

Hello Neighbor,

September 15, 2009 PSWID Meeting

Next regular PSWID Meeting: Thursday October 15, 2009 7:00 PM at the Pine Cultural Center

1. Treasurer's Report

- Attached to the email is the spending chart through August. The district has broken the half million dollar mark in the cost of the condemnation.
- The board had to borrow \$11,916.69 from their line of credit in order to cover the expenditures for August. Interest on that borrowing was \$275.10.
- Comment: In the meeting Mr. Greer said that there is about \$19,000 available on the line of credit. That will be insufficient to cover the September spending, so if the Compass Bank loan doesn't close before the end of September then technically the district will be bankrupt. Property tax receipts probably won't show up in volume until November.

2. Water Meter Availability

- At the last meeting the board had discussed waiting until perhaps March/April timeframe next year before determining whether new meters would be issued. It was clarified at this meeting that in addition to Pine, there will not be any new meters issued for Strawberry until then.
- The board stated that they have received the waiting list from Brooke and that there are about 90 requests on the list.
- Comment: If they put in five to ten new meters a month, it will take nine to eighteen months to work through the current waiting list. If new meters start being issued next March, it may be well into 2011 before the current waiting list is worked through. In the interim, any additional meter requests in Pine and Strawberry will have to wait at least that long before getting service if those on the current waiting list have first priority.
- Mr. Stan Francom is General Manager of the Carefree Water Company. He is a property owner in the district and has been getting the summary emails for quite a while. He was kind enough to provide some information on determining hookup fees:

“Most water companies have two charges for a new hook up. One is an impact fee that is calculated on the costs of acquisition, capital improvements completed and capital improvements anticipated that have effect on being able to provide the service water. (things such as water storage, pumps, booster stations, wells, distribution lines, fire hydrants and the like) The other fee is the connection fee which usually includes the cost of material and labor plus benefits of tapping the main line, providing the copper line to the meter, the meter and any connections to the meter required by the water company. Our fees for those categories on a 1” meter are; Service connection fee of \$ 3,080 and Impact fee of \$ 3,639. These fees were calculated by the Company Tischler Bise who does almost all of these type of calculations for the Towns, Cities and many of the private water companies here in the valley because of

their reputation and the knowledge that the developers have that these costs when determined by this company are basically non-refutable. The cost will be about \$ 15,000 but once it has been done properly it takes only a few new connections to recoup that cost. With the purchase of a new company it would be advisable to use this type of firm. You will find that by doing so you will be surprised at the amount of justifiable cost to support a new service. Finally, when new line extensions, or other requirements are required to provide service to a new service those charges are normally paid for by the developer and are deeded or given to the utility company as Contributed Capital with the proviso that the water company then assumes all the maintenance and repair. If the developer does not want to pay for the line extension then he just does not get service.”

3. WIFA Won't Refinance Purchase Price

- Mr. Haney announced that the board had learned that WIFA will not refinance the purchase price of the water systems. WIFA is willing to refinance the other costs associated with starting up operations of the water system.
- Mr. Haney said that they had restructured the loans with Compass Bank to be a 20 year fixed rate, with interest only payments the first two years to cover the purchase cost and that the rest of the loan would be a variable rate line of credit. He also stated that interest would not be charged on the line of credit until money was withdrawn.
- Mr. Haney also commented that it is likely that in 12-18 months they will try to issue \$4 million in 30 year revenue bonds to refinance the Compass Bank loan.
- Details of the loan will be provided at a later meeting when the board votes to accept the loan terms.
- Comment: The board has again found out that something central to their plan was not as they imagined it to be.

4. Stipulation to Condemn Water Companies

- The stipulation agreement went through six iterations since the last meeting, but Brooke and the district have come to agreement on it. The board voted to go ahead and accept the stipulation and have Mr. Gliege sign off on the stipulation and take it to the judge.
- Once the judge signs off on it, the district will have three days to wire the \$3.5 million to Brooke in order to close the deal.
- The stipulation can be read here:
<http://www.waterforpinestrawberry.com/data%20pages/PurchasePSWIDDocs.htm>
- The issues with the Mr. Gary Rogers well have been resolved between himself and Brooke. He will be withdrawing his intervention in the condemnation.
- No personal property will be transferred, other than information such as customer lists. Spare parts are considered personal property. The water system is being acquired “as is”.
- The CAP allocation will be given back to CAP and CAP will pay Brooke for the value of the allocation. CAP will then offer it to the district. Mr. Haney indicated that it will cost \$300,000 to \$400,000. He also said that the district

will then take a close look at whether it makes sense to purchase the allocation or to focus more on obtaining an allocation of Blue Ridge water.

- Brooke will assume all liabilities from prior to the transfer. The district will assume liability for everything after the transfer.
 - The process of transferring the water sharing agreements is ongoing. The district is meeting with the owners of the water sharing agreements. The agreements have to be re-established with the district.
5. Operations Contract
 - The board approved the operations contract with Shaffer Water Management (SWM).
 - SWM will be providing tools and light trucks as part of the agreement. The district will be providing the heavy equipment, such as dump trucks and backhoes.
 6. Brooke Utilities Operations Support Agreement
 - The board approved a 15 day operations agreement to have Brooke help with the transition of operations to the district.
 - This agreement is at no cost to the district as it is part of the negotiated sale.
 - The operations support agreement can be read here:
<http://www.waterforpinestrawberry.com/data%20pages/PurchasePSWIDDocs.htm>
 7. Hiring of Office Manager and Customer Service Personnel
 - The board approved independent contractor agreements with Mr. Steve Stevens and Ms. Pat Kolasinski.
 - Comment was made that the contracts for the two would be \$100,000 per year, but no details were given as to the per hour breakdown between the two. The contracts were approved to go into effect immediately. Apparently they have already been working for the district prior to the approval of their contracts.
 - The board approved an agreement with A Better Connection for emergency and after-hours answering service. This is for a base amount of \$50.00 per month. There was no information provided as to what the cost of the answered calls would be. This agreement is contingent on the purchase of the water companies.
 8. Purchase of Billing System
 - The board voted to spend \$16,200 for a billing system and support for a billing system from Creative Technologies.
 9. Purchase of Spare Parts
 - The board voted to purchase \$46,823.54 plus tax worth of spare parts from Able Distribution in Payson, contingent on the purchase of the water companies.
 - The board voted to purchase \$10,602.00 plus tax worth of spare parts from Lewus Electric in Payson, contingent on the purchase of the water companies.
 10. Comment: The board has put in a lot of work over the last two months getting people, offices, billing systems, spare parts, etc. in place for the handover of operations to the district. None of those activities took place before their attempt at immediate possession failed. The excuses that they used for that failure showed how little they, and all the “professionals” they have hired, knew about taking

over and running a water system. The board seems to have learned their lesson and is paying attention this time to what is needed. Had they succeeded with the immediate possession without doing the preparation, the summer water situation would have been a disaster.

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.