

Hello Neighbor,

As you can see below the budget hearing for PSWID's fiscal year 2011-2012 budget will be held on **June 23rd at 6:00 PM**. The July 21st regular meeting has been cancelled. Currently meetings are being held at the PSWID offices.

You can submit questions in writing about the budget to the PSWID office. I assume they will take them by email as well, but it isn't clear that they will. The mailing address is: P.O. Box 134 Pine, AZ 85544. The email address is distman@pswid.org.

This email is only going to deal with the financial aspects that were discussed at the May 19th meeting. The other topics in the meeting will be covered in Part 2.

All of the documents that are referenced in this email can be found here on our website: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .

May 19, 2011 PSWID Meeting, Part 1

Next regular PSWID Meeting: Thursday June 23, 2011 at 6:00 PM at the PSWID Office

1. Recap of Fiscal Year 2010-2011 Budget
 - a. Mr. Mike Greer presented a set of slides, Recap of 2010-2011 Fiscal Year, talking about what the board sees as their accomplishments. The slides include a projection of the revenues and expenses at the end of next month and a comparison of those numbers to the budget for the year.
 - b. As usual, some of the numbers presented by Mr. Greer don't line up with the financial numbers that are available to the public. Several of them end up being less than they are currently being reported as. These numbers are Mr. Greer's projection for the end of June. Currently, the financial data for PSWID through the end of April is available on their website: www.pswid.org.
 - i. Mr. Greer has Bank Proceeds (money drawn from the Compass Bank line of credit) of \$1,263,095.97. The April Cash Flow statement shows \$1,362,310.72.
 - ii. Mr. Greer has Administration Expenses of \$155,553.18. The April Cash Flow statement has Administration Expenses at \$168,170.46. Adding two more months at the April spending rate, would bring the projected total for the year to \$183,392.
 - iii. Mr. Greer has Interest Expense of \$176,993.06. The April Cash flow statement has Interest Expense at \$199,839.89. Adding two more months at the April spending rate, would bring the projected total for the year to \$245,533.
 - iv. Mr. Greer includes an estimate of the Misc Fees revenue for the year of \$68,710.48. As of the end of April, Misc Fees collected are \$39,798.24. Adding two more months of the April Misc Fees collected results in a projection of \$50,392.
 - c. Correcting for the above means that rather than a positive cash flow of \$84,211 for the 2010-2011 fiscal year, there was a negative cash flow of \$32,286.

- d. Comment: Is it too much to expect to get a consistent set of numbers from Mr. Greer? Time and again, the numbers he presents in public don't line up with the financial numbers being reported on the PSWID website. Perhaps there is a reason why the numbers don't line up. He owes the public an explanation of why those numbers are different or to make a correction. How can the public trust the expenditure of over \$4 million dollars next year to a Treasurer who can't get his numbers right? What is the rest of the board doing while all this goes on?
2. Refinancing of Existing Compass Bank Loan
 - a. Board approved acceptance of the offer from Compass Bank for a new loan that will pay off the existing Compass Bank loans and provide an additional \$1,000,000 to the district.
 - b. The terms of the loan are a fixed interest rate of 4.55% for seven years, with a 25 year amortization. The total loan value would be \$7,414,000. There is a refinance fee of \$37,000. The loan would start 7/1/2011.
 - c. Comment: In the original loan agreement there were pre-payment penalties; my recollection is that it was 2% if repaid in the second year of the loan. There was no discussion as to whether that was being paid or not.
 3. Proposed Fiscal Year 2011-2012 Budget
 - a. Mr. Greer also presented a set of slides, Proposed 2011-2012 Fiscal Year Budget, that outline the proposed budget for the 2011-2012 fiscal year. There are also documents for the Published Budget Summary, Detailed Breakdown of Proposed Budget for 2011-2012, and Detailed Breakdown of Proposed Capital Budget for 2011-2012.
 - b. The board is not proposing any changes to the rate structure or the rates themselves. However they are **raising the property tax levy by 50%**, from \$200,000 to \$300,000.
 - c. Comment: Back when the board was pretending that there would be no cost to rate payers for acquiring the water system, a \$300,000 property tax levy was added, along with gross misstatement of costs and revenues, in order to make that appear to work. The property tax levy was supposed to decrease to \$200,000 the second year, \$100,000 the third, and then be gone forever. The board members said publicly that property taxes would not be used to prop up the district. This was the year it was supposed to drop to \$100,000. For me, the property tax levy is equivalent to about five monthly bills.
 - d. Total budgeted spending increases from \$3,123,080 to \$4,298,138, an increase of \$1,175,058 (37.6%).
 - e. They have budgeted to spend the entire \$1,000,000 in additional capital from the new Compass Bank loan in this fiscal year. The major items listed in the capital budget are:
 - i. Existing well improvements: \$86,800
 - ii. New Service Truck: \$65,900
 - iii. Mapping System-AUTOCAD: \$100,000
 - iv. Meter Replacement: \$26,614
 - v. Pine Creek Canyon Road Widening: \$250,000
 - vi. Second Milk Ranch Well: \$160,162
 - vii. Generator Installation: \$265,000

- viii. Infrastructure and Development Improvements: \$799,209
- f. Comment: The Infrastructure and Development Improvements fund is basically a slush fund for whatever they want to spend money on. While they haven't talked about it publicly of late, the purchase of the Solitude Trails DWID is likely still in their minds. It would be just as big a rip off of public funds as the Milk Ranch well was.
- g. Comment: The board has spent \$2,250,000 and is now planning on spending an additional \$1,000,000 without any master plan in place. Without a plan as to what the water system actually needs and the priority of those needs, money has been and will continue to be wasted at the whim of the board members and their patrons.
- h. In reviewing the numbers in the proposed budget, the following issues stood out:
 - i. Budget assumes \$84,211 is left over from the 2010-2011 fiscal year. As noted above, the actual may be a negative \$32,286.
 - ii. The contingency of \$31,464, at about 2.25% of the variable part of the budget, seems to be too small. The district is on the hook for any overrun of the fuel, chemical, and parts costs above what has been included in the CH2M Hill contract. The CH2M Hill contract requires extra payment for some services. Add in other unexpected events and there is risk that this won't be sufficient.
 - iii. The slides state that it is being assumed that there are two customers per month, but looking at the revenue amounts projected for impact fees and install fees, it looks like that reflects two customers in the entire year.
 - iv. There are two entries, "Electric on Water Shares" and "Telephones on Water Shares". Based on the values listed for those and the lack of other entries for the district's wells, it appears that these entries cover all wells, not just water sharing wells.

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.