

Squaw Valley Mutual Water Company Newsletter

Summer 2011

P.O. Box 2276, Olympic Valley, CA 96146-2276

Campbell Construction Low Bid

Bids were opened on August 9, 2011 for the pipeline construction work. The range from low bid to high bid was more than \$900,000.

The low bid was Campbell Construction of Sparks, Nevada. They are currently laying pipe in a Tahoe City Public Utility Project. Campbell's bid was \$2,044,000.

Before the work can begin, Campbell construction has to obtain storm water management permits from Lahontan RWCB. Shaw Engineering has already obtained permits for the project from Placer County, including the street encroachment permit. At press time, it is not known which part of the project will be started this construction season, either pipe laying on Squaw Valley Road or the tie in of Apache and Navajo Court residences to the upper pressure zone.

Signing of the USDA loan is projected for the first week in September, after all the required forms have been signed and approved.

In Memoriam

John Chisholm

December 1, 1923-June 24, 2011

John was a valued SVMWC Board member and knowledgeable advisor about water in Squaw Valley. We will miss his wisdom.

You are invited to the
Annual Meeting of Members

September 3, 2011

10:00 am

PSD Community Room

Agenda includes update of water system improvements, well house design and election of the Board members.

Come and lend your voice

Notes from the Board Meetings May 29 & July 24

The Board met twice to handle important business and continue to work on the water system renewal, including how to finance laterals for property owners. Actions taken included:

- Renewed the \$150,000 line of credit with Plumas Bank and added special additional \$150,000 line of credit for short period as a bridge loan.
- Renewed the contract with Collins Engineering Consulting Ltd. for operations at no increase in cost.
- Renewed the contract for Giese Accounting & Tax to handle the office and financial affairs at no increase in cost.
- Adopted the 2011-2012 budget (See page 2)
- Set water rates for 2011-2012 year that included projected USDA loan payment (see article page 2)

Adopted Budget 2011-2012

Income:

USDA Surcharge	251,793
Water Service Dues	236,479
Member Late Charges	2,000
Interest earned	500
Fee Income	1,500
Tank Assessment Principal	22,670
Tank Assessment Interest	<u>8,441</u>
TOTAL	<u>\$ 523,382</u>

Expenses:

Operating Expenses

Maintenance Contract	97,000
Office Contract	30,000
Utilities	14,000
General Insurance	10,000
Routine Maintenance	10,000
Water Treatment	7,000
Audit/Accounting	5,800
Legal	5,000
Snow Removal	4,500
Director's Reimbursement	4,200
Water Testing	3,000
Fees, licenses, fines	3,000
Printing and reproduction	1,500
Postage and delivery	1,250
Misc (taxes, supplies, charges)	2,240

Capital Expenses

Principal & Interest Plumas Loan*	40,700
Depreciation	71,819
USDA Loan Principal ** (50% payment)	17,884
USDA Loan Interest** (50% payment)	96,568
USDA Reserve Requirement	<u>22,890</u>
TOTAL	<u>\$ 448,351</u>
Surplus	<u>\$ 75,032</u>

Notes:

*This is the last payment to Plumas Bank for the loan taken out 5 years ago for replacing pipes on Sandy Way.

**The USDA loan payment is for half a year. Next year it will be double the amount.

Water Company Dues

This year the water company dues have been slightly restructured. In the past there were three charges: one for capital improvements, one for water charges, and one for running the company. This year, the capital improvement charge has been relabeled USDA Surcharge and is the amount needed to make the loan payment and fund a required reserve account. The loan is needed to construct the new water mains, add houses on Navajo and Apache to the upper pressure zone, add fire hydrants, and to rebuild the well houses. The charges for running the company and delivering water have been combined into water service dues. Those property owners, who are paying the tank assessment over time, will have that charge added to their bill as well.

There is a surplus projected for this year. A five year financial plan, required by USDA to show that we have the financial capability of handling the water system improvements, showed that a small surplus, when added to the money we were paying to Plumas Bank for a loan, should result in not having to increase water rates next year and still be able to make a full year loan payment.

USDA also requires that we set aside 10% of a full year's loan payment for ten years, so that in case of a financial problem, we will have the money to make the loan payment.

As meters are added to the system, the rates will be restructured again so that the water usage will be reflected in the water system charge. However the water rates are structured, we must collect enough money to meet the financial needs of our company.

Comparison of the operating budget for this year and last shows that we have held or decreased expenses. We are operating with no general manager in order to save money.

Equitable Cost of Laterals

It is the intent of the Board, to develop an equitable algorithm by which the cost of laterals will be shared. There are several proposals that attempt to address the concerns we have heard over the past year. That said, we invite feedback from all members on these proposals. The goal is a policy that is the most equitable to all members, is legal, and is operational. USDA does not allow funds from the loan to be used to install lateral water lines on private property. These options also assume that the lateral water lines are put in during the construction period. Once the construction of the water main is complete, the options will no longer be available.

Option A

Every property owner in the selected area is sent a registered letter giving them the chosen pipe replacement project contractor's contact information so that when the contractor is laying the water main by their property, they can hire him to install the new lateral to their house. It is a private contract. The Mutual is not involved, other than as a purveyor of information.

Option B

A registered letter is sent to all members giving them the option of replacing their laterals when the new water main is installed or when their meter-pit is dug. The contractor is asked to make an estimate of the cost of putting the laterals in at the addresses that would like to participate. These estimates are totaled and divided by the number of lots involved. That average figure is sent to the participating property owners by registered letter. At that time a property owner will have to indicate their interest in participating. The Mutual collects the money and pays the contractor. If the property owner wants an installation that is more than the estimated minimum, they must enter into a change order with the contractor and pay the additional cost. It is understood, that the lateral line is owned by the property owner. The calculated cost can be paid in one installment with no interest, or over three years with interest (6.5%) and an administrative fee of \$100. It counts as an assessment, so water can be turned off if no payment is made. The Mutual is involved as a banker, loaning money so the cost of the

laterals can be spread over time, and as an "escrow" agent, holding the money paid by the members who participate and paying the contractor.

Option C

Every property owner is assessed \$1000 which is put in an "equalization fund" to be used to help defray the costs of Mutual members who replace their laterals from the service box to the house. The contractor will estimate the cost for lateral replacement of each property owner who chooses to participate. Each member is notified of the program by registered letter. The Mutual will subsidize each property owner up to one half the cost of the lateral replacement as estimated by the contractor, but not to exceed \$1,500. If the property owner wants an installation that is more than the estimated minimum, they must enter into a change order with the contractor and pay the additional cost. The program is available during the time of construction. The Mutual acts as an "escrow agent", accepting the property owners' assessments, and the property owner's share of the cost.

USDA Loan Update

The Squaw Valley Mutual Water Company was notified in July that it was approved for a loan of \$4,066,000 if it fulfilled a number of conditions found in the letter of conditions. The Board, Anne-Marie Giese, John Collins and Steve Brigman (Shaw Engineering) have been busy filling in forms, signing papers, and getting all the required conditions completed. With the bid price of the pipe placement now set, the date for closing the loan is near.

Still unknown is the final interest rate. SVMWC has been told that the interest rate could drop to 4.25% from the current 4.75% which would mean a nice decrease in loan payments and also a decrease in the water dues.

The final amount of the loan that the Mutual needs to take is also unknown. It will be the construction cost bid plus a contingency, engineering costs to date, and an estimated amount for the well house rebuild. If the amount is less than the \$4,066,000, then the USDA surcharge on the water dues can be reduced.

Squaw Valley Mutual Water Company

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Olympic Valley, CA 96146-2276

Squaw Valley Mutual Water Company Board of Directors

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Or visit our website: www.SVMWC.com

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Newsletter Editor: Margot Garcia

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Comments and ideas for articles are always welcome.

Water Use

John Collins reported the following gallons of water pumped.

	<u>2011</u>	<u>2010</u>
April	2,545,000	1,416,000
May	2,894,000	1,441,000
June	3,481,000	3,916,000
July	6,448,700	6,243,000

The water system is meeting all state and federal drinking water standards. There were no positive test results for contamination during the months of April, May, June and July, or during the entire year.

Despite the late, wet spring, water usage has crept up to more than last year. The large amount pumped may have been the result of the many system leaks that now have been repaired. They were probably caused by the record snow pack and cold winter.