

wetlands and under the creek, extensive planning is necessary to design the proper solution. This work must be reviewed and approved by the DNR and Army Corps of Engineers. Soil borings were performed in August to begin the engineering planning. In August, while investigating an unrelated ground water infiltration problem, it was found that another section of main underneath Harbor Lights Road was also sagging. (As an historical perspective, a portion of the original main underneath this section of Harbor Lights Road sagged and had to be rebuilt with support pilings before the sewer system could be put into service.) This additional sag has been added to the planning for repairs. In November the District secured an interim construction loan in order to finance the planning and ultimate repair work. Permit applications have been submitted to the DNR and Army Corps of Engineers. In December the District also submitted a request to be considered for long term low interest financing through the DNR's Clean Water Fund.

Finances

Included with this letter is a summary table of income and expense for 2007, 2008 and the budget for 2009. We have included the amounts from 2007 in order to show you the trend. The line numbers on the both sides of the table is for reference. We have excluded some detail lines in order to fit the summary on one page – thus the reference numbers jump rather than going in increments of one. Though some details are omitted, the summary dollars are shown. The budget dollars for 2008 were also excluded from the table to fit this on one page though we have identified the actual amounts for 2008 as a percentage of the budget for 2008 so you can see performance results. A separate section at the bottom of the page is a summary for the Harbor Lights Repair Project. The repair project is segregated from the routine operating financials in order to maintain clarity on sources and applications of funds. Line items for 2008 varying significantly from budget include:

1. **Legal-Prof Fees (line 27)** – \$1,232 (61.6%) over budget. Work by District engineer carried out late in 2007 and paid in 2008 to survey projects for application submittals to DNR. The District applied for DNR Clean Water Funding at the end of 2007 in order to position for funding in 2008 to cover the remote chance that the Harbor Lights project could be completed in 2008. This same survey work was reused in the Clean Water Funding application for 2009. (Applications to DNR for funding must be resubmitted annually.)
2. **Total Repairs (line 52)** - \$ 737 (15.8%) over budget. Given the age of the system, repairs are inevitable but what will break and when it will break is a big unknown. The repairs were highlighted in the opening of this letter. Though over budget, the overage was not unmanageable because other line items came in under budget.
3. **Net Operating Income (Line 79)** - NOI was 45.7% greater in 2008 than 2007; however, due to greater expenses than anticipated, the actual NOI for 2008 was \$2,200 (22.3%) less than budgeted.
4. **Harbor Lights Sinking Fund (Line 54)** – This was not budgeted for 2008; however, with the start of the Harbor Lights Repair Project, \$2,900 was set aside from part of the reserve contribution for the specific purpose of reducing the future long term financing needs. Reserves for this project will also be made in 2009.
5. **General Fund Reserves (Line 55)** - \$7,500 (25% less than budgeted due to Harbor Lights Sinking Fund) is available for putting into reserves. This amount will be held in the checking account until later in 2009 in order to compensate for the timing differences between the District's receipts and expenses.

2009 Budget and Planning for Future

Harbor Lights Repair Project - As noted above, the Harbor Lights Repair Project was initiated in 2008. Interim financing was established in November 2008 with the National Exchange Bank in Cascade in the amount of \$90,000. As of the end of 2008, approximately \$7,000 has been paid out on the project for initial engineering, soils testing and permit submissions. Last year we indicated that the repair project was estimated at \$63,500. This estimate was increased with the inclusion of the additional sag found in the sewer main under Harbor Lights Road. We are not committed to doing both repairs at this time; however, we will continue to project the potential full cost as we proceed into the successive planning stages. We anticipate being able to put the project out to competitive bid later this year.

Legal Fees – Budgeted \$3,000 - We will begin working with the District's attorney to revise the Sanitary District ordinance. The existing ordinance needs to be brought current since its initial adoption in 1976. Some sections are confusing and others are obsolete. We have wanted to update the ordinance since 2005 but have waited until sufficient funds were available to do so.

Reserves for 2009 – The budget for 2009 reflects only \$4,500 planned for reserve contribution (\$2,500 for the Harbor Lights Project and \$2,000 for the General Fund reserves.) Though this is less than our annual reserve goal of \$10,000, we feel the overall budget for 2009 is sufficient given the current economy.

Sanitary District Postings on the Lyndon Internet Site

For those of you who have access to the Internet, you can obtain information regarding the Sanitary District on a section of the Town of Lyndon's Internet site at <http://www.townoflyndon.com/index.htm>. District information includes: Meeting agendas and minutes, Financial Summaries, and Construction Standards. In the future we will add the revised Ordinance and Annual Newsletters. All of this is designed to keep you informed as to the activities of the Sanitary District.

Respectfully submitted,

Sanitary District Commissioners: Dave Triebensee, Jim Weigel, Ray Zimmermann