

PLWA Summary Treasurer's Report

FY 2021

January 1, 2021 thru November 30, 2021

John G. Romanski

Highlights

Polnell Landing Water Association Financial Report for the Period:			
01-01-2021 to 11-30-2021			
Fiscal Year 2021			
Account Balances at beginning of Period			
	CD 1 Balance	\$40,410.17	
	CD Total		\$40,410.17
	Beginning Checkbook Balance per Bank		\$32,296.78
	Total Bank Accounts Balance		\$72,706.95
	Items paid but not cleared from prior period		\$0.00
	Total available Funds		\$72,706.95
Description	Sub Categories	Description	Sub-Category Total
Operating Expense			
	CONTR	Contract Payment to system operator	\$3,850.00
	ELEC	Electricity+Fuel	\$883.65
	TESTRU	Routine testing & water quality Monitoring	\$365.00
	MNTLD	Mowing, landscaping expenses;	\$691.26
	INSUR	Insurance	\$2,014.00
	MNTXM	Transmission system maintenance: purging, flushing, etc., leak repair, & pipe location	\$5,260.13
	MNTPH	Routine maintenance of pump house and well equipent	\$250.00
	SLSTX	Seperately enumerated sales tax	\$584.05
	OTHER	other routine or short term operating expenses;	\$1,739.77
	Total Operating Expenses		\$15,637.86
		Total Expenses, all	\$15,637.86
Income received during period			
	DUES	Dues income; includes insurance & wat	\$7,990.00
	INTEREST	Interest on accounts	\$86.87
	HOOKUP FEES	Hookup & meter installation fees	\$0.00
	OTHER	other	\$0.00
	Total Income		\$8,076.87
		Total Income Less Total Expenses	-\$7,560.99
			-\$7,560.99
		Total available Funds at End of period	\$65,145.96
		Adjustment for Items paid, but not cleared by period end	\$0.00
		Bank Balances at End of Period	
	CD 1	\$40,491.86	
	CD Total	\$40,491.86	
	Check Book Balance, per Bank	\$24,654.10	
	Total, All Bank Accounts per bank statements		\$65,145.96
		Mismatch	\$0.00

- Changed reporting period to a Fiscal Year basis beginning Dec 1 and ending Nov 30
- Available Account Balances; FY start: **\$72,706.95** FY End: **\$65,145.96**
- There was an extraordinary expense of ~\$4900 for leak repair at the end of Polnell Shores Road. There was a similar, though less costly (~\$2700) to repair, incident in early 2019 at the same location
- Insurance cost keeps rising: 2019: \$1772. 2020: \$1854. 2021: \$2014.
- Additional annual costs associated with going to a group A system:
 - Monthly instead of quarterly testing: ~\$250
 - Sanitary Inspection: \$100 (~\$500 every 5 years)
 - Additional WA DOH permit: \$112
- Additional Annual cost of ~\$250 for generator preventive maintenance + approx. \$100 for fuel
- Emergency service at cost of \$665 due to low pressure during hot weather.
- Additional ~\$500 needed annually for Group A costs; ~\$350 for generator; Total \$850

	YEAR	FY 2021*	2020	2019	2018	2017	2016	
Description	Sub Categories	Description	Sub-Category Total					
Operating Expense								
	CONTR	Contract Payment to system operator	\$3,850.00	\$3,608.38	\$1,804.40	\$1,744.88	\$1,687.01	\$1,647.51
	ELEC	Electricity	\$883.65	\$1,308.54	\$822.30	\$917.06	\$816.08	\$723.48
	TESTRU	Routine testing & water quality Monitoring	\$365.00	\$376.00	\$218.00	\$234.00	\$294.00	\$60.00
	MNTLD	Mowing, landscaping expenses;	\$691.26	\$853.46	\$550.00	\$0.00	\$27.24	\$0.00
	INSUR	Insurance	\$2,014.00	\$1,851.00	\$1,772.00	\$1,682.00	\$1,670.00	\$1,629.00
	MNTXM	Transmission system maintenance: purging, flushing, etc.,leak repair, & pipe location	\$5,260.13	\$1,403.75	\$4,358.00	\$169.20	\$272.40	\$858.23
	MNTPH	Routine maintenance of pump house and well equipent	\$250.00	\$388.65	\$1,025.82	\$2,036.92	\$0.00	\$0.00
	SLSTX	Seperately enumerated sales tax other routine or short term operating expenses;	\$584.05	\$148.20	\$1,127.86	\$242.55	\$59.58	\$126.30
	OTHER		\$1,739.77	\$141.70	\$2,620.61	\$41.16	\$667.64	\$94.11
Total Operating Expenses			\$15,637.86	\$10,079.68	\$14,298.99	\$7,067.77	\$5,493.95	\$5,138.63
Capital Expense								
	PHEQP	Major repair, replacement, and/or addition to pumphouse equipment including pumps, piping between pups & resevoir, purifiers etc.	\$0.00	\$0.00	\$12,386.35	\$1,927.76	\$0.00	\$1,170.40
	DISTL	Major repair or replaceent to distribution lines	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	WELLS	Major repair or replacement to wells & below ground items (e.g screens, wiring)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	BLDNG	Major repair, addition and/or improvement to pump house building	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	RESVR	Major repair, addition and/or improvement to resevoir structure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	SLSTX	Seperately enumerated sales tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	OTHEX	Other capital expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Capital Expenses			\$0.00	\$0.00	\$12,386.35	\$1,927.76	\$0.00	\$1,170.40
Total Expenses, all			\$15,637.86	\$10,079.68	\$26,685.34	\$8,995.53	\$5,493.95	\$6,309.03
Income received during period								
	DUES	Dues income; includes insurance & water fees	\$7,990.00	\$12,615.00	\$11,125.00	\$8,389.83	\$9,057.59	\$8,468.61
	INTEREST	Interest on accounts	\$86.87	\$201.20	\$182.16	\$69.94	\$17.46	\$13.81
	HOOKUP FEES	Hookup & meter installation fees	\$0.00	\$10,446.08	\$17,706.45	\$0.00	\$8,840.00	\$0.00
	OTHER	other	\$0.00	\$0.00	\$0.00	\$0.00	\$53.20	\$0.00
Total Income			\$8,076.87	\$23,262.28	\$29,013.61	\$8,459.77	\$17,968.25	\$8,482.42
Total Income Less Total Expenses			-\$7,560.99	\$13,182.60	\$2,328.27	-\$535.76	\$12,474.30	\$2,173.39
Comments								
*2021: Changed to FY Basis; 11 months for 2021. Paid for a large leak repair in Jan.								
2020: Changed water system manager & went to group A status								
2019: There were 2 hookups, increasing revenue. Capitalexpenditures were entirely due to emergency generator installation.								

Year by Year Comparison

- Expenses have increased due to going to group A status.
- The trend is upward & expect more due to inflation
- Expenses can fluctuate dramatically due to single events such as leaks.
- Prior to FY2022, Income fluctuated depending upon when it was collected (Dec or Jan) & the number of new connections.
- Going to an FY basis and segregating capital from operating funds & expenses should reduce these swings.

FY 2022 Budget, Based on Current Income Levels & FY 2021 Expenses

Total Projected Income	10,840.00		Service & insurance fees less advance payments
<u>Estimated Operating Expenses</u>			
King Water Monthly Contract	4,200.00		12 Months @350 per month
Electricity & Fuel	1,100.00		2021 aactuals (5 payments) + Dec 2021 PSE payment + roundup
Testing	395.00		12 Months @\$30 per month+ \$35 for inorganic tests
Mowing & brush control	900.00		last year: ~700, no mowing around pump house
Insurance	2,175.00		last year's+\$150 increase based on trend
Maintenance of transmission system including flushing, leak repair etc.	2,950.00		\$1350; 3 year average not including major leak repairs \$250; allocation for reservoir cleaning not included in average \$1350; 20% of major leak repairs last 2 incidents
Maintenance of Pump House equipment: Pumps, filters etc	1,000.00		2019 & 2020 average plus \$250 generator maintenance in 2021
			\$128: 3 year average not including Tax on leak repairs, hookups & generator install.
Seperatly enumerated Sales tax	253.00		\$125: 20% of sales tax onmajor leak repairs; last 2 incidents
			\$175; 3 year core average (fees less connection costs)
Fees, permits, inspections	285.00		\$110; 20% of sanitary inspection fee+10% (New Group A cost)
Routine Operating Expenses, Subtotal	13,258.00		Use this to compare to income; assumes no inflation
After adjustment for inflation	14,053.48	0.06	FY 2022 Expense Estimate, adjusted for inflation
Operating Surplus/Deficit(-)	-3,213.48		
% of revenue	-30		

Deficits & What To Do About Them

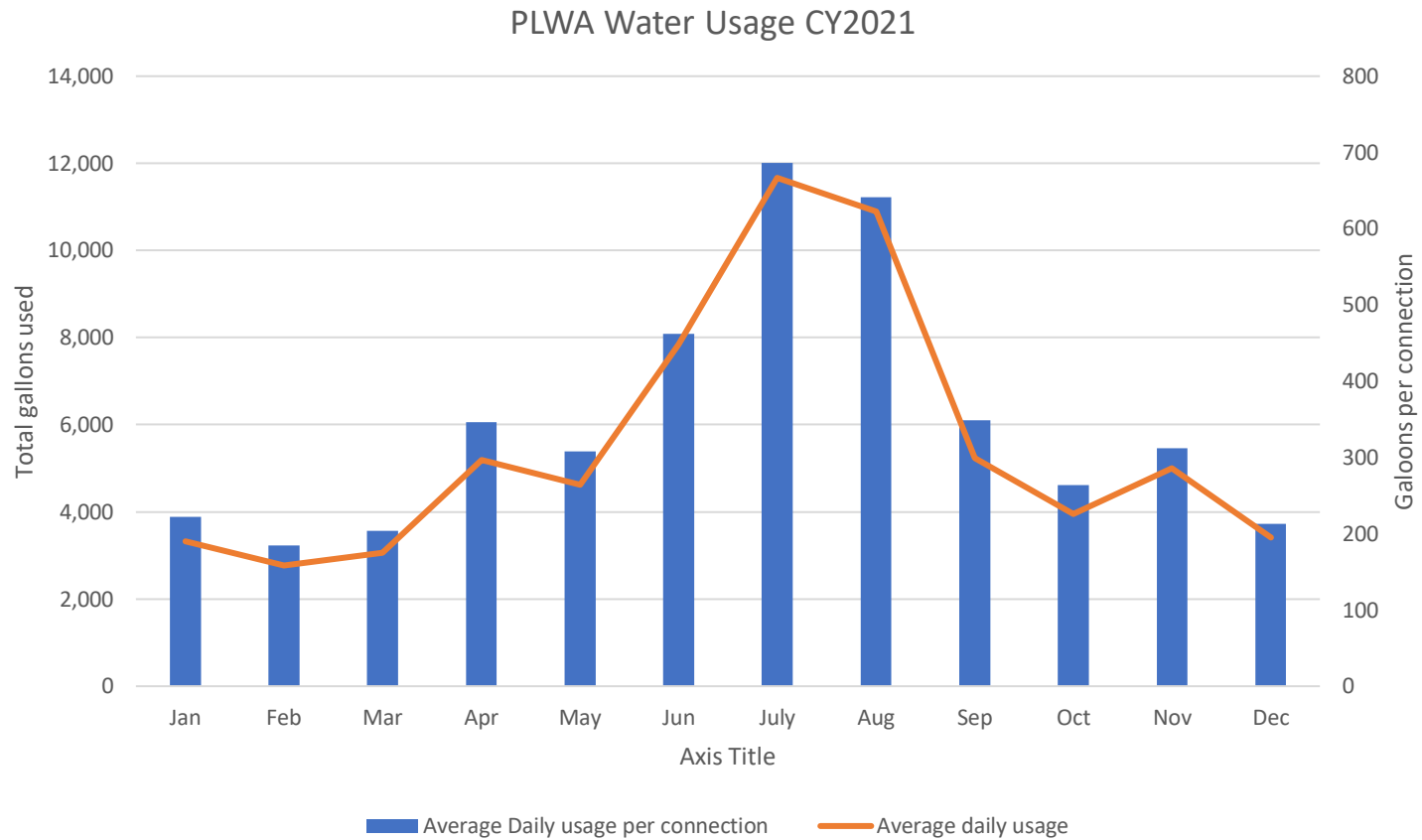
Dues Options	\$500 Svc, 80 Ins	\$650 service, \$100 Ins	\$700 service, \$100 Ins
Total Projected Income	10,840.00	14,170.00	15,120.00
<u>Estimated Operating Expenses</u>			
King Water Monthly Contract	4,200.00	4,200.00	4,200.00
Electricity & Fuel	1,100.00	1,100.00	1,100.00
Testing	395.00	395.00	395.00
Mowing & brush control	900.00	900.00	900.00
Insurance	2,175.00	2,175.00	2,175.00
Mauntenance of transmission system including flushing, leak repair etc.	2,950.00	2,950.00	2,950.00
Maintenance of Pump House equipment: Pumps, filters etc	1,000.00	1,000.00	1,000.00
Seperatly enumerated Sales tax	253.00	253.00	253.00
Fees, permits, inspections	285.00	285.00	285.00
Routine Operating Expenses, Subtotal	13,258.00	13,258.00	13,258.00
After adjustment for inflation	14,053.48	14,053.48	14,053.48
Operating Surplus/Deficit(-)	-3,213.48	116.52	1,066.52
% of revenue	-30	1	7

- Raise the insurance fee to \$100, for all lots. This will generate \$480 in additional revenue & put the insurance costs on a more even footing with revenue
- To Break Even, the water service fee would have to be raised to \$650 per year
- An Increase in the service fee to \$700 per year would provide ~ \$1000 cushion. Dues total would be \$800 per year for connected properties

Recommendations: Near Term

- Raise the Dues for those receiving water to \$400 semiannually, starting Jan 2022. This includes insurance. Raise the insurance fee to \$100 annually for those not drawing water. This would give us about a \$1000 cushion per year.
- Split our assets and costs, formally into an operating budget and capital reserve.
- Eliminate the requirement for a 1 year in advance dues payment for new connections.
 - Instead require pro-rated, by month, service dues for the remainder of the semi-annual period during which the connection is active.
- Establish a Capital Reserve fund, as of now. Initial funding would be \$58,000.
 - Fees for the remaining 4 connections, all CD interest & any special assessments would go into the capital reserve.
 - Note that under the bylaws, new connection fees are 15x the annual dues. These would increase from \$7500 to \$12,000.
 - The cost of new connections would be charged to the capital reserve.
 - Any major repairs, replacement of items over \$1000, replacement of items lasting more than 3 years would be considered capital expenditures.
- The treasurer would have discretion to make distinctions between capital & operating expenses.
- The operating & reserve funds would be adjusted annually to maintain ~50% of expenses or ~\$7500, whichever is more, in the operating fund

Cost of Water & Usage



- Average Daily Usage: 5580 gallons
 - 381 per connection
- FY2021 Cost: ~ \$83 per month per connection
- ~\$59 , not including extraordinary item

Metering and Other Delivery Issues.

- WA state requires that all connections be metered. It does not currently require reading of the meters although this could change at any time.
- The board will install approved meters on all connections and read them semiannually.
- Once a baseline usage is established, the board will explore alternative billing methods.
 - For example, all users would be given an allotments for their dues.
 - Exceeding the allotment would incur usage based billing.
 - Such a strategy should encourage water conservation.
- Homes with permanently installed irrigation systems & fire suppression systems will require a double check valve assembly at the meter head. The board will be sending out a questionnaire to the homeowners to determine if a property requires one.
 - The water Association, in conjunction with the homeowner, will have our contractor install the required assembly and bill the cost to the homeowner.
 - Note: This is a WA DOH requirement. Failure by the homeowner to install the appropriate valves will make the homeowner liable for any contamination to the system.

Filtration Plant Status



- Ozone generator was recently replaced. We have not had a problem with bacterial contamination
- Filtration media in mineral removal tanks is spent giving rise to high Manganese levels.
- This causes black sediments in system, requires frequent flushing and reservoir cleaning.
- Replacement of filter media requires removal of tanks and associated piping & controls. Tanks themselves need replacement
- Contractors will not perform the work without an engineering study, as per WA DOH requirements
- Process & Procedures are more stringent now than they were when the system was installed.

Capital Expenditures & Replacement



Near Term

- Filtration tanks, media & engineering: ~\$150,000
- Well pump: ~\$3,000 + installation.
- Pressure Booster pump motors: \$1100+ labor
- Pressure control tank, \$700 + labor
- Reservoir valve repair & replacement

Capital Replacement Plan to Include

- Near term needs as exemplified above.
- Cost for other pumphouse equipment: valves, storage tanks
- Cost of pumphouse building and reservoir
- Underground distribution mains (~ 1 mile)

Additional Projects

- Pump House Heater (Propane)
- Fittings for emergency water supply

Path Forward

- WA state Laws requires Group A systems to set up and maintain a formal “Capital Reserve Fund”. The intent is to maintain sufficient funds to replace the capital assets of the association on a thirty year cycle.
- We have reversed engineered a drawing of the pump house equipment & inventoried the major pieces.
- We have joined Whidbey Island Water Systems Association which, along with WA DOH, provides resources: Spreadsheets, guidelines, technical information, etc.
- The board will develop a capital replacement plan and a funding strategy.
- We have ~ \$58,000 currently available for capital expenditures. We can expect another \$30,000 to \$48,000 in connection fees as the remaining lots in Cheleek are connected. When this might occur is unknown.
- Funding may require some combination of dues increases, special assessments, and/or a capital replacement fee assessed to all members, connected or not.