

**El Creston Mutual Domestic Water Consumers Association**  
**January 14, 2016 Board Meeting**  
49 Mirasol Road, Ojitos Frios Subdivision

1. Meeting was called to order at 7:02 p.m. with a quorum in attendance
2. Notices of meeting were posted and e-mailed
3. Motion made and seconded to approve the agenda with the addition of an item after 7a. (Crystal/Gene) Motion passed.
4. Motion made and seconded to approve the minutes from December 3, 2015. (Crystal/Gene) Motion passed.
5. Treasurer's report
  - a. See attached
  - b. 2015 Assessment Status - assessments are coming in.
  - c. Crystal suggested that we should get a phone for the driver, which could be passed on to future driver. This way, the number will stay the same. Motion made and seconded to approve getting a phone for the driver. (Gene/Crystal) Motion passed. Crystal will work on drafting a policy.
  - d. Vote on adoption of 2016 budget.
    - i. Jim Peters gave an overview of the 2016 budget. (See attached) We will be short \$1200 next year due to postponing well operations. May be able to obtain a short term loan to help cover the deficit.
    - ii. Motion made and seconded to approve the 2016 budget (Crystal/Gene). Motion passed.
6. Old Business
  - a. Nothing new to report on the El Creston-City of Las Vegas Discussions
7. New Business
  - a. Motion made and seconded to adopt the 2016 Open Meetings Act resolution. (Crystal/Gene). Motion passed.
  - b. Joe recommended that we renegotiate the easement lease with Crystal and Dave, since we will be drilling a second well further onto their property.
    - i. Motion made and seconded to renegotiate the easement lease with Crystal and Dave. (Gene/Crystal) Motion passed with 1 yes and 1 abstention.
    - ii. Motion made and seconded to authorize payment for last year's lease. (Gene/Crystal). Motion passed with 1 yes and 1 abstention.
  - c. Water System Phase I update
    - i. Well was plugged this week. An application for new well permit will be submitted, and drilling may start as early as next week. (Crystal had to leave at 7:55 and meeting continued as a committee)
  - d. Review of Current and planned funding applications (nothing new to report)
    - i. Water Trust Board:

- ii. Legislative Capital Outlay
  - iii. DWSRF
  - iv. USDA
  - v. We will not be applying for any funding until we have a system in place.
- e. Water Emergency update: Nothing new to report.
- f. Water hauling
- i. 15 deliveries in December.
  - ii. 142 deliveries in 2015.
  - iii. Certification status/inspection report. Will contact El Valle regarding a water operator.
- g. Membership drive update
- i. No new members.
  - ii. Newsletter authorized last month will be sent after fees are set.
8. Public Comment: None
9. Review action items
- a. Negotiate new lease payment
  - b. Schedule meeting to approve 4<sup>th</sup> quarter financial report
10. Next Meeting date: February 4<sup>th</sup>
11. Meeting adjourned at 8:00 p.m.

Respectfully submitted by Cheryl Zebrowski.

- 1) **Activity Summary** - As of 1/14/16, we have \$3,357.58 in Checking and \$7,161.74 in Savings with a combined Checking and savings total of \$10,519.32. This is an increase of \$1,698.76 from December 2015
- 2) **Deliveries-** Tomas Chavez was be paid for 12 deliveries and Ricardo Valenzuela was paid for 3 totaling 15 for the month of December 2015.
- 3) **City of Las Vegas-** \$203.42 for period dates 10-16-2015 to 11-15-2015 is due.
- 4) **Philadelphia Insurance-** \$813.00 is due on February 1, 2016
- 5) **Truck Loan-** Last payment is due February 16, 2016
- 6) **DFA Quarterly Loan Report-** Is due Jan 15, 2016
- 7) **Wells Fargo Credit Card** - \$85.88 was spent on QuickBooks/Intuit
- 8) **Truck Expenses-** \$95.00 Spent on fuel in December 2016. \$70.40 was spent at Hays Plumbing for tank parts.
- 9) **Driver Phone** - I would like to see about purchasing a cell phone and pay monthly fees to maintain a driver pre-paid cell phone.
- 10) **2016 Budget-** Presentation to be given by Jim Peters

## El Creston 2016 Budget Discussion Notes

- Joe, Crystal, and I met on Saturday to review the 2016 budget. I am not going over all the details, but will answer questions if you have them. The handout has the 2016 budget, the 2015 actual cash flows, and a line by line explanation of the budget assumptions. I will just hit the highlights of major issues.
- We start with a cash deficit of \$33,346.23 because of a minor timing issue. Crystal dated the check to Hayes in December, but made the deposit of the capital grant check in January and physically delivered the check to Hayes on the same day. The \$41,632.09 deposit is included in the 2016 budget, which wipes out the deficit. If we set aside that issue, you had \$8,285.86 in your accounts as of 1/1/16.
- Two items that were behind budget in 2015 will reverse in 2016 and are included in the budget.
  - ✓ No gross receipts tax was paid in 2015 because of reporting issues not yet resolved. These estimated payments are added to the expected 2016 gross receipts taxes in the 2016 budget.
  - ✓ Bills for assessments were sent out a little late and very few were received in 2015. The expected 2015 assessments from the bills that were sent out in December are included in the assessments for 2016 in addition to the assessments we expect to receive in 2016. Administration shows a small excess cash flow in 2016 because of this. However, we are no filing water rights transfers that we didn't much of in 2015.
- Water hauling assumes 150 loads and not major changes in our operations in 2016 except that we lowered the maintenance cost by \$500 from 2015 actual because we made major repairs on the truck in 2015 that should not be needed in 2016.
- The truck loan will be paid off in February and so the transfer to the loan reserve ends in 2016, eliminating \$14.27 per load charge to water hauling for the transfer to the debt service reserve. However, the transfer rate was incorrectly set to cover all of 2016 so we have to make two large transfers in January and February to have the cash to pay the last loan payment.
- The activity in the water system assumes we will start operation in October and the cash flows from those operations will start in November.
  - ✓ Revenues are based on 8 hook ups, 2 standby connections, and fill station sales equivalent to 80, 1,600 loads per year of additional sales over our water hauling needs.
  - ✓ We assume all water hauling water will be purchased at the fill station. The costs remain in the truck section, but the money is paid to our system and not the city.
  - ✓ Water hauling shows a small deficit for the year.
- The budgeted year end cash is a deficit of \$1,272.02. However, the larger problem is that you cash goes into a deficit in June due to the WTB payment. The deficit increases in July due to the workman's comp payment and only gradually reduces beginning in November when the system starts to generate revenues. In order eliminate these deficits, we need to get a waiver from the WTB payment and a grant for the audit. Otherwise, we will need to make some changes like raising water hauling rates or assessments to cover the deficits.

<b>El Creston Mutual Domestic Water Consumers Association</b>		
<b>2016 Budget</b>		
	<b>2016 Budget</b>	<b>2015 Actual</b>
<b>Beginning Cash</b>		
Truck loan reserve	\$ 2,210.54	\$ 4,170.00
Water hauling operating reserve	2,374.00	2,374.00
System operating reserve	-	
Unreserved	<u>(37,930.77)</u>	<u>5,337.56</u>
<b>Total Beginning Cash</b>	<b>(33,346.23)</b>	<b>11,881.56</b>
<b>Administration</b>		
<b>Revenues</b>		
New Memberships	500.00	
Assessments	2,448.00	840.00
Donations	100.00	
Interest and miscellaneous	<u>3.00</u>	<u>2.55</u>
<b>Total Admin Revenues</b>	<b>3,051.00</b>	<b>842.55</b>
<b>Expenses</b>		
Supplies and administrative expenses	177.00	171.55
Filing fees	420.00	210.51
D & O Insurance	823.00	799.00
Accounting	858.00	858.20
Website	<u>139.00</u>	<u>138.86</u>
<b>Total Admin Expenses</b>	<b><u>2,417.00</u></b>	<b><u>2,178.12</u></b>
<i>Net Administrative</i>	634.00	(1,335.57)
<b>Water Hauling</b>		
<b>Revenues</b>		
Hauling fees	12,900.00	12,866.00
Water charges	<u>3,600.00</u>	<u>3,504.00</u>
<b>Total Water Hauling Revenues</b>	<b>16,500.00</b>	<b>16,370.00</b>
<b>Expenses</b>		
Water costs	3,579.00	3,672.99
Driver gross wages	5,250.00	4,797.45
Driver payroll taxes	506.63	815.78
Gas	1,705.09	1,614.15
Maintenance	1,021.00	1,521.21
Truck licensing	49.00	49.05
Insurance - truck liability	479.00	465.00
Insurance - workman's comp	1,000.00	902.00
Gross receipts tax	1,288.00	
Advertising	400.00	
Transfer to loan reserve	<u>1,789.46</u>	<u>2,040.54</u>
<b>Total Operating Expenses</b>	<b><u>17,067.17</u></b>	<b><u>15,878.17</u></b>
<i>Net Water Hauling</i>	(567.17)	491.83

<b>El Creston Mutual Domestic Water Consumers Association</b>		
<b>2016 Budget</b>		
	<b>2016 Budget</b>	<b>2015 Actual</b>
<b><i>System Revenues and Expenses</i></b>		
<b>Revenues</b>		
Water hauling water sales	620.36	
Additional stand pipe sales	320.00	
Connection revenues	1,120.00	
Standby assessments	40.00	
Capital Grants	<u>51,632.09</u>	<u>20,367.91</u>
<b>Total System Revenues</b>	<b>53,732.45</b>	<b>20,367.91</b>
<b>Expenses</b>		
Electrical costs	465.85	
Accounting and administrative	334.00	
Advertising	400.00	
Audit fees	1,070.00	
Gross receipts tax	103.02	
Easement leases	900.00	
Water operator	583.00	
System Planning Loan	532.12	532.38
WTB #1 loan payment	5,126.54	260.12
Capital expenditures.	10,000.00	62,000.00
Transfer to system operating reserve	<u>174.33</u>	<u>-</u>
<b>Total Operating Expenses</b>	<b><u>19,688.85</u></b>	<b><u>62,792.50</u></b>
<b><i>Net System Cash Flows</i></b>	<b>34,043.60</b>	<b>(42,424.59)</b>
<b><i>Restricted Revenues and Expenses</i></b>		
Transfers to reserves	1,963.79	2,040.54
Truck loan proceeds and (payments)	<u>(4,000.00)</u>	<u>(4,000.00)</u>
<b><i>Net Restricted Cash Flows</i></b>	<b><u>(2,036.21)</u></b>	<b><u>(1,959.46)</u></b>
<b><i>Net Cash Flows</i></b>	<b>32,074.21</b>	<b>(45,227.79)</b>
<b>Ending Cash Balance</b>		
Water hauling operating reserve	2,374.00	2,374.00
Truck loan reserve	-	2,210.54
System operating reserve	174.33	-
Unreserved	<u>(3,820.35)</u>	<u>(37,930.77)</u>
<b>Total Ending Cash Balance</b>	<b><u>\$ (1,272.02)</u></b>	<b><u>\$ (33,346.23)</u></b>



**El Creston Mutual Domestic Water Consumers' Association  
Budget Assumptions for 2016 Budget**

**Beginning cash** and the reserve breakdown are 2015 ending actual numbers.

**General Administration**

**Revenues**

**New memberships** - Estimated at 10 new members at \$50 per new membership.

**General Membership Assessments** - \$60 per year for all members not hooked up to the system or being charged a standby charge with an 80% collection rate. The budget assumes 51 such members, 8 connected members, and 2 standby in October for a total of 61 members. Since the assessments are billed just prior to October, I assumed the 8 hook ups and 2 standby customers would not be billed for general assessments and so this total for the year is for 51 members.

**Donations** - Estimated at \$100 per year.

**Interest** - I estimated based on 2015 actual.

**Expenses**

**Supplies and expenses** - I used 2015 actual but increased it 3% for inflation.

**Filing fees** - \$21 per 20 members. Number of members based on planned filings.

**D & O Insurance** - Based on 2015 actual of \$799, inflated by 3%.

**Accounting** - I used 2015 actual costs.

**Website** - I used 2015 actual.

**Miscellaneous** - Based on 2014 actual and then inflated 3% per year.

**Water Hauling**

**Revenues**

**Hauling fees** - \$86 per load. 150 loads per year. This is the same as 2015 budget.

**Water Charges** - \$24 per load and 150 loads. No change from 2015 budget.

**Expenses**

**Water Costs** - \$23.86 per load. Does not include inflation because the City doesn't seem to adjust its rates very often.

**Drivers' Gross Wages** - \$35 per load.

**Driver Payroll taxes** - This is the combination of:

- **FICA and Medicare** - The current combined employer rate is 7.65%.
- **Unemployment** - The starter rate for new businesses is 2% for the first two years. After that, the rate is adjusted for the number of approved unemployment claims filed against us.

**Gas**- I estimated this based on the cost per load from 2015. However, once the fill station is available, the cost per load should drop to about half the cost experienced in 2015.

**Maintenance** - I used 2015 actual but reduced it by \$500 because we have some large repairs in 2015 costing a little over \$1,000 that should not recur in 2016.

**Truck licensing fees** - Based on 2015 actual.

**Insurance - Truck liability** - based on 2015 inflated by 3%.

**Workman's comp** - Estimated at \$1,000, which is 2015 adjusted for expected changes in rate.

**Gross Receipts Tax** - 5% of delivery charges.

**Advertising** - \$400 budgeted for water hauling. This is a little over half the total budget for 2015 but the water system will incur \$400 as well.

**Transfer to loan reserve** - I transferred enough bring the loan reserve up to an amount that would cover the last loan payment in February.

**Transfer to operating reserve** - Transfer terminated in 2014. Current operating reserve balance is adequate.

### **Water System**

(Assumes we start production in October 2016).

#### **Revenues**

**Water hauling water sales**- The \$23.86 per load starting in November and based on the monthly estimates for November and December.

**Additional stand pipe sales** - \$0.015 per gallon times 32,000 gallons for the last two months. We had budgeted 128,000 per year in prior budgets, which is the equivalent of 80, 1,600 gallon loads per year in addition to our water hauling deliveries. I just used 16.7% of that estimate.

**Connection revenues** - \$70 per month for 8 hookups for two months.



**Standby assessments** - \$120 per year for two members who live along an installed main water line. I divided this by 6 for two months.

**Hook up charges** - Member who hook up to the system at the time construction is completed will not pay a hook up charge as the cost of putting in their meters is built into the funding applications.

### Expenses

**Electrical costs** - I used a \$0.00367 per gallon estimate we received from Ramon a while back time the total gallons we expect to deliver to the water hauling operation, connections, and fill station outside sales.

**Accounting and administration** - \$167 per month for the last two months based on old cost estimate from El Valle.

**Audit fees** - \$1,070 from Board approved bid.

**Gross receipts tax** - 5% of total water sales (stand pipe, connection, and water hauling).

**Easement leases** - \$600 per year beginning in 2016 plus \$300 for 2015 not yet paid.

**Water operator** - \$3,500 per year base on Ramon's estimate prorated for 2 months.

**System planning loan** - Based on the repayment schedule for the \$10,000 loan.

**WTB #1 loan payments** - Based on the repayment schedule for the \$99,885 construction loan associated with Phase 2.

**Transfer to system operating reserve** - 8.3% of revenues excluding capital grants based on cash availability, but the full 25% reserve will be accumulated by the end of 2019.