

Ames Lake Water Association Board of Directors
Minutes of Meeting
April 26, 2007

The April 26th meeting of the Board of Directors of the Ames Lake Water Association (ALWA) was called to order at 7:30 pm by President Stuart Cohen. Board members present were Merlyn Blue, Perry Cole, Jeff Cook, Matt Rodger, and Stuart Cohen. Excused were board members Michael Bicak and Glenn Wallace. Also present was Scott Hemingway, Operations Manager. The meeting was held at the Association's office.

Lobet, Ulrich, and Gaffney

A brief discussion started off the meeting for the benefit of the new Board members regarding the three members who are scheduled to appear at the May 8th Board meeting. Matt and Jeff were briefed on the history of the three accounts.

MOTION NO. 04-26-07-01 – It was moved by Perry Cole and seconded by Merlyn Blue to accept the minutes of the March 13th, 2007 meeting. Motion approved unanimously.

MOTION NO. 04-26-07-02 – It was moved by Merlyn Blue and seconded by Matt Rodger to accept the minutes of the April 25th organizational meeting minutes as amended (correcting misspelling of Matt Rodger's last name, capitalize Jeff Cook's last name, and the addition of "Formalize Processes" under the goals section of Motion No. 04-25-07-02). Motion approved unanimously.

Operating Procedures

The board requested hard copies of both the Office Procedures and Field Operations Procedures so they might be reviewed.

MOTION NO. 04-26-07-03 - It was moved by Perry Cole and seconded by Merlyn Blue to approve the check list for April. Motion approved unanimously

MOTION NO. 04-26-07-04 - It was moved by Perry Cole and seconded by Merlyn Blue to approve the membership transfers for April. Motion approved unanimously.

Financial Reports

The Board would like the upgrading of the Financial Reports to be a priority for the office.

Water Production Report

The Board would like the following changes to future Water Production Reports:

1. Split report into corresponding basins (*i.e.* Snoqualmie and Patterson Creek)
2. Show percentage of Water Rights used to date (per basin and total)
3. Show percentage of unaccounted for water loss

Letter from Dick Boss

The Board briefly discussed Dick Boss's request to change his billing date, and agreed it is not feasible for the Association to change the billing date for only one member or assign individual members individual billing dates. Scott will write a letter to Mr. Boss indicating that we will not change his billing date.

MOTION NO. 04-26-07-05 – It was moved by Perry Cole and seconded by Merlyn Blue to accept the *ALWA Budget Policy and Process April 26th, 2007* as presented before the Board (copy attached). Motion passed unanimously.

ADJOURNEMENT

MOTION NO. 04-26-07-06 – At 9:00 PM it was moved by Stuart Cohen and seconded by Perry Cole to adjourn the meeting. Motion approved unanimously.

ALWA Budget Policy and Process April 26th, 2007

Purpose and Goals:

- Provide a communication tool that should facilitate discussion, planning and oversight.
- Document a repeatable process for budget management
- Define responsibility for specific tasks in the budgeting process
- Allow new staff and board members up to speed as quickly as possible.
- Provide continuity as staff and Board members change over time

Background:

ALWA Rate Structure - The Different Parts of Our Bills

Monthly bills include charges for a base availability fee, water consumption, amortization and depreciation. As a member-owned cooperative, all ALWA members are business partners in the Association. Among other things, this means that everyone shares equally in the ownership of the physical plant used to provide services. The base availability fee and water consumption rates are costs of operation; amortization and depreciation are costs of ownership that all members share equally.

- **Base Availability Fees:** Ensures that all users contribute to overhead costs, even when no water is used.
- **Water Consumption:** We have a tiered, conservation-oriented rate structure that encourages members to use water wisely, and to discourage over-consumption.
- **Amortization:** These expenses are the payments that the Association makes on long-term capital improvement loans that financed the portions of our physical plant that developers did not fund.
- **Depreciation:** These expenses account for either the immediate replacement of worn out assets, or more typically, for contributions to a revolving account setup to pay for asset replacement over a period. This allows depreciation payments to be evenly distributed over time, even though expenditures can vary a great deal from one year to another.

*Base fees and water consumption are subject to a 6% tax and monitoring fee.

ALWA Expenditures

In addition to amortization and depreciation expenses, the Association spends money for continuing business operations. Certain expenses recur every year, while others, (such as capital improvement projects and the large scale repairs and corrections) should occur less regularly.

- **Recurring Operating Expense**
 - Ongoing Field Operations and Maintenance
 - Ongoing Business Office operations
 - Contributions To Reserve Account
- **Non-recurring Operating Expense**

- Major Capital Improvements
- Building and Safety Code Corrections
- Emergencies
- Depreciation
 - Contributions To Depreciation Account
 - Scheduled Replacement (Depreciation)
- Debt Service
 - Scheduled Loan Payments
 - Prepayment Of Capital Improvement Loans

ALWA Revenue Sources

For planning purposes, the ALWA distinguishes between regular, recurring revenue streams (those that can provide consistent income every year), and the irregular, non-recurring or “windfall” revenue that may only be available once, for a limited period, or may not provide income at a particular time. As shown below, the Association intends to take a conservative approach toward categorizing revenue. For example, since the Association actively discourages high levels of water use, receipts associated from the upper rate tiers should be considered non-recurring revenue. In the future, additional tiers could be designated as non-recurring income if the Association needs to increase its emphasis on conservation.

- Amortization/Depreciation
- Recurring Operating Income
 - Base Fees
 - Water Consumption Tiers 1-6
- Non-recurring Operating Income
 - Membership Fees
 - Membership and Development Fees
 - Service and Business Fees
 - Water Consumption Tiers 7-9
 - Proceeds From Capital Improvement Loans

ALWA Reserves

Ideally, the ALWA should have one reserve account for operating emergencies, and a separate revolving account to pay for the scheduled replacement of depreciated assets. Setting an appropriate level for a reserve accounts can be subject to some debate.

Conclusions

- Recurring operating revenues such as base fees and water consumption should fund regular, ongoing business office and field operations.
- Member payments for Amortization and Depreciation should fund debt service and the scheduled replacement of the Association’s assets.
- Non-recurring revenues such as membership and development fees should **not** be used to fund regular expenses. These funds should either be directed toward special projects identified in the Association’s operating plan, used to bring reserve accounts towards targeted levels, or to prepay the Association’s long term debt.

- Since it is the Association's policy to discourage and reduce high levels of water use over time, income from rate tiers 7-9 should be treated as non-recurring revenue.

Policies:

- Need to balance revenues and expenses from each of the three areas independently (recurring operations vs. recurring operating income; amortization income vs. debt service; and special projects and expenses vs. non recurring operating expenses). Note special projects and expenses include additions to the physical plant, major repairs, and replacement of depreciated assets.
- The Association shall retain a minimum of \$250,000 as a cash operating reserve
- The following table shows the minimum that the Association should retain in a depreciation reserve at the end of the stated fiscal years.

Fiscal Year Ending	Amount
2007	\$125,000
2008	TBD
2009	TBD
2010	TBD
2011	TBD
2012	TBD

- Interest income from all cash assets (i.e. cash operating reserve and depreciation reserve) will be credited to depreciation reserve account.
- Balancing to the penny is not a goal. Slight variance is reasonable.

Annual Process Milestones:

Milestone	Date	Owner
Start of fiscal year	May 1st	NA
Final draft of budget delivered to Board	Before May Board meeting	Staff
Board approves budget and budget policy	May Board meeting	Board
Identify selection process for auditor	May Board meeting	Board
Select and authorize Auditor	June Board meeting	Board
Prepare YTD budget to actual report	Before monthly Board meetings	Staff
Review YTD budget to actual	Monthly Board meetings	Board
Adjust budget as necessary	Monthly Board meetings	Board
Complete audit	September	Auditor
Publish Audit in annual meeting notice	September/October	Board/Staff
First draft of budget delivered to Board	Before April Board meeting	Staff
Board provides feedback to draft	April Board meeting	Board
End of Fiscal year	April 30th	N/A