

Westside Water Association Newsletter – March 2016 Edition

The winter has brought us a record amount of rainfall which is good news for island aquifers. While the winter weather has been keeping us indoors the WWA board has been working on a number of important projects. This newsletter will catch members up on the most important of these.

Financial Planning and Budgeting

To plan for the long-term financial and infrastructure health of the Association, the board this winter began a broad-based financial review. First, an updated capital *Asset Replacement Schedule* was generated and placed on the Association's website. This *Schedule* refers to the planned replacement of our system's infrastructure, such as pipelines in the main distribution system, pumps, meters, etc. Based on the results of the updated *Schedule*, we calculate that the Association should be saving \$30,000 each year for asset replacement from now to 2030, which is our current planning horizon. If we are successful in doing this, all planned asset replacement projects would be fully funded (given their currently estimated costs) and completed within this 15-year planning horizon. Second, all *maintenance and repair expenditures* dating back 22 years were examined. These are expenditures not directly related to the planned replacement of fully depreciated assets. This 22 year study found that, on average, about \$12,500 per year is spent on maintenance and repairs.

The Board has decided that the Association needs to create lockbox bank accounts for our *asset replacement* projects and our *maintenance and repair* expenditures. The annual budget for these two accounts has been set at \$30,000 and \$12,500 respectively. Adding in our operations budget for each year, our total income from water sales needs to be \$119,500 per year. The last rate increase in 2012 was designed to generate water sales that were projected to produce about \$105,000 in revenues (revenues were, of course, higher than projected in the hot summer year of 2014 and the very hot summer year of 2015, but we are planning for the long term). Therefore, we will need to raise our rates this spring to maintain a balanced budget into the future.

It is important to note that *New Capital* projects, such as the recent Anderson and Canyon Well projects, are funded differently than asset replacement projects, system operations, and routine maintenance and repair. *New Capital* projects will be paid for by special assessments, not via water sales.

Rate Review Committee - Findings and Recommendations

The Board reached out to five individuals from the Association membership to participate on a committee to discuss, analyze, and make recommendations concerning the rates. These WWA community members were Richard Perret, Jill Yates, Trish McDonald, Jan Stephens and Pat Call. The board wishes to thank these five volunteers for their consideration, ideas and time spent working through the issues. A special thank you goes out to Pat Call for agreeing to chair the committee. These five were joined by two board members, Judy Olson and Theo Eicher, and by our system manager, Doug Dolstad. The committee met twice, and here are the committee's findings and recommendations.

Prior to considering a one-time water rate adjustment for the Association, the Rate Review Committee discussed and agreed on two separate points to recommend to the board:

- 1) For years now, WWA has been required to pay the Washington State Public Utility Excise Tax (rate = 5.029%). This is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the business and occupation (B&O) tax. Historically, WWA has not passed this tax through to water users. The committee recommended to end this practice and pass this consumption-based tax through to users. WWA paying the tax is analogous to Thriftway or IGA paying the sales tax on customer purchases. Other water districts in Washington State and on Vashon Island pass this tax on directly to users. For example, Dockton Water Association follows this practice.

- 2) WWA has not had a policy of automatically adjusting the water fee structure based on the annual inflation rate. This implies that our costs rise steadily with inflation (electricity, materials, contracts) but our revenues are fixed, eventually forcing the association to either cut corners or to have rather substantial rate increases every 4 or so years. The committee recommended that building in annual inflation increases will increase the costs to members in the same way in which costs increase to the association. Going back to the last increase in late 2012, this inflation-adjusted amount would be 2% (this period has had remarkably low inflation). The committee recommended going forward that WWA should have an annual increase in water charges equivalent to the previous year's inflation rate.

Having accounted for these two factors, the committee then considered many alternative scenarios for a one-time rate adjustment, trading off changes to the base rate (usage up to 600 cubic feet) and Westside Water's other 6 tiers of usage. These discussions were guided using a detailed model of water usage in 2015 by every account in our system. The committee's recommendation was that a simple across-the-board one-time increase of 6% for both the base rate and all usage tiers made the most sense (this increase would be in addition to the recommended 2% inflation adjustment for the period from late 2012 - 2015).

The committee's recommended new rate structure would thus be: (Values for the 6 tiers (>600 to >19000) are in \$/cubic foot of usage.)

Tier	Current	New Rate
Base Rate	\$57.00	\$61.56
0-600 included	\$0.000	\$0.0000
>600	\$0.017	\$0.0184
>1000	\$0.019	\$0.0205
>2000	\$0.029	\$0.0313
>5000	\$0.056	\$0.0605
>10000	\$0.110	\$0.1188
>19000	\$0.120	\$0.1296

A summary of new revenue generated is:

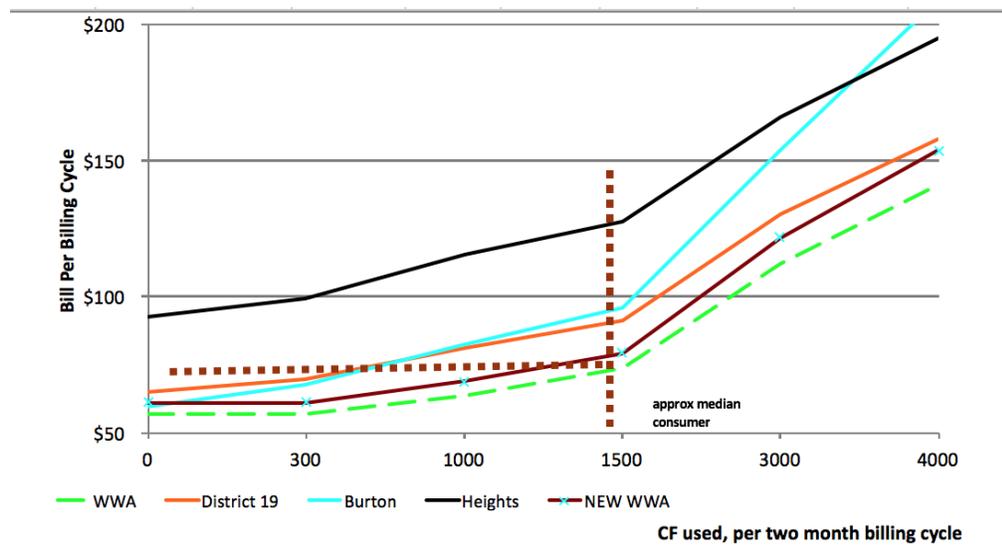
Revenue from excise tax	\$6,010
Revenue from Base Rate	\$6,348
Revenue from tiers	\$2,095
Total	\$14,452
Goal	\$14,500

The committee also recommended that the rate increase begin as soon as possible, with the billing that will go out in May 2016 (reflecting March and April 2016 usage).

Board Vote on a Rate Increase and Annual Inflation-rate Adjustments

The board met on March 10th and voted unanimously to institute all of the committee's recommendations. With the May 2016 billing, there will be a 6% one-time rate increase. There will also be a 2% inflation adjustment for the period of late 2012 through 2015. The consumption-based Washington State Public Utility Excise Tax of 5.029% will also be applied to the billing from this point forward. Each year, the board will evaluate the inflation rate from the previous year to determine what, if any, adjustment to the Association's water rates will be required. While the board recognizes that this is a sizable increase in rates, it is a necessary one to ensure that Westside Water will maintain balanced budgets and build adequate reserves to properly plan for the future needs of the Association.

It should be stated that a comparison of WWA rates to other groups on the island (for which we have data) was conducted. Please note that while all districts provide the same commodity (water) they have very different water supplies and demands. For example, WWA struggles with arsenic, while other districts struggle with meeting commercial demands. These factors lead to different rate structures. In that sense, different rates do not represent that one district is run better or more efficiently. Although a detailed comparison of rates across water districts on Vashon is a complex exercise and requires consideration of many factors, the chart below should serve to reassure WWA members that the board did consider these comparisons in its deliberations and believes, that even with this increase, WWA provides water at competitive rates for the median consumer. Please note that the graph is truncated at 4000 cubic feet (covering the majority of our members' usage) and is provided simply for informational purposes:



Special Rates Meeting with the Membership

The Board has scheduled a *Special Meeting* with the membership to share information about the new rate structure and answer questions. This meeting will be held at Havurat Ee Shalom on Monday, April 4th at 7 p.m.

Anderson Well II - Project Update

WWA has secured a 3.5% APR 3-year loan for \$45,000 from "Communities Unlimited". The loan origination fee was \$450. Communities Unlimited is part of the US Rural Community Assistance Partnership (RCAP), a national network of nonprofit organizations working to ensure that rural and small communities throughout the United States have access to safe drinking water and sanitary wastewater disposal. Nicholson Drilling has been chosen to drill the 2nd Anderson Well and the final drilling site will be selected in consultation with the driller, our consulting engineer and the property owner, Chris Anderson. The expectation is to have this well drilled, approved and on-line for the high-usage season this summer. Regarding an assessment to pay for this new well, the Board's current assumption is that the assessment will not start until the current assessment for the first Anderson Well concludes this September. The board expects to recoup all project costs for the 2nd Anderson Well plus loan interest. In addition, the board is hopeful that the bi-monthly assessment amount will be no larger than the current assessment of \$16.

WWA Financial Status

As of March 9, 2016, the balance of the Association's checking account is \$46,355.49. WWA has a CD in the amount of \$11,081.43 (maturing 5-3-16). Our MM account has \$11,487.84 for a total of \$68,924.76.

Message from our System Manager - Water Line Consultation

I regularly get inquiries about water lines: what materials to use, which valves, who I'd recommend to do the work, etc. It occurs to me to make this consultation an offer to Westside members. Here it is: If you'd like my advice on materials, contractors, and even some design considerations, I'd be happy to give it for free. A benefit to members. Please don't ask my company to do the work, because that would be a conflict of interest and not consistent with my intent to help my neighbors sort through the myriad choices that come with installing new water lines. The benefit to Westside Water and property owners is fewer leaks. That's good for everyone. Doug Dolstad

Westside Community News - Subscription Agriculture 2nd Year!

Once again, Westside Water users are being given the opportunity to get subscriptions to the "farm to home" CSA offered to Westside Water users. Liam Rockwell (son of WWA members) is now in his 2nd year now with a market garden at Cedar Spring Farm - the farm below Bethel Park. Contact Liam at: cedarspringfarmfan@gmail.com for more details. Or, Call/text Liam at 206-920-5307 This is a wonderful chance to participate in creating the next generation of young farmers right here in our West Side community.

The Westside Water Association Volunteer Board