

**El Creston Mutual Domestic Water Consumers Organization**

Thursday August 17, 2017

Special Board meeting

49 Mira Sol Drive, Ojitos Frios Ranches Subdivision

In attendance: Gene Solyntjes, Crystal Gallegos, Cheryl Zebrowski, Anna Aragon , Jim Peters

- 1 Meeting was called to order at 7:05 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. (Crystal/Anna) Motion passed.
- 4 Discussion of budget and finances
  - a Jim gave an overview of the 2017 Budget and proposed 2018 Budget. See attached.
  - b The board discussed some of the assumptions made.
  - c Need to hire an accountant soon to straighten out issues with the IRS.
  - d We need to meet with El Valle to discuss what all of their services will include and what their charges will be.
  - e The bottom line is that El Creston will be operating in the black this year, despite some unexpected expenses.
- 5 Proposed solutions to financial issues
  - a Since we are breaking even, we do not need to propose raising any fees at this time.
- 6 Meeting adjourned at 8:40 p.m.

<b>El Creston Mutual Domestic Water Consumers Association</b>			
	<b>Actual as of 6/30</b>	<b>2017 Budget until 12/31</b>	<b>2018 Budget</b>
<b>Beginning Cash</b>			
Water hauling operating reserve	\$ 2,374.00	\$ 2,374.00	\$ 2,374.00
System operating reserve	-	-	-
WTB Loan reserve	-	-	-
Unreserved	5,362.81	4,510.64	2,168.09
<b>Total Beginning Cash</b>	7,736.81	6,884.64	4,542.09
<b>Water System</b>			
<b>Revenues</b>			
Assessments	600.00	2,448.00	2,784.00
Connection revenues	25,379.72	2,100.00	12,600.00
Capital grants			
Donations	-	50.00	100.00
Gross receipts tax	-	105.00	630.00
Interest and miscellaneous	0.55	-	-
New hookup charges	-		1,500.00
New Memberships	-		1,500.00
Standby charges	-	30.06	180.00
Water hauling water sales	-	548.78	2,400.00
<b>Total System Revenues</b>	25,980.27	5,281.84	21,694.00
<b>Expenses</b>			
Accounting	424.47	517.50	1,035.00
Audit fees	-	-	1,245.00
Capital expenditures	25,379.29		
D & O Insurance	564.00		564.00
Easement leases	-	600.00	600.00
Electrical costs	77.10	701.40	4,200.00
Filing fees	-		25.00
Gross receipts tax	-	105.00	630.00
Legal and professional fees	494.88	1,500.00	400.00
Mileage reimbursement	-	33.33	200.00
Miscellaneous	22.50		
NM One-call	-	200.00	200.00
Operation and maintenance		166.67	1,000.00
Operator/meter reading	-	366.67	2,200.00
Sampling and testing	-	41.67	250.00
Supplies and administrative expenses	62.00	62.00	124.00
System Planning Loan	-	532.00	532.00
Transfer to system operating reserve	-		1,518.58
Transfer to loan reserve	-		1,000.00
Website	175.37		175.37
WTB #1 loan payment	-	225.32	5,127.00
<b>Total System Expenses</b>	27,199.61	5,051.56	21,025.95
<b>Net System</b>	(1,219.34)	230.28	668.05

<b>El Creston Mutual Domestic Water Consumers Association</b>			
	<b>Actual as of 6/30</b>	<b>2017 Budget until 12/31</b>	<b>2018 Budget</b>
<b>Water Hauling</b>			
<b>Revenues</b>			
Hauling fees	3,814.00	3,840.00	9,600.00
Water charges	<u>1,056.00</u>	<u>960.00</u>	<u>2,400.00</u>
<b>Total Water Hauling Revenues</b>	<b>4,870.00</b>	<b>4,800.00</b>	<b>12,000.00</b>
<b>Expenses</b>			
Accounting	282.98	345.00	690.00
Cell phone	195.12	195.12	390.24
Driver gross wages	1,710.00	1,400.00	3,500.00
Driver payroll taxes	132.22	135.10	337.75
Gas	498.34	250.80	440.00
Gross receipts tax	-	2,192.00	480.00
Insurance - truck liability	(11.00)	474.00	474.00
Insurance - workman's comp	-	846.00	849.00
Maintenance	768.64	531.36	1,300.00
Transfer to operating reserve	-	-	-
Truck license	-	49.05	49.05
Water costs	<u>926.53</u>	<u>954.40</u>	<u>2,386.00</u>
<b>Total Operating Expenses</b>	<b><u>4,502.83</u></b>	<b><u>7,372.83</u></b>	<b><u>10,896.04</u></b>
<b>Net Water Hauling</b>	<b>367.17</b>	<b>(2,572.83)</b>	<b>1,103.96</b>
<b>Restricted Revenues and Expenses</b>			
Transfers to reserves	<u>-</u>	<u>-</u>	<u>2,518.58</u>
<b>Net Restricted Cash Flows</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,518.58</u></b>
<b>Net Cash Flows</b>	<b>(852.17)</b>	<b>(2,342.55)</b>	<b>4,290.59</b>
<b>Ending Cash Balance</b>			
Water hauling operating reserve	2,374.00	2,374.00	2,374.00
System operating reserve	-	-	1,518.58
WTB loan reserve	-	-	1,000.00
Unreserved	<u>4,510.64</u>	<u>2,168.09</u>	<u>3,940.10</u>
<b>Total Ending Cash Balance</b>	<b><u>\$ 6,884.64</u></b>	<b><u>4,542.09</u></b>	<b><u>8,832.68</u></b>
<b>Debt Service Ratio without Water Hauling</b>			<b>1.56</b>

**El Creston Mutual Domestic Water Consumers' Association  
Budget Assumptions for 2017 Budget**

**Major Assumptions**

- Beginning cash is the actual ending balance as of 6/30/17.
- The system is fully operational and billing all customers as of October 1st.
- 14 connections paying \$75 per month and one standby paying \$15 per month.
- Two new members at \$100.
- Expected water hauling loads reduce based on current year-to-date experience. Gas costs per trip cut in half as of 10/1 due to shorter delivery trips.
- No transfers to reserves for the balance of the year due to cash shortages.
- I reduced the number of total loads per year from 133 to 100 because of the shortfall in loads so far this year.

**Water System**

*Assumes water deliveries start October 1st with all expected hook ups on line at that point. Unless otherwise altered, all budgeted amounts are from the 2017 for the last six months of the year.*

**Revenues**

**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 (five new during the remaining 6 months), 14 connected members, and 1 standby in Oct for a total of 66 members. Since the assessments are billed just prior to October, I assumed the 14 hook ups and 1 standby customer would not be billed for general assessments and so this total for the year is for 51 members.

**Capital Grants** - I didn't include any at this point.

**Connection revenues** - \$75 per month for 14 hookups for two months. Billing lags delivery of water by one month.

**Donations** - Estimated at \$100 per year of 50 for six months.

**Gross receipts tax** - 5% charged on connection charges.

**Interest and miscellaneous** - Set to zero since 2017 year to date is less than \$1.

**New hook up charges** - None for the balance of 2017.

**New memberships** - Estimated at 5 new members at \$100 per new membership and one at \$1,000.

**Standby assessments** - \$15 per month for one member who lives along an installed main water line for two months.

**Water hauling water sales**- \$24 per load starting in October and based on the monthly estimate for the number of water hauling trips for the balance of the year.

### Expenses

**Accounting**- This is an estimate of what El Valle will charge for the year, to include covering water hauling accounting. I then distributed it 40% to water hauling and 60% to the system. I assume that they charge will be close to what we pay now for QuickBooks. I cut the total in half for the remaining six months.

**Audit fees** - None for the rest of 2017

**Capital Expenditures** - Assume none for 2017.

**D & O Insurance** - Based on 2016 actual of \$813.

**Easement leases** - \$600 per year for the well and tank site. None paid so far this year.

**Electrical costs** - I used the \$3,000 estimate from Ramon's rate calculations for 10 connections. However, because this budget is based on 14, I used a rate of \$300 per connection. This amount was then prorated for 2 months in 2017 assuming a one-month delay in billing.

**Filing fees** - None for 2017 since we only file the water rights transfers when people are about to hook up and all those have been filed.

**Gross receipts tax** - 5% of connection charges.

**Legal and professional fees** - I assumed \$500 more this year for ongoing litigation and \$1,000 to clean up tax filing issues.

**Mileage reimbursement** - Estimate based on RCAC estimate of \$200 per year. Cost of reimbursing water operation and quality tester's travel costs. I assumed two months.

**Miscellaneous** - Not included because the year to date actual was small.

**NM OneCall** - Based on RCAC estimate of \$200 per year. Required contribution to centralized utility location service. I assumed this was an annual fee and didn't pro rate for 2 months.

**Operation and maintenance** - Based on RCAC estimate of \$1,000 per year. This line item covers basic operations and routine maintenance of the system. I prorated this for two months.

**Operator/meter reading** - Based on RCAC estimate of \$2,200 per year. This line item covers the cost of the Certified Water Operator and meter reading. I prorated for 2 months.

**Sampling and testing** - Based on RCAC estimate of \$250 per year. Cost of monthly sampling and testing of water quality. I prorated for 2 months.

**Supplies and administrative expenses** - I used 2017 year to date actual for remaining 6 months.

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

**Transfer to system operating reserve** - Set to zero due to cash availability and short period of operations.

**Transfer to loan reserves** - Set to zero due to cash availability.

**Website** - Set to zero since it appears to have been paid for 2017.

**WTB #1 loan payments** - Set to zero since it was waived. Only include the administrative costs.

### **Water Hauling**

#### **Revenues**

**Hauling fees** - \$96 per load. I reduced the total expected for the year to 100 per my comments above and then used the 2017 distribution of loads over the remaining months to estimate remaining load revenues.

**Water Charges** - \$24 per load and 100 loads.

#### **Expenses**

**Accounting** - 40% of total costs.

**Cell Phone** - Double 2017 six month year to date costs.

**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 using the average gas costs per load in 2016. Then, I cut it in half per load for 9 months because the hauling will be done from the fill station.

**Gross Receipts Tax** - 5% of estimated delivery charges for the balance of the year plus an estimated \$2,000 for two years of unpaid taxes.

**Insurance - Truck liability** - Amount paid in July.

**Insurance - Workman's comp** - based on 2016 actual. No payment made so far in 2017.

**Maintenance** - I estimate at approximately half of what we have spent in 2016 for because there have been several major repairs that shouldn't reoccur in 2017 and then reduced this by the amount already spent in 2017.

**Transfer to operating reserve** - Estimated \$1,500 to transfer expected excess cash to reserves.

**Truck licensing fees** - Actual amount paid in July.

**Water Costs** - \$24 per load.

**El Creston Mutual Domestic Water Consumers' Association  
Budget Assumptions for 2018 Budget**

Key Assumptions

- Beginning cash is the budgeted ending balance for 2017.
- The system is fully operational and billing all customers during the year.
- 14 connections paying \$75 per month and one standby paying \$15 per month.
- One new member at \$1,000 and five at \$100.
- Same number of loads and prices for water hauling, but a reduction in gas due to shorter delivery trips.
- I reduced the number of total loads per year from 133 to 100 because of the shortfall in loads so far this year.

Water System

Revenues

**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 58 such members (five new regular members and one new within the construction zone), 14 connected members, and 1 standby in Oct for a total of 73 members.

**Capital Grants** - I didn't include any at this point.

**Connection revenues** - \$75 per month for 14 hookups.

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

**Gross receipts tax** - 5% charged on connection charges.

**Interest and miscellaneous** - Set to zero since 2017 year to date is less than \$1.

**New hook up charges** - Assumes the one new member in the construction area also hooks up to the system with a \$1,500 hookup fee.

**New memberships** - Estimated at 5 new members at \$100 per new membership and one at \$1,000.

**Standby assessments** - \$15 per month for one member who lives along an installed main water line for nine months.

**Water hauling water sales**- The \$24 per load.



## **Expenses**

**Accounting-** This is an estimate of what El Valle will charge for the year, to include covering water hauling accounting. I then distributed it 40% to water hauling and 60% to the system. This will need to be corrected once we have the El Valle costs.

**Audit fees** - Estimated based on the current year audit fees with a small increase for inflation.

**Capital Expenditures** - Assume none for 2018.

**D & O Insurance** - Based on 2017 actual of \$564.

**Easement leases** - \$600 per year for the well and tank site.

**Electrical costs** - I used the \$3,000 estimate from Ramon's rate calculations for 10 connections. However, because this budget is based on 14, I used a rate of \$300 per connection. This amount was then prorated for 9 months in 2017.

**Filing fees** - Assumed on for \$25 in 2018 for one new hookup.

**Gross receipts tax** - 5% of connection charges.

**Legal and professional fees.** I assume that litigation will clear in 2017 and included \$400 per year going forward for professional filing of tax returns.

**Mileage reimbursement** - Estimate based on RCAC estimate of \$200 per year. Cost of reimbursing water operation and quality tester's travel costs.

**Miscellaneous** - Not included because the year to date actual was small.

**NM Onecall** - Based on RCAC estimate of \$200 per year. Required contribution to centralized utility location service.

**Operation and maintenance** - Bases on RCAC estimates\$1,000 per year. This line item covers basic operations and routine maintenance of the system.

**Operator/meter reading** - Based on RCAC estimate of \$2,200 per year. This line item covers the cost of the Certified Water Operator and meter reading.

**Sampling and testing** - Based on RCAC estimates. Cost of monthly sampling and testing of water quality. I assumed this was an annual contract and didn't pro rate for 9 months.

**Supplies and administrative expenses** - I doubled 2017 year to date actual.

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

**Transfer to system operating reserve** - 15% of revenues excluding capital grants based on cash availability. We should accumulate this until the balance has reached 25%.

**Transfer to loan reserves** - 20% of debt service payments rounded to an even \$1,000.

**Website** - I used 2017 actual.

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

### **Water Hauling**

#### **Revenues**

**Hauling fees** - \$96 per load, 100 loads.

**Water Charges** - \$24 per load and 100 loads.

#### **Expenses**

**Accounting** - 40% of total costs divided by two for six months left in the year.

**Cell Phone** - Used first six months actual for second half of the year.

**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** - Half the cost per load from 2016 times estimated loads for 2016.

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

**Insurance - Truck liability** - based on 2017 actual

**Insurance - Workman's comp** - based on 2016 actual.

**Maintenance** - I estimate at approximately half of what we have spent in 2016 because there have been several major repairs that shouldn't reoccur in 2017.

**Transfer to operating reserve** - Estimated \$1,500 to transfer expected excess cash to reserves.

**Truck licensing fees** - Based on 2017 actual.

**Water Costs** - \$24 per load.