup.com/news/2010/jan/13/hydrogeologist_present_recom mendations_water_board/

The precipitation chart that shows the big storm in January can be found here:

<http://www.waterforpinestrawberry.com/Hydrology.htm>

In the last two emails, we have looked at how the District plans to subsidize the water rates with property taxes and borrowed money. We also looked at how the District is significantly understating operations expenses by about \$150,000 per year and how operations cost growth is being selectively applied to make the operations costs look better over time.

In this email we will look at what the revenue would need to be if the subsidies are removed and realistic operations costs are used. The community is stuck with the no interest payments for two years gimmick, so that has been left in. The details of the analysis for the first five years can be found here:
<http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> . The promises of additional borrowings by the Board have not been included in this analysis. As in the earlier emails, there are only nine months of operations in Fiscal Year Ending (FYE) 2010.

The adjustments needed to the revenues in the Economists.com rate analysis are as follows:

- Remove the \$25,000 a year being put into the Rate Stabilization fund.
- Add \$100,000 per year to the operations cost. Comment: Being optimistic that the Board can be more frugal than the \$150,000 understatement that WFPS has estimated. If not, then everything is higher.
- Use a constant 3.6% cost growth rate instead of skipping/reducing some years and not others as is done in the Economists.com analysis. The adjustment for this grows from \$30,283 in FYE 2011 to \$44,726 in FYE 2014.
- Adjust for changes in the amount of debt service when the Compass Bank loans are refinanced at the end of the third year. Debt service in FYE 2013 and FYE 2014 actually drops by about \$132,000 a year due to the assumption that the major portion is refinanced with 30 year bonds, instead of the 20 year amortization of the current loan. That change in duration adds about \$1.9 million to the total cost.

Once the adjustments are applied and the property tax and borrowed money subsidies are removed, the increase in the water rate revenue needed (and the percentage increase over the water rate revenue estimated by Economists.com) is as follows:

- FYE 2010: \$349,000 (42.1%)
- FYE 2011: \$308,883 (27.8%)
- FYE 2012: \$364,446 (29.4%)
- FYE 2013: \$95,976 (6.5%)
- FYE 2014: \$53,510 (3.2%)

It should be noted that the revenue shortfall in the later years decreases because of the rate increases that the Economists.com analysis has proposed and the reduced debt service kicks in.

To give some context, selling a million gallons of water at the current Pine summer rates brings in \$6744 of revenue, on average. Raising the monthly base rate for all meters by \$1.00 a month would bring in \$39,012 in additional revenue for a year. Clearly, the revenue shortfalls would have a significant immediate impact on water rates if those rates were not being subsidized with property tax and borrowed money.

So what would the water rate increases be without the subsidies? Assuming that it is too late to do anything about FYE 2010, the water rate increases would be:

- FYE 2011:
 - Pine Summer: 13.9%
 - Pine Winter: 36.2%
 - Strawberry E&R: 39.6%
 - Strawberry Williamson: 88.7%
 - Strawberry United: 38.2%
- FYE 2012: 12.4%
- FYE 2013: 0.0%
- FYE 2014: 5.4%

FYE 2011 reflects all customers moving to the same set of rates, which are 13.9% higher than the current Pine summer rate. The percentages are based upon the increase in the cost of using 3000 gallons per month. Mitigating some of the impact of this is that the District doesn't have their hand in your pocket for property taxes and more of the borrowed money can go for actual improvements or debt reduction.

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.