

# Edelweiss Board of Directors Meeting July 21, 2011

## General Manager's Report:

### 1- Water Issues

#### **Water Efficiency Rule** – (Updated information).

Edelweiss, because it supplies more than 15 residential customers with drinking water, is included among the public water systems which are categorized as “municipal water suppliers.” As such we must comply with the Office of Drinking Water’s new ‘Water Use Efficiency’ (WUE) rule.

The following summarizes the rule:

- Publicly establish water savings goals for our customers.
- Evaluate or implement specific water saving measures to achieve customer-based goals.
- Develop a WUE planning program to support the established goals.
- Install and read meters on all customer connections by January 22, 2017.
- Achieve a standard of no more than 10% water loss.
- Report annually on progress towards achieving these goals.

The immediate effect on Edelweiss is that we (I) are now required to submit an efficiency report tallying the amount of water pumped from our wells (as determined from our source meters) and contrasting that figure with the amount of water actually delivered to the services in Edelweiss. This will give us the amount of water which is lost in the system.

Of course we have no way of determining how much water is delivered to the individual services because some services do not have meters and we don't read those that exist. However, in keeping with the spirit of the rule, prior to July 1, 2011, I submitted a report to the Office of Drinking Water (ODW) estimating the amount of loss (as expressed by a percentage) in order to show that we are *attempting* to fulfill our obligation. The estimation was explained to the ODW as follows: *“Because we are not metered, our data is approximate, based on the month of January 2010, a period of time when most part-time homeowners are not present and no irrigation is taking place. In January of 2010 out TP (volume of pumped water in gallons) averaged 13,000 gallons per day. Our approximate resident population was 100 persons. At an average of 100 gallons per day per person, our customer water use averaged 10,000 gallons per day. This represents a water loss of 3,000 gallons per day, or 23% water loss.”*

Going forward we will need to establish an efficiency plan as mentioned above. In the meantime, until we are at the point where we are fully metered, our best guess is the most we can provide.

**Water Outage** - Recently, we experienced an electrical problem with one of our well pumps, which resulted in the reservoir running dry. The upper part of Edelweiss lost water for a period of time before we got the pumps running again. This could be a health concern, due to the fact that when a part of the piping system loses pressure, there is the possibility, albeit slight, that ground water which could possibly be contaminated, could enter the pipes through unknown leaks in the system because of the negative pressure in the system. In the future, if we have a situation in which the reservoir runs dry, we will chlorinate the incoming water. This will mix with the water already in the system, thus eliminating any bacteria that may have entered the system and alleviating any health concerns.

**Notification of Water Outage** – Craig and I were unaware of the water outage until the morning after the reservoir began to run dry, with the result that the upper half of Edelweiss had no water by 6:00 AM. It has been suggested that we try and develop some sort of warning system that will notify management when an outage is imminent, but has not yet occurred. Because of the fact that my home is one of the highest in elevation, John Kirner and I have discussed the possibility of installing some sort of electronic pressure device on the frost-free hydrant in my yard. The device would sense a significant drop in pressure and might have a warning buzzer, light or some other means of warning which I could respond to before we lost water completely. Craig and I will do some research and report back with our findings.

**\* Recent Discovery – The Reason For the Water Outage** – The reservoir ran dry shortly after we switched well pumps from #1 well to #2 well. This switch is done at the beginning of each month in order that neither pump is overused. We became concerned that pump #2 had failed and that we might have to replace it. We switched back to pump #1 and the reservoir began to fill again. During a check of the pump system by Beaver Creek Well Services, it was discovered that we have a leak in the supply line from the well pump to the booster pump. There is enough leakage that pump #2 (which is 15+ years old) is not capable of delivering enough flow to overcome the leak, whereas pump #1 (only 4 years old) can deliver more water than is leaking. This morning (Tuesday-7/15) Doug Haas is beginning excavation with the hope of repairing the leak before days end. Once the leak is repaired we will switch to pump #2 to see if it will deliver the necessary output of water. If it does, we will have avoided, at least for now, the necessity of replacing it.

**Water Pressure along Trillium and Heather Roads - (Board Action Needed)**

We have determined that when it was constructed, the reservoir which supplies water to the upper section of Edelweiss was not positioned high enough to deliver adequate water pressure to a few of the lots along Trillium Road and Heather Road. The lots which are affected are 308, 309, 310, 311 and 71. In the fall of 2010 we consulted with Mike Pendergraft, field representative for Evergreen Rural Water of Washington, about this situation. He determined that in order to increase the pressure to the lots in question, we would need to install a central booster pump in the water line along Trillium Road. This would necessitate tapping into the main water line, building a small building to house the pump, running an electric line to the

building, and installing a heat supply. The *estimated* cost would be a minimum of \$15,000.00, not including the cost of maintaining the system.

Because we would be increasing the pressure along Trillium Road, we would be raising the pressure above a safe level to the services on Highland Road below. We would have to install at least two additional pressure reducing valves in the line in order to alleviate the increased pressure.

Finally, because the supply line to the reservoir is also the return line to the residences along Trillium Road and the upper part of Highland Road, the line would have to be isolated. This would entail installing an additional distribution line from the reservoir to the water main on Trillium. It's unclear what this would cost, but it would be \$20,000 to \$30,000 at a minimum.

I feel the simplest and least expensive solution to the problem is to supply a small booster pump system to each lot owner as they are building their home. We have an estimate from Beaver Creek Well services of about \$2500.00 for such a system, which would include a pump and a pressure-regulating tank and installation.

The advantages to this course of action are several.

- The expense to Edelweiss would not only be far less, but also would be sporadic, occurring only at the time of construction of the home. (An exception would be the home already in existence at lot #310, owned by Blair Howe).
- We will avoid an enormous, and unnecessary community expense.
- Once the homeowner has been supplied with the system, Edelweiss would have no further responsibility; all future maintenance and/or replacement would become the responsibility of the homeowner.

I have discussed with John Kirner the need for the Board to discuss this problem, and to establish a set of criteria to determine if a property owner who builds a residence on the upper side of Trillium Road should be provided with an individual booster pump in order to provide adequate water pressure to his/her home.

**2- Weed Control** – Having been certified as a ‘private commercial applicator’ by the Washington State department of Agriculture, I have been in the process of applying herbicide to Edelweiss common property. To date, this process is complete, however; I anticipate the necessity for further ‘touch-up’ application. The high population of noxious weeds, particularly knapweed and white-top present is an indication that past treatment was not as effective as it could have been, and that internal (EMC) control of herbicide application will be beneficial, as we do not have to rely on an outside contractor for the work. Based on my observations regarding the density of noxious weeds, we have a somewhat uphill battle to control them, but now we have the resources to do so ourselves.

**3- Roads** – The restoration of Mustard Mountain Road, Ayers Court and Blue Grouse Lane was completed in May with very satisfactory result. In addition, I authorized Mike McHugh to dig a ditch along the lower part of East Fawn Creek Road, install a drainpipe at the lower end of the ditch to lead under Mustard Mountain Road and to lay gravel at

the intersection of East Fawn Creek Road and Highland Meadow Road. All this is intended to prevent the constant erosion of the intersection. This work has also been completed with good result.

The application of lignin was completed on Homestead, Highland and Cassal Roads. It was decided to skip the stretch of Highland Road along which there are no homes, in favor of the upper part of Highland where there are homes. The lignin result along Highland Road was very good, whereas, because there was a lighter application on Homestead Road, some of the surface is already becoming dusty. Craig and I have approved a re-application along the areas where needed. Cascade concrete has agreed to do the application at their cost – approximately \$1600.00.

#### **4- Late-Paying Property Owners – (Board Action Needed)**

Largely as a result of financial hardship resulting from the current economy, a small minority of Edelweiss property owners are having difficulty in paying their Edelweiss fees. I have been fairly lenient with those people who have acknowledged requests for payment and are making an effort to pay, if only on an installment basis. For those people the only penalty imposed so far has been accumulating interest at 1% per month.

In contrast, a very few property owners who are in arrears have ignored all requests for payment. And when I was able to reach one of them - Thomas Destefano who owns #41 Bitterbrush, and who owes \$870.21, I was met with anger, hostility and insult – words to the effect that the charges are “ridiculous” and “you’ll get your money when I sell my cabin!” There were additional words from Mr. Destefano which do not bear repeating.

The vast majority of our property owners pay their bills in a timely fashion and are cognizant of the fact that EMC needs the income to keep our community running smoothly. In fairness to them I feel that we should react to, 1- a property owner ignoring payment requests, or 2- outright refusal to pay, by placing a lien on his/her property and shutting off water, if applicable.

In addition, a monthly \$25.00 late fee which was imposed as a one-time measure in late September 2010 and again on March 31, 2011, might serve to provide an impetus toward Edelweiss fee payment. The water shut-off possibility was suggested, but not approved by the Board at the March 22, 2009 meeting.

As letters of collection seem to have little effect on a few of the property owners who are in arrears, I would very much appreciate Board discussion and guidance with regard to these chronically late payers.

**5- Financials** - Included below is the year to date P&L for the first half of 2011 (January March 31, 2011 compared with the approved budget.. Some figures are somewhat skewed by the fact that quite a few owner’s checks that have been received were not yet logged in by June 30<sup>th</sup>. Also, some invoices that arrived in June were not paid until July.

As of this date, our receivables are slightly less than \$11,000.00. Most of this represents late arriving checks. I expect most of those monies will be paid or promised by August

2011 (with the possible exception of the individual named above). Only \$1703.04, owed by J. Brett Rutherford is uncollectable until and if his property, Lot #469, sells or goes to tax auction. Edelweiss placed a lien on his property in early 2009 so we are covered in the case of any sort of sale. Taxes have not been paid on the property since October 2009.

**6- Accounts** – As of 06/30/2011, our ING Accounts stood at:

General: \$155,148.31

Water: \$6,325.62

Sewer: \$195,269.79

Our Farmers checking account balance as of 07/05/2011 was \$18,499.85.

**7- Financials – Year-to-date income/expense vs. actual budget for 2011**

	<u>Jan 1 - Jul 10, 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
<b>Annual Dues and Maint Fees</b>				
<b>85% Water Use Fees</b>	34,506.03	34,858.50	-352.47	98.99%
<b>Annual Dues</b>	108,136.90	112,476.00	-4,339.10	96.14%
<b>Branch Chipping</b>	0.00	0.00	0.00	0.0%
<b>Building Fees</b>	3,600.00	3,600.00	0.00	100.0%
<b>Building Fees - Road Fund</b>	6,000.00	6,000.00	0.00	100.0%
<b>Campground Annual Dues</b>	4,752.00	4,950.00	-198.00	96.0%
<b>Garbage</b>	12,163.69	13,713.00	-1,549.31	88.7%
<b>Recycling</b>	18.29	0.00	18.29	100.0%
<b>Sewer Hook-up Fee</b>	0.00	0.00	0.00	0.0%
<b>Snowplowing</b>	34,387.53	42,000.00	-7,612.47	81.88%
<b>Annual Dues and Maint Fees - Other</b>	0.00	0.00	0.00	0.0%
<b>Total Annual Dues and Maint Fees</b>	<u>203,564.44</u>	<u>217,597.50</u>	<u>-14,033.06</u>	<u>93.55%</u>
<b>Other Ordinary Income</b>				
<b>Collection Fees A/R</b>	0.00	175.00	-175.00	0.0%
<b>Conservancy Easement</b>	0.00	0.00	0.00	0.0%
<b>Facility Keys</b>	0.00	75.00	-75.00	0.0%
<b>Finance Charge</b>	107.49	500.00	-392.51	21.5%
<b>Interest - Water System Acct.</b>	0.00	0.00	0.00	0.0%
<b>L&amp;I Dividends</b>	0.00	0.00	0.00	0.0%
<b>Late Fees</b>	235.21	325.00	-89.79	72.37%
<b>Laundromat</b>	0.00	115.00	-115.00	0.0%
<b>Newsletter Advertising</b>	0.00	0.00	0.00	0.0%
<b>Refunds</b>	0.00	0.00	0.00	0.0%
<b>Ski Trail Income</b>	0.00	0.00	0.00	0.0%
<b>USFS Firewise Grant</b>	0.00	0.00	0.00	0.0%
<b>Water Meters</b>	0.00	1,050.00	-1,050.00	0.0%
<b>Water System New Home Hook Ups</b>	0.00	0.00	0.00	0.0%
<b>Water System Repair</b>	0.00	0.00	0.00	0.0%

Other Ordinary Income - Other	0.00	0.00	0.00	0.0%
<b>Total Other Ordinary Income</b>	<b>342.70</b>	<b>2,240.00</b>	<b>-1,897.30</b>	<b>15.3%</b>
<b>Total Income</b>	<b>203,907.14</b>	<b>219,837.50</b>	<b>-15,930.36</b>	<b>92.75%</b>
<b>Expense</b>				
<b>Admin &amp; Office Expenses</b>				
Accounting	2,900.00	7,000.00	-4,100.00	41.43%
<b>Bank Fees</b>				
Interest	0.00	0.00	0.00	0.0%
Loan Fees	0.00	0.00	0.00	0.0%
Bank Fees - Other	0.00	0.00	0.00	0.0%
<b>Total Bank Fees</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
Collection Fees	0.00	125.00	-125.00	0.0%
CPA Audit	0.00	0.00	0.00	0.0%
Legal Services	0.00	0.00	0.00	0.0%
Meeting Expense	51.81	300.00	-248.19	17.27%
Newsletter	88.00	100.00	-12.00	88.0%
Office Supplies	107.66	500.00	-392.34	21.53%
Postage	507.08	650.00	-142.92	78.01%
Security - Keys & Locks	4.29	100.00	-95.71	4.29%
Website/Internet	146.00	100.00	46.00	146.0%
Admin & Office Expenses - Other	0.00	0.00	0.00	0.0%
<b>Total Admin &amp; Office Expenses</b>	<b>3,804.84</b>	<b>8,875.00</b>	<b>-5,070.16</b>	<b>42.87%</b>
Bad Debts	0.00	0.00	0.00	0.0%
<b>Campground Expense</b>				
Campground - Electric Utilities	1,180.98	1,000.00	180.98	118.1%
Campground Cleaning	206.16	750.00	-543.84	27.49%
Campground Complex Improvements	225.68	500.00	-274.32	45.14%
Campground, water system, R&M	3,732.88	500.00	3,232.88	746.58%
Campground Expense - Other	0.00	0.00	0.00	0.0%
<b>Total Campground Expense</b>	<b>5,345.70</b>	<b>2,750.00</b>	<b>2,595.70</b>	<b>194.39%</b>
<b>Community Programs</b>				
Branch Chipping Expense	0.00	0.00	0.00	0.0%
Ski Trail Expenses	0.00	0.00	0.00	0.0%
Trailblazer Expenses	0.00	0.00	0.00	0.0%
USFS "Firewise" Program Expense	0.00	0.00	0.00	0.0%
Community Programs - Other	0.00	0.00	0.00	0.0%
<b>Total Community Programs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
Conservancy Stewardship	0.00	0.00	0.00	0.0%
<b>General Maintenance Expense</b>				
Repairs	225.25	2,000.00	-1,774.75	11.26%
Supplies	158.93	500.00	-341.07	31.79%
Tools, Equipment & Vehicles	65.00	3,000.00	-2,935.00	2.17%
Weed Control	446.82	500.00	-53.18	89.36%

General Maintenance Expense - Other	0.00	0.00	0.00	0.0%
<b>Total General Maintenance Expense</b>	<b>896.00</b>	<b>6,000.00</b>	<b>-5,104.00</b>	<b>14.93%</b>
<b>Miscellaneous</b>	0.00	0.00	0.00	0.0%
<b>Payroll Expenses</b>				
Casual Labor	0.00	0.00	0.00	0.0%
Direct deposit fee	0.00	30.00	-30.00	0.0%
Health Insurance	0.00	0.00	0.00	0.0%
Medicare	0.00	0.00	0.00	0.0%
Mileage	204.20	400.00	-195.80	51.05%
Payroll Taxes	3,473.17	7,275.00	-3,801.83	47.74%
Salary General Manager	15,000.00	30,000.00	-15,000.00	50.0%
Salary Operations Manager	15,000.00	30,000.00	-15,000.00	50.0%
Social Security	0.00	0.00	0.00	0.0%
Wages Bookkeeper	0.00	0.00	0.00	0.0%
Payroll Expenses - Other	16.14	0.00	16.14	100.0%
<b>Total Payroll Expenses</b>	<b>33,693.51</b>	<b>67,705.00</b>	<b>-34,011.49</b>	<b>49.77%</b>
<b>Pool Facility Expenses</b>				
Permits	0.00	255.00	-255.00	0.0%
Permits & Licenses	0.00	0.00	0.00	0.0%
Pool Cleaning	68.65	550.00	-481.35	12.48%
Propane	480.45	3,000.00	-2,519.55	16.02%
Repair & Maintenance	642.49	1,500.00	-857.51	42.83%
Pool Facility Expenses - Other	108.73	0.00	108.73	100.0%
<b>Total Pool Facility Expenses</b>	<b>1,300.32</b>	<b>5,305.00</b>	<b>-4,004.68</b>	<b>24.51%</b>
<b>Road System Expenses</b>				
Grading & Lignin	4,811.50	18,000.00	-13,188.50	26.73%
Permits & Licenses	0.00	0.00	0.00	0.0%
Road Repairs & Maintenance	2,617.98	3,000.00	-382.02	87.27%
Snow Removal & Sanding	29,124.09	42,000.00	-12,875.91	69.34%
Road System Expenses - Other	0.00	0.00	0.00	0.0%
<b>Total Road System Expenses</b>	<b>36,553.57</b>	<b>63,000.00</b>	<b>-26,446.43</b>	<b>58.02%</b>
<b>Taxes, Insurance, Permits</b>				
Admiinistration Fee	0.00	0.00	0.00	0.0%
Business Auto Policy	0.00	0.00	0.00	0.0%
Business Key Policy	0.00	0.00	0.00	0.0%
Commercial Umbrella	0.00	6,500.00	-6,500.00	0.0%
Directors and Officers Policy	0.00	0.00	0.00	0.0%
Federal Income Tax	0.00	0.00	0.00	0.0%
Insurance - Equipment Breakdown	0.00	0.00	0.00	0.0%
Insurance - General Liability	0.00	0.00	0.00	0.0%
Insurance - Vehicles	0.00	0.00	0.00	0.0%
Licenses & Permits	456.50	1,000.00	-543.50	45.65%
OCEC Loan Service Fee	274.99	800.00	-525.01	34.37%
Property Taxes	2,648.54	2,500.00	148.54	105.94%
Taxes, Insurance, Permits - Other	0.00	0.00	0.00	0.0%
<b>Total Taxes, Insurance, Permits</b>	<b>3,380.03</b>	<b>10,800.00</b>	<b>-7,419.97</b>	<b>31.3%</b>

<b>Utilities</b>				
Concrete Pad	0.00	0.00	0.00	0.0%
Electricity	2,302.23	9,500.00	-7,197.77	24.23%
<b>Garbage</b>				
Refuse - Part timers	0.00	0.00	0.00	0.0%
Refuse - Full Time	0.00	0.00	0.00	0.0%
Garbage Pickup	3,436.60	13,713.00	-10,276.40	25.06%
Recycling	1,380.00	1,500.00	-120.00	92.0%
Garbage - Other	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>
<b>Total Garbage</b>	<b>4,816.60</b>	<b>15,213.00</b>	<b>-10,396.40</b>	<b>31.66%</b>
Refuse-General Dump Trips	0.00	100.00	-100.00	0.0%
Sewer & Drainfield Expenses	0.00	0.00	0.00	0.0%
Telephone	497.71	1,134.00	-636.29	43.89%
Utilities - Other	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>
<b>Total Utilities</b>	<b>7,616.54</b>	<b>25,947.00</b>	<b>-18,330.46</b>	<b>29.35%</b>
<b>Water System R&amp;M</b>				
Certification	112.20	84.00	28.20	133.57%
Emergency Repairs	779.04	3,000.00	-2,220.96	25.97%
General Repair & Maintenance	189.28	3,000.00	-2,810.72	6.31%
Water Meters	2,072.80	2,100.00	-27.20	98.71%
Water System Upgrade	0.00	0.00	0.00	0.0%
Water Tests	350.00	986.00	-636.00	35.5%
Water System R&M - Other	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>
<b>Total Water System R&amp;M</b>	<b>3,503.32</b>	<b>9,170.00</b>	<b>-5,666.68</b>	<b>38.2%</b>
<b>Total Expense</b>	<b>96,093.83</b>	<b>199,552.00</b>	<b>-103,458.17</b>	<b>48.16%</b>
<b>Net Ordinary Income</b>	<b>107,813.31</b>	<b>20,285.50</b>	<b>87,527.81</b>	<b>531.48%</b>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
Drainfield Deposits	0.00	0.00	0.00	0.0%
Interest Income - General	456.34	3.00	453.34	15,211.33%
Interest Income Drainfield	711.47	15.00	696.47	4,743.13%
Interest Income Water	17.77	1.85	15.92	960.54%
Refund - Hookup Fee	0.00	0.00	0.00	0.0%
Sale of Asset	0.00	0.00	0.00	0.0%
Sewer Hook Up Fee	0.00	4,400.00	-4,400.00	0.0%
Special Assess - Water System	472.51	0.00	472.51	100.0%
Water System Hook Up Fee	7,080.00	10,620.00	-3,540.00	66.67%
Water Usage - 15%	<u>4,614.96</u>	<u>6,151.50</u>	<u>-1,536.54</u>	<u>75.02%</u>
<b>Total Other Income</b>	<b>13,353.05</b>	<b>21,191.35</b>	<b>-7,838.30</b>	<b>63.01%</b>
<b>Other Expense</b>				
Consulting	0.00	1,000.00	-1,000.00	0.0%
Depreciation Expense	0.00	0.00	0.00	0.0%
Maintenance Shed	0.00	0.00	0.00	0.0%

Major Drainfield Improvements	0.00	0.00	0.00	0.0%
Major Road System Improvements	0.00	0.00	0.00	0.0%
Major Water System Upgrades	0.00	0.00	0.00	0.0%
Other Expenses	0.00	0.00	0.00	0.0%
Ski Trail Donation	0.00	0.00	0.00	0.0%
<b>Total Other Expense</b>	<u>0.00</u>	<u>1,000.00</u>	<u>-1,000.00</u>	<u>0.0%</u>
<b>Net Other Income</b>	<u>13,353.05</u>	<u>20,191.35</u>	<u>-6,838.30</u>	<u>66.13%</u>
<b>Net Income</b>	<u><u>121,166.36</u></u>	<u><u>40,476.85</u></u>	<u><u>80,689.51</u></u>	<u><u>299.35%</u></u>