

Hello Neighbor,

**NOTE: If you think that you were on Brooke's meter waiting list and you haven't heard from PSWID yet, then it may be that they don't have the correct contact information for you. If this is the case, give them a call to make sure you aren't being dropped from the list.**

Correction: In the last email I said that the courtesy posting of the agenda would be in the Library. I should have said the Post Office.

**October 15, 2009 PSWID Meeting – Part 2**

**Next regular PSWID Meeting: Thursday November 19, 2009 7:00 PM at the Pine Cultural Center**

1. Acquisition and Operations Update Presentation
  - Mr. Harry Jones gave a presentation on spending. The presentation can be found here: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm> .
  - The financial presentation by Mr. Jones was for the period from the beginning of July through the end of September, basically the first quarter of the district's fiscal year. So it doesn't cover any real operations, just the run-up to the acquisition and the day of the acquisition.
  - As of the time of the presentation, \$367,575 had been drawn on the line of credit.
  - There is a great deal of spending in that period that is missing from the details in the presentation. There is an item called "Deferred Chgs-Acq.Debt Issuance" with a total of \$475,398.82 where the additional spending may be hidden. In Mr. Reader's presentation at the Sept 29<sup>th</sup> PSWID meeting he listed this as \$346,528. When asked about the difference, Mr. Jones said that they had decided to capitalize (borrow money to cover) additional expenses. I have asked the district for a detailed breakdown, but it has not been provided yet.
  - Under "Equity", there is an entry for "Retained Earnings as of 6/30/2009" with a value of \$115,338.51. The Gila County ledger put the PSWID account value at \$78,035.31 on 6/30/2009. I have put in a request to Mr. Jones to explain the discrepancy. The next line is "Expenses over Revenues" with a value of minus \$68,569.54. Since they spent the entire carry-over from the prior year plus had to borrow about \$75,000 on their Gila County line of credit, this number doesn't look representative of the spending.
  - The build-out of the office on Hardscrabble is completed at a cost of about \$5000. Computers and other office furniture were purchased for \$13,594.57.
  - The billing software has been installed, staff has been trained on it, and the Brooke data has been converted and entered into the billing system. Comment: I received my first water bill from them. It has a lot less information on it than the Brooke bills. It is a small postcard, so be careful not to confuse it with junk mail.
  - Two hand-held computers will be used for reading meters. The customer information has been entered into the computers and the meter reader enters the reading into the computer for that customer.

- They are in the process of doing a meter audit and are finding that some meters don't match the information provided by Brooke. They have found that some meters have not been read in months. They have found that some active meters are buried under ground.
  - Some of Brooke's last meter readings resulted in over-billings ranging from \$30 to \$100s of dollars. The extent of this problem was not known at the time of the presentation. Reconciliation of the over-charges will be done when PSWID does their meter reads.
  - There were 92 people on the water meter list. The district has tried to contact all of the people on the list. Fifty-four have asked to remain on the list and 14 asked to be removed. Five could not be reached because there was no contact info, nine had disconnected phones, and they left messages for ten people. They have sent letters to those that they could not contact.
  - Mr. Haney said that they are going to try and pull all the information and decisions about meters together and present that to the public at a future board meeting.
  - The general message on operations is that much of the system is in a state of disrepair. Basically they are trying to identify all of the issues so they can come up with a plan to work them. Comment: According to the ACC annual reports, Brooke was spending about \$47,000 a year on maintenance and repairs until 2007, when it dropped to basically nothing. So it is likely that the only maintenance that has been done for the last three years is what absolutely had to be done. This isn't surprising, if you knew the government was going to take your home, you wouldn't be fixing anything beyond the minimum to keep it livable until it was taken.
  - Mr. Dean Schaffer talked about repairing one of the main wells in Pine. It was only producing 8.5 gallons per minute. After repair it is producing 24 gallons per minute. That is 670,000 gallons of additional water every month.
  - When the transfer occurred, the water storage level in Pine was at 50% (Stage 5 level) and Strawberry storage was at 85% (Stage 2 level). Over the first two weeks of operations, both Pine and Strawberry storage levels have been increased to 90% (Stage 1 level).
2. Economists.com Presentation
- Mr. Dan Jackson of Economists.com The presentation can be found here: <http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm>.
  - Comment: I have been trying to get the detailed report and the data provided by Brooke from PSWID. They have not been very responsive in providing the requested documents. Once I get those, I will take a closer look at what assumptions they are making and whether they have fixed the errors from their original analysis, or perhaps added a few new ones.
  - A lot of the presentation was devoted to generalities that water rates are going up all over and that other communities subsidize their water rates.
  - There are 3251 accounts. In Pine there are 2107. In Strawberry, there are 986 accounts on the E&R water rates, 117 on the United water rates, and 41 on the Williamson water rates.

- The proposed rate increases are shown as starting October 2011 when all water rates are set to the Pine summer rate. That results in the following percentage increases:
  - a. Pine summer (5 months): 0%
  - b. Pine winter (7 months): 19.6%
  - c. Williamson: 21.4%
  - d. United: 65.7%
  - e. E&R: 30.7%
- For the following years, all rate payers would see proposed rate increases of:
  - a. 2012: 15%
  - b. 2013: 5%
  - c. 2014: 5%
- The presentation projected costs of operations and debt service out through 2019, but did not provide any projection of revenues for that period. When asked why the revenue projections were not provided, Mr. Jackson said that he felt there would be too many numbers in the report and people would be turned off by that. The only revenue related numbers in the report were provided, at a very high level, for 2011. The breakdown was:
  - a. Revenue from water rates: \$897,913 (79.3%)
  - b. Revenue from Property Taxes: \$204,000 (18.0%)
  - c. Other Revenue: \$30,000 (2.7%)
- The initial rate analysis that Economists.com did last year had \$1,120,459 in water revenue and the new analysis has \$897,913 in water revenue. Comment: That is quite a drop in expected revenue. Perhaps there were a few errors in the initial analysis. I'll try to identify why that changed so much once I get the detailed information I have requested.
- According to the presentation, the property tax subsidy will also extend to 2012.
- Comment: We are the ones that have to pay for all of this. To not talk about where the money is expected to come from does a great disservice to this community. That it would be left out shows that this board is not comfortable with how this community will react if the true costs are known.
- Mr. Jackson provides a set of numbers about how the loan proceeds are being used which are different than those provided by Mr. Reader two weeks earlier. The main place where they are different is:
  - a. Mr. Reader:
    - i. Debt Service Reserve Fund: \$578,508 (A sub-portion of this is listed as Interest Stabilization Reserve Covenant at \$67,500. This is part of the LOC loan and is funded with 3.4% of each draw)
  - b. Mr. Jackson:
    - i. Debt Reserve: \$330,000
    - ii. Rate Stabilization Fund: \$270,000
- The idea of the rate stabilization fund is that you use that to pay operations costs that you can't cover with revenue from the current rate structure. Basically spending borrowed money to pay your bills.
- Comment: With all these professionals, you would think that they would be able to produce a consistent story about how the money is being budgeted and spent.

### 3. New Water Supply Planning

- Mr. Mike Ploughe gave a presentation on possibilities for additional water. The presentation can be found here:  
<http://www.waterforpinestrawberry.com/data%20pages/BudgetDocs.htm>.
- Milk Ranch well has problems with sand which Mr. Ploughe estimated would cost \$120,000 to \$150,000 to fix. The implication of what was said is that they are in negotiations over the Milk Ranch well, but it doesn't seem like purchasing the well is the only possible outcome of those negotiations. When asked whether they would put that money into the well without buying it, the response was that they didn't know at this time.
- Comment: Didn't all this start with Mr. Pugel and his surrogates objecting to the use of public money for a private well (K2)? Why would Mr. Pugel's board now think it would be okay to put large sums of money into a private well? Oh, that's right, its Mr. Pugel's well this time. If the board does put money into the well and Mr. Pugel retains ownership, it will go a long way towards demonstrating who controls our water system.
- Mr. Ploughe also talked about the Strawberry Hollow well being a more near-term option as it is ready to go. It would be able to provide 25-35 gallons per minute.
- Comment: The Strawberry Hollow well has a 100 year certificate. Having that certificate is valuable because it means that the well has been proven out as being a long term source of water. For the Strawberry Hollow well, the certification applies as long as the water taken from the well is less than 22.63 (7.37 million gallons) acre-feet per year. Strawberry Hollow has 72 lots, but a large percentage of those are not developed. So maybe there would be 4-5 million gallons there at most. I've heard that there is a second well there. I don't know if the certificate applies to one or both wells.
- The district is also looking for sites for new wells amongst the land that the district owns. Any future drilling would be for deep aquifer wells.
- They are also willing to look at any water sharing opportunities. Mr. Ploughe commented that they shouldn't waste time on shallow wells.
- Talked generally about the need for additional storage. Mr. Ploughe commented that Payson has 250-400 gallons of storage per meter. Mr. Ploughe commented that the district sees bigger spikes in weekend demand than Payson does.  
Comment: For the 3215 meters in the district that would calculate out to 803,750 to 1,286,000 gallons of storage for the district. Current storage is 1,222,500, which works out to 380 gallons per meter.

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.