

Hello Neighbor,

This summary is for the budget approval meeting that was held back on June 23, 2011. There was a quick email sent after that meeting with general thoughts about what went on. That email can be found on the website at

<http://www.waterforpinestrawberry.com/data%20pages/06262011PSWIDMiscInfo.pdf>.

There were two handouts provided at the meeting. One addressed the costs for this past fiscal year, July 2010 through June 2011, with the numbers reflecting revenues and expenditures through May 31st plus a PSWID estimate for June. The other document outlines the predicted revenues, expenses, and capital budget for the current fiscal year of July 2011 through June 2012. Both documents can be found here:

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

This summer has been very busy for me and that has contributed to the delays in getting the email summary's and other information out. To be honest, one of the main things that have been contributing to the delays is that I have developed an aversion to listening to the recording of the meeting. There always seems to be something else that needs to be done. I realized the other day that it is the same feeling that I about eating liver when I was a kid. I spent a lot of evenings staring at the liver on my plate. Better to spend the evening sitting at the table staring at liver than have to eat it. Hopefully, I'll get better at eating my PSWID liver in the future. I have posted the recordings for this year's meetings and in the future will post the recording of the meeting a day or two after. That way if I am struggling to find time or to swallow the PSWID liver, you can always listen to the meeting to find out what went on. The recordings can be found at:

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

June 23, 2011 PSWID Meeting

Next regular PSWID Meeting: Thursday September 15, 2011 at 7:30 PM at the PSWID Office

1. Pump/Motor Failure in Strawberry Hollow Well
 - a. PSWID had to replace the pump and motor at SH3 as both had burned out. Replacement of pump and motor cost approximately \$8,400. Cause of the failure is undetermined.
 - b. Comment: In the appraisal of the Strawberry Hollow well, Tetra Tech warned of higher operational and maintenance costs due to the high amount of sand in the water and the lack of a filter in the well. After just 10 months of operation the pump and motor have burned out, nowhere near the expected 8-10 year life. Is that "undetermined failure" a result of the high sand content in the water or something else? It will be interesting to see how often these "undetermined failures" occur in the future. The water in the two Milk Ranch wells is even dirtier, so the rate of "undetermined failures" for those pumps/motors will also be interesting to observe.
2. Fiscal Year 2011-2012 Budget Approved
 - a. Mr. Gary Lovetro, PSWID board chairman, explained that the public has no input to the PSWID budget. The only way the public can have any influence is to talk

individually with board members prior to when the budget is being put together. Mr. Lovetro stated that the board has sole responsibility for putting the budget together. The board will answer questions, but the budget is not open for debate or change.

- b. Comment: I think this translates to: we will take however much of your money we want and spend it however we want, so go shut-up and color.
- c. Mr. Mike Greer had been tasked with putting together a budget committee, but decided to prepare the budget on his own, in consultation with PSWID staff. PSWID staff then met with pairs of board members to explain the budget and those board members had ten days to submit requested changes.
- d. Comment: The lack of a Budget Committee is in line with the board's effort to avoid public input or questions about the actions that they take. Had Mr. Greer formed a Budget Committee, its meetings would have been open to the public and public comment could have been made. As Mr. Lovetro stated, it is ultimately the board's responsibility to propose a budget, but they shouldn't be afraid to have the public be informed on how their money will be spent and to allow the public to offer ideas and viewpoints on the topic ahead of time. Not have the public's first view of that be after the budget is no longer open for debate or change.
- e. As part of the loan refinancing with Compass Bank, Compass Bank forced the district to take the remaining balance of the Line of Credit. This was the reason for some of the updates to the proposed budget between when it was first released and this meeting. The other was that some numbers were restated to reflect an accrual basis rather than a cash basis.
- f. Mr. Greer made the statement that they couldn't fulfill their campaign promise of two years with no rate increase because the data from Brooke was so far out of whack that they couldn't tell what they were getting.
- g. Comment: For the district's revenue and expenses, Mr. Greer's statement has no basis in fact. Prior to the purchase, the board was made well aware of multiple serious errors in the Ecomonists.com revenue and expense projections on which they were basing their claim of no rate increase for two years. They chose to ignore those errors because they wanted to sell the public on the idea that there would be no cost to acquiring the water system. As the water system became significantly more expensive, they continued to claim that no rate increases would be required. What they weren't telling the public was that Economists.com was adding revenue from large property tax levies to their original projection in order to make up the difference. Property taxes are just a backdoor way to increase rates. There was never any possibility that they could go two years without a rate increase, and the board had all that information in front them from the beginning.
- h. Mr. Lovetro talked about the upcoming refinancing of the Compass Bank loan. He stated that Compass Bank views the participation of CH2M Hill in the district very favorably. He said that the refinancing with the bank saved the district \$300,000 to \$500,000 in costs over other refinancing options.
- i. Comment: Mr. Lovetro is referring to the cost of putting out a bond issue for the district. The original purchase loan and the line of credit were only for three years, so the loan needed to be refinanced by October 2012. As with all things, there are consequences with the loan in that Compass Bank becomes the sole source for

any new funding in the future since they will have to approve any financing that might come from outside Compass Bank.

3. Fiscal Year 2010-2011 Financial Results

- a. We took the financial information for the full 2010-2011 fiscal year and it is presented below in a similar fashion to the handout provided at the meeting. The only difference is that we have the full year numbers and the handout only has the first 11 months. Numbers were taken from PSWID website, although it wasn't clear how PSWID arrived at all the numbers in the handout. Depreciation and other non-cash charges are not included.
- b. Comment: The district collected \$138,000 more in water revenue than was budgeted. This confirms that Mr. Lovetro's claim that he had to manipulate the start date of the January rate increase in order to achieve the budgeted revenue was a fabrication intended to deflect public criticism.

Revenue Item	Budgeted	Actual
Misc Fees	\$70,350	\$50,074.89
Water Base & Excess Gallon Fees/W/Taxes	\$1,360,899	\$1,498,915.21
Property Tax Levy	\$258,267	\$255,485.23
Grant Revenues	\$70,000	\$0
Bank Loan Proceeds	\$1,363,564	\$1,650,100.92
Total Revenues	\$3,123,080	\$3,454,576.25

Expense Item	Budgeted	Actual
Administration	\$363,750	\$193,644.47
Contract CH2MHill	\$0	\$591,701.94
Board of Directors/Legal	\$103,030	\$88,006.14
Water Operations	\$627,488	\$405,162.41
Grant Expenses	\$98,000	\$0
Interest Expense	\$286,745	\$270,141.41
Capital Project Expense	\$1,644,067	\$1,163,988.52
Total Expenditures	\$3,123,080	\$2,712,644.89

4. Board Votes To Pay Increased Audit Fee

- a. The audit fee being charged by Heinfeld, Meech, and Co. for the upcoming audit of the fiscal year ending 6/30/2011 is \$9500. This is \$2000 more than was charged for the prior year's audit.

5. Payson Roundup Article on Meeting

- a. <http://www.paysonroundup.com/news/2011/jun/28/p-s-water-district-budget-raised-system-upgrades/>

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.