

Hello Neighbor,

At the October PSWID meeting Mr. Mike Greer gave a presentation stating that hiring CH2M Hill would result in a surplus for the current fiscal year of \$295,750. That presentation can be found here: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> . During that presentation, Mr. Greer offered to explain how the numbers were arrived at with anyone in the community. Mr. Greer did not keep his word on that, so we used the financial data on the PSWID website and the CH2M Hill contract to check the numbers that he presented.

Two worksheets can be found here:

<http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .

One has the consolidated financial activity data taken from the PSWID website for the months of December 2009 through December 2010. The other has the revenue and expenses compared between Mr. Greer's October presentation, our correction to that based on the actual financial and contractual data, and a projection for the fiscal year ending 2013. One thing to keep in mind is that Mr. Greer was estimating for the months of October and on. We are using actuals expenditures for Oct-Nov and actual revenues for Oct-Dec.

The approach that was taken was to use the actual expenditures through the first five months of the year (July through November), along with estimated expenditures for the remaining seven months (December through June 2011). The estimated expenditures were based on the 12 months of actual PSWID expenditures from December 2009 through November 2010. The allocation of expenses between PSWID and CH2M Hill is based upon both the operations contract and what PSWID has continued to pay for after the CH2M Hill operations contract started on December 1<sup>st</sup>.

Also included below is a summary of December financials.

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

1. October Surplus Presentation
  - a. **Projected FYE 2011 Revenue. Mr. Greer projected revenue of \$1,673,686. We are projecting revenue of \$1,727,122.**
    - i. We came to a higher number because we included the December revenue actuals which reflect the additional month of revenue at the higher rates that PSWID received by manipulating the January 1<sup>st</sup> rate effectivity. If you remove that extra income, then we are close to Mr. Greer's number. Clearly this indicates that Mr. Greer did not anticipate the need to manipulate the effectivity date in his projection.

- b. Projected FYE 2011 Operations Expenditures. Mr. Greer projected operations expenditures of \$1,377,936. We are projecting operations expenditures of \$1,765,381.**
  - i. Mr. Greer did not include the \$35,000 startup fee for CH2M Hill
  - ii. The CH2M Hill contract is for basic work, not large repairs. We included an additional 10% of the base fee to cover extra work by CH2M Hill. This is \$55,970.
  - iii. Actual expenditures for July through November (before CH2M Hill contract started) were \$515,015 versus the \$388,430 number that Mr. Greer used.
  - iv. The projected PSWID expenses for the seven months after the start of the CH2M Hill contract were \$143,059 by Mr. Greer. We determined, based on the average monthly costs for the year from December 2009 through November 2010 that it would be \$339,146.
- c. Projected FYE 2011 Net Income: Mr. Greer projected a net income of \$295,750. We are projecting a net income of -\$38,259.**
  - i. Comment: There has been a long history of the financial numbers presented by the board to the public being significantly incorrect in the direction that favors them. This is just another example. Perhaps Mr. Greer has some keen insight that would explain the numbers that he presented, but since he isn't confident enough to sit down and explain them, I suspect that we are closer to the truth than he is.
  - ii. Comment: If indeed there was going to be a \$295,750 surplus, why would the board have had to scramble for an extra month's worth of revenue at the new rates? Would they have done that to avoid having the surplus only be \$250,000?
  - iii. Comment: The other thing to remember is that the election was a couple of weeks after Mr. Greer's presentation. Best to keep the numbers rosy since he, Mr. Calderon, and Mr. Claxton were up for election.
- 2. Projected FYE 2013
  - a. While we had the spreadsheet out, we took a cut at projecting what the revenues and operations expenditures will be in FYE 2013 (July 2012 through June 2013). That will be the first year that principle payment is fully in place and the next round of borrowing, \$5,000,000, that the board has been done. We did this in order to estimate the amount of additional revenue that the district will need from its customers. **Revenue will need to increase by \$848,654 for a 52% increase.**
  - b. Projected FYE 2013 Revenues. We project revenue of \$1,642,384.**
    - i. Assumes no rate changes between now and then.
    - ii. Assumes that the property tax subsidy, currently \$200,000 per year, goes away as the board has promised in the past.
  - c. Projected FYE 2013 Operations Expenditures. We project operations expenditures of \$2,491,037.**
    - i. Assumes that CH2M Hill contract and other PSWID expenses increase by 5%.
    - ii. Continues to assume that CH2M Hill generates an additional 10% in billings above their base fee.

- iii. Principal payment on the Compass Bank loans has begun
  - iv. PSWID has borrowed an additional \$5,000,000 at 4% with a 20 year term. Principal payment begins immediately. No “interest only” gimmicks.
3. December Financials
- a. The financial data can be found at: <http://www.pswid.org/> , then click on the Financial Data link that can be found under the PSWID logo.
  - b. In November PSWID restructured the Cash Flow ledger to remove property tax receipts from the Revenues line and created a new line called “Funds Taken From Tax Levy”. The property tax funds are being kept separate and are being pulled in as needed. The balance of that Tax Levy account is not being reported.
  - c. The Year-To-Date Capital Draws on the Line of Credit jumps to \$716,001.72 from \$589,786.97, but the month of December is shown as \$0.00. Not sure what is going on there.
  - d. Total Milk Ranch Well Expenditures: **\$162,095.92**
  - e. Cash flow is positive because of extra money being borrowed from the bank.
  - f. Cash Flow Position for December:
    - i. Total Operations Cash In: \$133,614.64
    - ii. Total Borrowed Cash In: \$0.00
    - iii. Tax Levy Acct Cash In: \$60,000.00
    - iv. Total Operation Cash Out: \$113,681.06
    - v. Total Interest Expense Cash Out: \$22,100.79
    - vi. Total Capital Project Expense Cash Out: \$43,607.48
    - vii. Net Cash Flow: **\$14,225.31**
  - g. Compass Bank report for the month of December:
    - i. Revenue: \$149,896.50 (includes \$16,392.52 in property taxes)
    - ii. Expenses: \$160,753.64 (includes \$32,751.29 in depreciation)
    - iii. Interest Expense: \$22,100.79
    - iv. Net Income: **-\$32,847.27**
  - h. Cash Flow Position for year to date:
    - i. Total Operations Cash In: \$676,124.35
    - ii. Total Borrowed Cash In: \$716,001.72
    - iii. Tax Levy Acct Cash In: \$102,000.00
    - iv. Total Operation Cash Out: \$525,317.93
    - v. Total Interest Expense Cash Out: \$115,691.13
    - vi. Total Capital Project Expense Cash Out: \$694,890.22
    - vii. Net Cash Flow: **\$158,226.79**
  - i. Compass Bank report for the year to date:
    - i. Revenue: \$830,771.58 (includes \$155,134.70 in property taxes)
    - ii. Expenses: \$837,503.41 (includes \$194,486.33 in depreciation)
    - iii. Interest Expense: \$115,455.45
    - iv. Net Income: **-\$112,187.28**

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 community's 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.