

Squaw Valley Mutual Water Company Newsletter

Summer 2009

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

New Tank Construction

The redwood tank has been torn down and the redwood salvaged. Resource Development Construction is hard at work building the new steel storage tank.

During the beginning of the construction period, water was being stored in a large flat bladder. The result was a problem with water pressure in the houses on Apache and Navajo. Subsequently, two small steel tanks have been added for storage and to add pressure to the water system.

When the snow had melted, a spring gushed forth from the hillside necessitating a French drain to divert the water away from the site. Riprap was added to hold back the bank.

The old redwood tank was sitting on a substantial concrete foundation, so that is being used, and a small amount of additional rock has been added to create the foundation for the larger diameter of the new tank.

Hunter Green will be the new tank color.

Construction is on schedule and the new tank is expected to be fully disinfected and in service by October 3.



Bladder used for water storage at tank construction site

You are invited to the
Annual Meeting of Members

September 5, 2009

10:00 am

PSD Community Room

Agenda includes discussion of assessment plan for the capital improvements and election of the Board members. This is a very important meeting. Come and lend your voice

**Board Meetings May 24, 2009,
July 22, 2009,
and August 10, 2009**

The Board voted to renew the contracts with John Collins Engineering as Operations Manager and with Giese Accounting and Tax as Office Managers. Giese Accounting and Tax has moved to Truckee. The phone number stays the same.

Financial Report

The Board was pleased that the Mutual Water Company finished the fiscal year June 31, 2009 with a surplus of \$53,902. This money can be applied to our capital projects. Such a result is due to the hard work and careful financial management of the Board, the operations manager John Collins and the office staff of Anne-Marie and Cory Giese. We do not have a general manger, so all the board members volunteer their time to work on projects to keep the company running smoothly and efficiently.

Financial Analysis of SVMWC's Projected Funding of Capital Improvements

As the SVMWC works to implement the capital improvements outlined in the Auerbach Master Plan (see www.svmwc.com for a copy of the report), one of the big challenges is how to finance the \$2,984,920 cost. That cost is for the remaining five phases that include re-drilling the Mutual's two wells. The Board has discussed the options at length, and is proposing several options, anticipating that the members have different financial capabilities. The Board hopes that at the Annual meeting on September 5, the members will come ready to discuss the options.

The table below represents the costs, per lot assessment (281 lots), a cash option and a loan option to carry out the full 6 phases of the Auerbach plan over 4, 5 or 6 years. We do not have a firm interest rate to quote at this time, but the rate used is close to what a jumbo construction loan might be.

Option	Phases	Total Cost	Per lot Assessment	Cash option	Loan option 8.5% @15 years cost per year
4 year	II-VI	2,984,920	\$10,622	\$2,656 for 4 years	\$1266 plus fees and admin.
5 year	II,III,IV	\$1,131,933	\$4,028	\$2,014 for 2 years	\$480 plus fees and admin
	V, VI	\$1,852,987	\$6,594	\$3,297 for 2 years or \$2,198 for 3 years	\$786 plus fees and admin
6 year	II,III,IV	\$1,131,933	\$4,028	\$2,014 for 2 years	\$480 plus fees and admin
	V	\$824,957	\$2,936	\$1,468 for 2 years	\$350 plus fees and admin
	VI a	\$514,015	\$1,829	\$915 for 2 years	\$218 plus fees and admin
	VI b	\$514,015	\$1,829	\$915 for 2 years	\$218 plus fees and admin

Obviously, from the perspective of the member, the necessary capital improvements have a big financial impact. The Board recognizes this and has prepared a number of example payment options that include paying one lump sum to a 15-year payment plan. Each member is encouraged to investigate taking out a home equity loan to pay the lump sum or the cash option. There may be income tax advantages to paying the assessment on a home equity line of credit rather than to finance it through the water company. The Board urges each member to discuss this with their accountant or tax preparer. Home equity lines of credit are typically available from local banks or any bank where one holds accounts and the interest rate is often prime or close to it.

A member choosing the 4, 5 or 6 year plan cash option results in stretching out the payments over 4-6 years without paying any interest. The total paid is \$10,622. If the member chooses to use the water company as the money lender, the payments can stretch for many years, but the annual amount is less than the cash payment even when adding up the various loans. However, at 8.5 % interest, used only for illustration, the total paid may be as much as \$21,454. Some tables follow that show the financial impact of using the various loan options.

Four-year Option – 8 year loan phase I and 15 year loan (8.5% interest) for phases II, III, IV, V, VI

	2009	2010-2016	2017-2024
Phase I	\$308	\$308	
Phase II- VI		\$1266	\$1266
Total	\$308	\$1,574	\$1266

Total paid = \$21,454

Five-year Option – 8 year Phase I loan and 15 (8.5% interest) year loan for Phase II, III, IV and 15 year (8.5% interest) loan for Phases V, VI

	2009	2010-2013	2014-2016	2017- 2024	2025 -2028
Phase I	\$308	\$308	\$308		
Phase II,III,IV		\$480	\$480	\$480	
Phase V, VI			\$786	\$786	\$786
Total	\$308	\$788	\$1,574	\$1,266	\$786

Total paid = \$21,454

Six-year Option --8 year Phase I loan, 15 year (8.5% interest) Phase II, III, IV loan, 15 year (8.5% interest) Phase V loan, and 15 year (8.5% interest) Phase VI loan split in two; 2 years apart.

	2009	2010-2013	2014-2016	2017-2018	2019-2024	2025 -2028	2029 -2032	2033-2034
Phase I	\$308	\$308	\$308					
Phase II,III,IV		\$480	\$480	\$480	\$480			
Phase V			\$350	\$350	\$350	\$350		
Phase VI a				\$218	\$218	\$218	\$218	
Phase VI b					\$218	\$218	\$218	\$218
Total	\$308	\$788	\$1,138	\$1,048	\$1,266	\$786	\$436	\$218

Total paid = \$21,454

The Board was pleased that the bid price for constructing the new water storage tank in place of the redwood tank came in substantially under the Auerbach estimate. The current state of the economy results in lower construction costs, and is a benefit to the Mutual in that the company may be able to do the entire project at a lesser cost than projected. The possibility of a lesser cost impels the Board to move faster and lump some of the phases together. If the membership is willing to pay the cost faster, it may be financially advantageous to do phases 2 through 5 as one project. The Board is already committed to doing phases 2 and 3 together and has started engineering design work. There may also be cost savings by having a larger project due to the economies of scale.

The cost of interest for the loans is much in flux. Discussions with Plumas Bank have revealed that the bank would be interested in loaning 85% of the cost of the project. While we do not have any firm commitments of interest rates, some interest options proposed by Plumas Bank include a 5 year fixed rate of 6.5% that would adjust after 5 years at 1% over Plumas Bank Prime (August 11, 2009 at 5.5%), a fixed 7.5% interest rate for 10 years adjustable after that, and fixed rate loan at 8.5%. That has made it difficult to put forward a financial payment plan with any certainty. However, that also means that there are a lot of options that can be negotiated. Therefore when reading the numbers above in the tables, be aware that they are an example of what the cost per member per lot might be. It could be more, it could be less.

The Board wants to hear from the members on their preferences for payment. Please come to the annual meeting to discuss this important decision. The projects are necessary for fire projection and continued delivery of safe water at a standard water pressure.

**Squaw Valley Mutual Water Company
Board of Directors**

President Margot Garcia
Vice President David Mercer
Treasurer Alisa Adriani
Secretary Lynn Suter
Directors: Ken Bossung,
 Stephanie Pierucci,
 David Salinger
Operations Manager: John Collins
Office Managers: Cory & Anne-Marie Giese

For SVMWC call (530) 583-3674
Or visit our website: www.SVMWC.com

Newsletter Editor: Margot Garcia
mgarcia@vcu.edu
Comments and ideas for articles are always welcome.

Water Use

John Collins reported the following gallons of water pumped.

	2009	2008
April	1,709,000	1,942,000
May	3,580,000	3,715,000
June	5,452,000	5,638,000
July	6,819,090	6,627,000

We are using less water than last year. However, please practice good water conservation techniques in outdoor watering and indoor water use. Remember that watering during the middle of the day results in most of the water evaporating. Water early in the morning or the late afternoon or early evening. We need to be careful with our water, especially when we don't have as much storage as usual.

Squaw Valley Mutual Water Company
P.O. Box 2276
Olympic Valley, CA 96146-2276

**IMPORTANT FINANCIAL
INFORMATION ENCLOSED
PLEASE READ**