

Water Committee

March 7, 2017

10:00 AM

Community Building

Meeting called by: Charles Smith

Type of meeting: Committee

Facilitator: Charles Smith

Note taker: Charles Smith

Timekeeper: Charles Smith

Attendees: Charles Smith, Kathy Deuster, Frank Harrison, Janet Podell, Andy Thompson, Gary Wanzong

Please read: N/A

Please bring: N/A

Note: Because of scheduling and weather challenges, the 07 February 2017 Water Committee Meeting was rescheduled for 21 February 2017. In addition, a meeting with a member of the finance committee was held on 25 February 2017 to help clarify budget and banking statements. These minutes also include the notes from the 07 March 2017 Water Committee Meeting. These meeting minutes reflect and include what was discussed.

Minutes

Agenda item: Water Department Finance

Presenter: Charles Smith

Discussion:

(Included from previous Meeting Minutes)

Continuing the Water Committee discussion on the finances for the Water Department.

The discussion included defining some terms which included:

Revenue – The money generated by the water billing process, fees and charges. This money may vary during the course of the fiscal year based on member water usage (tiers).

Expense – this money will generally be the same during the fiscal year. This money is based on wages, taxes and fees, and materials used for operating and maintaining the water distribution system. There may be variation in expenses if the water department takes on a larger project.

Reserve – this money is banked for the repair and replacement of the major infrastructure pieces needed to operate the water distribution system. The goal is to have enough monies available when needed – with the exception of catastrophic events. Catastrophes would require special attention.

See the Water Department Financial Policy for additional details.

The Water Committee will be looking at these elements of the Water Department finances with the goal of determining if there will need to be changes in the base fee, tier volumes or operational expenses.

Conclusions:

None at this time.

Action items

✓ None at this time.

Person responsible

Deadline

Action items

✓ None at this time

Person responsible

Deadline

Agenda item: Additional Notes on Water Department Finance

Presenter: Charles Smith

Discussion:

The Water Committee discussed several items related to the history of the financial status of the Water Department. The following are observations and comments:

- The Water Committee will do a line-by-line review of the current Water Department Budget and will recommend changes for the proposed fiscal year 2017-2018 budget. These will be presented and reviewed at the next Finance Committee Meeting 08 April 2017 after the HMC Board Meeting.
- The reserve funds that have been established for the Water Department are only to be used by the Water Department when necessary and are not available to others.
- Contributions to the Water Department Reserves will be reviewed by the Water Committee and Finance Committee during each fiscal year budget cycle to determine if the contribution is appropriate and necessary.
- Any increase/decrease or change in the Water Department budget will be reviewed and approved by the Water Committee.
- As listed in the proposed budget, the Reserve Fund will be shown as two parts: The required one year payment as directed by the USDA and the capital replacement portion of the Reserve.

Conclusions:

The Water Committee's goal is to be in compliance with the HMC Water Department Fiscal Policy (2013). If updates are needed for this fiscal policy, the Water Committee will present the changes to the HMC Management and HMC Board as appropriate for review and approval prior to executing.

Action items

Person responsible

Deadline

- ✓ None at this time.

Agenda item: Formula for Determination of Base Fee

Presenter: Charles Smith

Discussion:

The Water Committee discussed a few different methods for calculation of the base fee. The Water Committee feels that it is important to have a justifiable method for this calculation going forward so that the Membership is aware of how the fee is calculated each year.

When determining the base fee, it is taken into account that the Water Department has the goal of operating as a non-profit entity within the HMC finances. This means that the revenue generated should equal the expenses and the set aside for the reserves.

$$\text{Revenue} = \text{Expenses} + \text{Reserves}$$

Revenue is equal to the base fee paid by the membership plus the revenue generated by the usage fees (the tiers) plus any other fees or penalties collected by the Water Department.

$$\text{Revenue} = (\text{Base Fee} * \text{Number of Members}) + (\text{Usage and Other Fees})$$

If we substitute for Revenue in the first equation, we get:

$$(\text{Base Fee} * \text{Number of Members}) + (\text{Usage and other Fees}) = \text{Expenses} + \text{Reserves}$$

Doing the manipulation of the equation to get the Base Fee:

$$\text{Base Fee} = ((\text{Expenses} + \text{Reserves}) - (\text{Usage and other Fees})) / \text{Number of Members}$$

Using the amounts in the fiscal year budget, this would generate the Base Fee paid by each member per year. Dividing this number by 12 would give the Base Fee per month. Currently, the Base Fee is \$18.00 per month.

Conclusions:

Prior to the April meeting with the Finance Committee, the Water Committee will look through the history of the water billing and develop a spreadsheet that will calculate the Base Fee over time. This will then be compared to the current Base Fee to see if any adjustments will need to be made for the next fiscal year budget.

Action items

Person responsible

Deadline

- ✓ Base Fee calculations

Charles Smith

April 2017

Agenda Water Department Finance

Presenter: Charles Smith

Other Information

Observers:

N/A

Special notes:

The next meeting of the Water Committee is scheduled for 10:30 AM, 04 April 2017 in the Community Building.

04 April – 10:30 AM

09 May – 10:30 AM

06 June – 10:30 AM

Note: In general, Water Committee meetings will be held on the Tuesday prior to the HMC Board Meeting at 10:30 AM in the Community Building at Goodpastor Park. Any variations will be noted in these minutes and on the Herron Island Community Calendar.