



Deer Creek Water Association

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Vaughn Hagen	- President
Dave Black	- Vice President
Leroy Rohde	- Director
Liz Hale	- Director
Darla Norman	- Director
Douglas Wittinger	- Secretary/Treas.

Draft Annual Board Meeting Minutes **October 9, 2019**

Meeting Location: Whatcom Educational Credit Union – 5659 Barrett Road

Directors in attendance: Dave Black, Leroy Rohde, Liz Hale, Darla Norman and Secretary/Treasurer Douglas Wittinger.

Members in attendance: Kathy Adams, Harry Andrews, Brian Bang, Rebecca Brown, Willis Cadman, Andrew Carr, Jim Costley, Robert & Marnie Cutsforth, Joseph Garcia, Linda Rae Gardner, Chris Haugen, James Haugo, Frank Hunt, Paul Jordan, Joe Kirner, Vinson & Roma Latimore, Jerry Manthey, Jose Martinez, Steve Oltman, Maryanne Rohde, Dave Taylor and David Wendling.

Agenda items:

1. Call to Order and Proof of Quorum:

The Secretary/Treasurer, Douglas Wittinger, introduced Vice President Dave Black who called the meeting to order at 6:38 p.m. Directors Liz Hale, Darla Norman and Leroy Rohde introduced themselves. President Vaughn Hagen was out-of-town and unable to attend.

Vice President Black noted that the guests in attendance were proof of the meeting notice and the Secretary/Treasurer added that we have a quorum this evening.

2. Proof of Notice of Meeting:

The Secretary/Treasurer also noted that the meeting agenda and proxies were mailed within the parameters specified by our bylaws, which is no less than 10 days' notice and no more than 40 days' notice.

3. Reading & Approval of the 2017 & 2018 Annual Meeting Minutes:

V. Pres Hagen asked for a motion to approve the 2017 and 2018 Annual Meeting minutes. A motion was made and seconded. The vote was unanimous.

4. Unfinished Business: there was none to discuss

5. Reports From Officers or Committees:

✓ Year-to-date Expenses & Income vs. Budget (P & L):

Before commencing the report, Mr. Wittinger shared with the audience about each Director's tenure with Deer Creek: Vaughn Hagen has served for 11 years, Vice President Black has served for 13 years, Darla Norman has served for 4 years, Liz Hale has served for 6 years and Leroy Rohde has served for 15 years.

Mr. Wittinger noted that we do not have large fluctuations between our revenue and expenses. Deer Creek has 3 groups of revenue: one is Supplemental. These items include Late Fees, Recording Fees, Transfer Fees. All of these items are small on volume but large enough to track separately. The second group of revenue are the Shareholder Fees. This comprises the charge each member pays every 2 months. The third group of revenue is Water Usage. We are tracking a little under where we expected the revenue to be, however, there is one more billing period with summer-time usage and that should lift the water sales up significantly.

A member inquired if there were any membership sales this year and where do the sales show up on these financials. Mr. Wittinger replied that we have sold one share to-date and they monies are reflected on the Balance Sheet.

Another member asked if they could purchase an extra water share. Yes, Mr. Wittinger noted we have about 460 shares to sell along with the capacity to serve those shares. The member also asked if there is a limit to the number of shares somebody may purchase. Generally, we sell one share per property – depending on the zoning.

The first item on the expense side of the Profit & Loss is Legal Expense. We settled a lawsuit with a property owner who wished to use their well to serve a proposed development inside our service area. Deer Creek wanted the property owner to extend a water main.

A member noted that our revenue seems to have dropped and expenses have climbed. Will we be okay given this divergence. Mr. Wittinger shared that our billing is every 2 months and revenue does not track cleanly. For example, we are in October, which is $\frac{3}{4}$ of the way through the year, but water billings are only at the $\frac{1}{2}$ way point of the year. We always have a lag in our numbers – especially the revenue.

We are on track with our larger group of expenses – the Business Manager and Operations Manager. One item where we really spent more than expected was in Repairs & Maintenance. We over-spent this line item by over 200%. Most of the costs were purchasing a new chlorinator and re-building water services.

A member asked is there is a way to receive their water bill in a paperless manner. Deer Creek is looking at methods of delivering water bills electronically. Mr. Wittinger asked for a show of hands for interest in receiving their bills via email. Most in attendance raised their hands.

Mr. Wittinger spoke about the Utility Tax line item and how we are able to deduct capital spending to offset our tax payments. Doing so saves us around \$1,000 in tax payments. A member asked if the power goes out if we are out of water. Deer Creek has a generator at our well site and that powers the wells when the power goes out. We do not have backup power at our Booster Station which means there is still water, but for many folks it is at much lower pressure.

Deer Creek purchases water from the city of Bellingham, along Guide Meridian – south of Smith Road. The usage in a portion of this area is much, much higher than expected.

In the Other Expense area of the Profit & Loss, we have a new line item called Looping Projects. Here we have set aside monies to address projects that we may wish to fast-forward, or to share costs with a developer to extend our piping beyond where it may normally end. There are several areas we wish to extend our pipes to strengthen the system and expand the system. A member inquired if there are any projects in 2020 that will expand the system. Yes, Vice President Black shared that we are upsizing piping in Zander Drive so it will have capacity to bring water farther south.

The Zander Drive project came in at \$200,000 rather than the \$150,000 we budgeted, but the project is nearing completion. A member asked what an ARV is. Mr. Wittinger answered it is an air relief valve. These devices allow air to escape our pipes and are located in high-spots of the system.

- ✓ Balance Sheet:
The Secretary/Treasurer next spoke about the Balance Sheet. While the individual line items look different due to CDs maturing, the total is what is really important.
- ✓ Year-end Financial Statements for 2018:
The next item in everybody's packet is the financial review prepared by our accountant. The Secretary/Treasurer noted that is formatted differently than our budget and can be difficult to understand. Mr. Wittinger asked members to send him an email if they have any questions about anything in the financial statements.
- ✓ 2020 Adopted Budget:
We anticipate selling 3 new shares in 2020. Also, water sales are expected to remain on course until we see a trend otherwise. We receive about 2/3 of our revenue from the bi-monthly fees, so a change in water usage does not affect us significantly.

The Other Revenue items are also remaining flat in 2020. They are small in number, but tend to track consistently. This category of revenue comprises about 5% of our budget.

We spoke about Expenses and covered Telephone Service and Legal Expenses. Bellingham Water Purchases are increasing for 2020. Deer Creek is looking at extending a water main to connect with the Bellingham customers. This would remove one set of customers from the Guide South system and also provide us an intertie with Bellingham. A member inquired about the number of customers we have and how many are connected to Bellingham. Mr. Wittinger replied that our main system has approximately 645 customers with about 550 being physically connected. We have 104 customers connected and using Bellingham water.

On the capital project portion of the budget, the Zander Upsizing project will be removed from the list. The Well maintenance project became a well replacement project at a cost of \$50,000. We will be adding a well refurbishment project for our 2nd well to the 2021 budget.

We added a new line item called Rebuild Water Services to address the services that are leaking. This was due to the unexpected increase in Repairs and Maintenance we spoke about earlier.

Mr. Wittinger spoke next about the Website update. Our hope is to include an online portal to pay your water bills. An unofficial show of hands had most in the audience raising their hands.

A member inquired if a traffic Circle will be constructed at Smith & Hannegan. Mr. Wittinger mentioned that it has been spoken of, but it is unclear if the County has received any funding to construct this project, nor if the County has preliminary plans.

A member inquired if Deer Creek would be responsible for relocating our water pipes during the traffic circle project. Mr. Wittinger replied maybe. Most of our pipes are within easements and generally if a county project requires their relocation, the county pays for that cost. If our pipes are in the county right-of-way, we would generally pay for relocation costs.

✓ We are Seeking a New Director:

6. Election of Directors –

The Secretary/Treasurer requested that we fill out our ballots. He continued with New Business while ballots were being cast.

Vice President Black shared that we received 168 ballots before the meeting and 40 ballots during the meeting for a total of 208 shares represented. This equals a 30% turnout and we need 20% for a quorum. Therefore, Director Rohde and Director Norman are re-elected.

7. New Business –

✓ Capital Projects Update:

The Secretary/Treasurer mentioned that this item relates to our anticipated project needs to address our current system and future system. It involves planning for future pipes, where those pipes would go, the priority of their installation, etc.... Also, much of this topic is a component of the Water System Plan (below) so both topics may be covered during this conversation.

Another aspect of the capital planning is modelling. Our engineer has software that looks at the size of our pipes, the number of connections, the consumption by our residents, fire flow and future needs. The software is able to determine if a pipe is large enough or too small to serve its use. The model helps us fine tune our capital planning.

The Secretary/Treasurer also shared that our boundary is another element of the Water System Plan. Our current boundary cuts through the middle of properties and has an odd configuration that does not seem to address where people live nor how they access their property. So, we will be expanding and contracting our boundary in areas to better represent the reality of our plans.

Rates are another aspect of water system planning. How do we pay for the new pipes we propose: through Membership Fees or rates or...?

Mr. Wittinger shared that we are in the second phase of Deer Creek's formation in that we are now looking at the next version of what our system will look like and where it will

serve. If people enjoy planning and thinking to the future, this is a great time to join the Board and assist with the system planning.

Another component of the system plan is how we require properties to connect to our pipes. What happens when a property is a half-mile from a pipe. We have to determine when somebody is required to connect and when we may allow a well. A member inquired if we could use another system's rules to help us. Mr. Wittinger replied that most systems do not have policies in place because they cannot expand. There are a few systems with formal plans, but not everybody likes to share the same rules or requirements.

We also look at ways to connect our system to other systems, which is called an intertie. These can be beneficial to both parties as water may move between the systems in an emergency. Deer Creek has several small systems within our boundary but we do not have existing piping close to a few of those.

Vice President Black reported on the ballot count.

- ✓ Water System Plan: (see Capital Projects section above)

8. Adjournment

Vice President Black adjourned the Annual Meeting at 8:10 p.m.

Douglas Wittinger
Secretary/Treasurer