

May 20, 2004

Dear Sewer District Customer:

As the curtain closes on fiscal year 2003-2004 we look back on what was another successful year for the District and anticipate continued success for the future.

Our farming equipment was paid off this past year. The savings of debt payment will offset the rising costs of operating in the coming year. We also rented a small portion of our property to Western Towers to erect and operate a cell phone transmission facility. These events, coupled with continuing to farm and to take in outside septage will allow us to maintain current rates. This is the third year that we have been able to avoid a rate increase to our customers, even though the cost of doing business has continued to rise. This accomplishment has been a primary objective of the staff and the board. We feel this is success.

The new sewer line on Anchor that was started at the time of our last letter to you has been completed. In addition, new lines on Wm. Foss and Heath have been installed to facilitate construction of Wildflower Village Subdivision and Huntington Meadows Subdivision, respectively.

We will be constructing a new thirteen acre lagoon at our treatment plant as part of upgrades to accommodate growth in our area. We will also be adding aeration to all of our lagoons as part of our ongoing effort to control odor. This project will be funded by a \$433,700 federal grant and a \$1.1 million dollar loan from Deschutes County. The loan will be paid back exclusively with system development charges collected from the Newberry Neighborhood.

Construction has begun on this project. The job went out to bid in the form of three schedules. Schedule A is for construction of the lagoon and the low bidder was R & G Excavation of Scio Oregon. Schedule B is for the aeration equipment and the low bidder was LAS International of Bismark North Dakota. Schedule C is for construction of the pump station and the low bidder was Vic Russell Construction. We are planning to have this project completed before winter.

While discussing System Development Charges (SDC's), we would like to acknowledge that we have heard from several of you who feel the SDC fee of \$3,810 per EDU (equivalent dwelling unit) is harsh. Be aware that the board has wrestled with this issue and feel it is the only way to protect the existing customers from bearing the financial

burden of the growth this community is facing. If new construction does not pay its own way, the burden will fall on existing customers in the form of doubled rates.

With the cost of system development charges being substantial, it is more important than ever to check with our office before making changes to the usage of your property. Finding out after the fact that you must pay a system development charge for the change you made eliminates your opportunity to weigh that into your decision.

The existing rating on your account (the number of EDU's you are rated at) is an asset that belongs with the property. It can be retained, even when not in use, by maintaining the monthly payments on it. Then you can use that credit for future development without having to pay the SDC again. It cannot be transferred to a different property.

We are working on building a website to keep you informed. At this time, it is under construction. When it is complete, you will be able to find information such as our ordinances, meeting minutes, agendas for upcoming meetings and email links.

The Board feels a strong commitment to run the District in the best interest of you, our customers. Keep in mind that all of the Board members live within the District and are elected by residents of the District. If you have needs or interests that you feel are not being met by the Board, please attend a Board meeting to let your wishes be known. The Board meets every month on the second Thursday at 1:00 pm at the Sewer District Office.

We would like to see you at our meetings.

Sincerely,

Dennis Carter, President
James Newton, Vice President
Beverly Lawlor, Secretary