

Hello Neighbor,

**March 28, 2009 PSWID Meeting**

**Next regular PSWID Meeting: Thursday April 16, 2009 7:00 PM at the Pine Cultural Center**

1. Errors in Budget Sheet

There were several errors in the budget sheet that the board published prior to the meeting. The errors totaled \$45,667.40.

- Under the funds available, the carry-over from the prior fiscal year is shown as \$53,096.28. The June 30<sup>th</sup> 2008 balance shown on the monthly financial statement from the PSWID website shows an actual balance of \$26,954.87. The county agreed with that balance for the end of June. So funds available are overstated by \$26,141.41.
- Under Public Election Expense, the board failed to include the cost of the recall election, \$19,552.99. This was paid on July 9<sup>th</sup> 2008 out of the reserve fund.
- The year-to-date spending column wasn't totaled up, but it comes to \$280,573.50.
- The budget sheet can be found here:  
<http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .
- There was discussion back and forth about the errors. In the end it wasn't clear if the board voted to correct them or not. If they don't show up as corrected I will address that in another email.
- Comment: One of my biggest concerns with this board is how often they get things wrong. Even though they know that their actions are being closely watched, time and again they make large mistakes. I worry about whether we can trust this board to be able to properly manage a budget of about \$1.5 million a year when they have a water system to run.

2. Board Has Filed For Immediate Possession

- Mr. Bill Haney stated that the district has filed for condemnation with immediate possession. He stated that they may be running the water system by July.
- Comment: Immediate possession obligates the district to pay whatever price is worked out at trial. Basically writes a blank check. The reality is that the developer pulling the strings on all of this probably does not believe that there is a price that would be too high for the community to pay in order to meet his needs. So the community will be stuck with the bill either way.
- Comment: Not sure that it is that great a plan to get handed the keys to a water system that you know nothing about just as summer starts. There probably won't be much in the way of additional water available right away and they will have to deal with re-imposing usage restrictions that fall away with the removal of the ACC, continue the moratorium on meters, and any water hauling that needs to occur. Depending on the time frames to bring on the other water sources, might be a better plan to take over in October so that everything is in place for next summer.
- Mr. Haney also said that there have been settlement communications with Brooke during the period of time that Brooke said that there weren't any.

- Mr. Haney continued to stand behind the conclusion from the Economists.com report that there will not be any need for rate increases for two years.
- Comment: The conclusion that there will be no rate increase required won't stand up if the sales price is much above the rock bottom price that Economists.com used. Since the judge in the condemnation will be setting the initial sales price, it could be anywhere between what the district has estimated and what Brooke's estimate will be.
- Mr. Haney said that the water system is not being paid for or operated out of property taxes.
- Comment: As noted below, the budget of the district and the water system are combined together, so technically any property tax money collected is being used to pay operations. I think what Mr. Haney was trying to convey is that tax levies will not be a substantial part of the operations budget. It would be helpful if when the board prepares a budget that they identify the line items that they intend to fund through property tax levies and those that they expect to fund through water system revenues.
- Mr. Richard Dickinson said that the board was concerned about how much money they have spent on legal fees, consultants, etc. He stated that taking immediate possession would cut the legal fees over the long run.
- Comment: Whether the condemnation is for immediate possession or not, if Brooke isn't happy with the price that they are awarded then they can sue and there will be a jury trial to determine the proper price. If Brooke doesn't feel that they have been adequately compensated for their K2 expenses, they can re-file the arbitration proceeding. So if the board gets the judge to set a low price, then the post condemnation legal fees are probably about the same either way. If the judge sets a price that Brooke is happy with, then the legal fees will be less and the no rate increase blows up.

### 3. Budget Process

- Mr. Harry Jones gave a presentation on how to approach the budget that covered three areas: objectives for the budget, time-line for the budget, and budget practices. No dollar amounts were discussed.
- The board is looking to have a proposed budget in place for the April meeting, agreeing to the proposed budget at the May meeting, and public comment on the budget at the June meeting.
- The budget for the district and the water system will be one combined budget as they are considered a single entity. It is not allowed for the budget to be exceeded, so the budget needs to be planned as if the district is in control of the water system.
- Comment: The board has a difficult balancing act here. They need a budget that reflects the possibility of running the water system while covering the possibility that they may not have it for awhile. The board is looking at the potential for continued significant legal expenses for both the arbitration proceedings for K2 and the trial to determine the price of the water system. The board also needs to consider that if they lose the K2 arbitration that they will have to pay Brooke's lawyers as well as any judgment that is rendered against the district. That may occur even if the water system is acquired.

The board needs to plan for enough property tax revenue to fund those items in the event that there are no water revenues to help cover that. The Coe and Van Loo operations budget only included \$30,000 per year for legal fees, so for at least for the first couple of years it would have to be much higher if legal expenses are going to be paid by the rate payers and not from property tax. That would pretty much kill the no rate increase conclusion.

Right now Mr. Gliege is billing between \$25,000 and \$35,000 a month. If we assume that that drops to \$15,000 a month for the next fiscal year, that is \$180,000 for the year. Expenses for the arbitration are \$60,000 up front to pay the arbitrators and potentially another \$300,000 if they lose. If they win, then Brooke would pay their fees, but I would think that they have to budget for the worst case. I suppose that it might be possible to absorb that in the water systems reserve or from the capital improvement budget, but eventually it would have to be made up. For the current year's budget, the property tax collections were expected to net at least \$90,000. With the increased valuation, that will increase to about \$101,000 without changing the levy percentage. So it looks like they will need to double the tax levy to make sure that they don't come up short.

- A committee to work budget details consisting of Mr. Dickinson, Mr. Mike Greer, Mr. Ron Calderone, and Mr. Jones was put together.

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 communities 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.