

Squaw Valley Mutual Water Company Newsletter



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Mutual's Water System Status

Our Mutual has 281 members hooked up to three wells, two large gravity feeding tanks, and lots of pipe, valves and management systems. This main piping was primarily asbestos/concrete (AC) pipe that was 50 to 70 years old. In 2012, Shaw Engineering was hired to evaluate the system and its needs for pipe and equipment replacement. The Mutual then borrowed \$4 Million (the maximum loan allowed at that time) to replace 60% of the system, move the pipes to the streets, and add meters (a loan requirement). But we still have 40% of the system that has aged past its useful life. Four years ago we did establish a capital infrastructure account with yearly contributions, but it is insufficient.

Reasons why the Mutual must complete system replacement and upgrades

1. We are at a fairly high risk for breakage in the old remaining section of our system.
2. We want to conserve water and be efficient. A million gallons of leaking water was recovered when we replaced the first 60% of the system. About 500,000 gallons per month is still being lost.
3. The Mutual is the source of water for fire suppression on our end of the valley. Work on the obsolete portions will mean sturdy, larger diameter mains with more water available for fire suppression. Should a wildfire engage the Valley, the entire system will be put under greater stress than it has ever faced. The old section is a weak link and we don't want failures there.
4. Pricing and availability of fire insurance is based on the Fire Department's access to water and available fire hydrants (we now have 52 hydrants as part of our last upgrade and subsequent capital improvements).
5. Property values are based in part on the availability, reliability and purity of drinking water. SVMWC wells have fresh sources very near and our water needs a minimum of chemicals to keep it potable. Our system has very high quality water.
6. When we have our system completely replaced and upgraded it will be more reliable. The need for replacement has been verified by consultants, Shaw Engineering.
7. Our system completion can help to obtain Fire Wise Community certification for our community, which could help with the rash of insurance cancellations.

What are the needed infrastructure projects?

Based on Shaw Engineering's report, the highest priority projects are::

1. Replace the pipes on Sandy, Christy, Washoe Dr., Paiute and Navajo Ct. Also the Sandy/Lanny interconnect. These were not done in the upgrade 6 years ago.

2. Rehab the two wells and replace the pumps.

Less critical projects include:

1. Replace the line from Sandy to the storage tank.
2. Install a sewer line at Pump House # 1.
3. Rehab the Upper Tank booster pump.
4. Upgrade electronic control and monitoring (SCADA) system.
5. Upgrade some building access and structure elements.

What is the cost estimate for these projects?

The estimate for all of the above projects is approximately \$3.5 million. It is possible to break the projects into two as outlined above. The cost for priority one above is approximately \$2.3 million. This would put pipe replacement as the top priority.

How do we pay for the projects?

As mentioned, our internal capital fund will never be enough to cover the costs within a reasonable lifetime. Normally private lending institutions do not loan on this type of project. Fortunately, the USDA is currently lending at a low interest rate (around 3.5%, less than our other loan - unfortunately, we can't refinance that loan at this rate). We cannot give a precise cost per member for this loan, but it is estimated to be about \$580 per year if we do all the projects.

Why do this all at one time?

Primarily to avoid system failure, to provide reliable water for fire safety, and for most efficient use of construction funds. Loans are our primary means of raising the money for projects. If we did it piecemeal there are several risks: interest rates could increase, construction costs will increase, material costs could increase, repairs will increase, emergency failures could be catastrophic in consequence and expense, and there is no guarantee this USA program will continue. Serial repairs would likely result in multiple assessments.

Is there a Mutual member vote on this?

The responsibility is placed on the elected Board of Directors to make these decisions, not the members. It is a representative system similar to local government like Counties or Special Districts. The Board makes its decision making transparent by holding open monthly meetings open to the public and where public comment is always welcome. We post minutes of our meetings on the website. We post a yearly newsletter. We hold an annual meeting.

Board members are volunteers and have no interest in the outcome except doing their duty for the community.

Is the Board concerned about rates increasing?

Yes, of course we are concerned. We pay the same amount you pay. Our responsibility is to look at the system as a whole and provide consumers with high quality water, safe to drink, and adequate to provide for fire safety. We must deal with an older system that is still in need of repair. However, we are members of the same community and know that we have members who will have difficulty paying the increased price. That is one reason to be considering doing these needed upgrades in 2 parts, and postponing the second set of projects to a later time.

How Does the Mutual Board Operate?

The Squaw Valley Mutual Water Company is a private company that is owned by its members and run by its Board of Directors. Unlike most Boards, ours is not just a policy setting body but oversees the daily operations of the system. Board members usually live in the valley and go onsite to wherever problems with the system may occur. The Mutual contracts with the Squaw Valley Public Service District to have a fully certified water system operator handle the daily tasks and advise the Board of problems. We also hire Daniel Collins as a part time accountant and office manager.

Yearly construction projects are overseen by the Board. The Board must evaluate and supervise system construction projects.

Each Board member contributes their own background in order to improve and operate our system. There are those with water contracting and engineering, those with knowledge of the Mutual history, those with legal background or real estate background, and those with financial analysis skills.

The tasks the Board undertakes include: developing and overseeing monthly and yearly budgets, financing options for capital improvements, maintaining lifetime analysis for capital improvements, reviewing cost incurred to budget allocations, hiring engineering studies on the longevity of system infrastructure, holding regular meetings, preparing and posting minutes, maintaining a website, and preparing a yearly Newsletter.

How has the Board's actions affected rates?

The Board is unpaid and SVMWC has no employees. Yes, it is true that the Mutual rates were historically low. However, this is because the Mutual has no employees, and no money was ever put aside for a capitalization fund. Hence, the loan 6 years ago, and the one under current consideration. This has bumped up the Mutual rates.

It is worthwhile contrasting this with the Squaw Valley Public Service District that provides water for the rest of the Valley (as well as Fire and Sewage services to the whole Valley). The Public Service District employees are highly qualified personnel. But more importantly, the PSD has always built into their pricing contributions to a capital replacement fund. So all capital improvements are internally funded. And they maintain a 100 year infrastructure lifetime analysis.

How do Mutual's rates compare to SV PSD rates?

The current price to a Mutual member for 150,000 gallons of water yearly (our base rate) is \$1773 per year or \$147.75 per month. This amount includes pro rata actual cost of operations, capital fund, and first USDA loan repayment. The PSD has a different rate structure, but comparison is possible. The current PSD pricing has a fixed charge (\$1051) but then charges separately for water use on a per

gallon basis. For consumption of 150,000 gallons the charge would be \$1817 yearly or \$151 per month. So at the moment, the two are fairly comparable at the Mutual's base rate water usage.

We invite you to the annual meeting on August 31, 9am, Squaw Valley Public Service District meeting room (near fire department)

We are all in this district together. It is a community. As Board members we have hard decisions to make and welcome your comments or feedback at the annual meeting. We hope this newsletter has informed you of current issues facing the Mutual. We look forward to solving them in a manner that is best for this community.

Reminders:

1. You can check your water consumption on-line by going to our website.
2. Make sure you know where your water shut-off valve is in case of a leak on your property. The homeowner is responsible for pipe and water structures past the water meter. Our meters have an alert that reports when a leak may exist and we will notify you if that comes up. However, it does not cover every situation.
3. Back flow systems: These are pipes and a system that separates water used for any purpose other than drinking in order to protect drinking water against contamination. This includes fire sprinkler systems in the house, outside landscape irrigation, and (non-isolated) hydronic heating. The State mandates compliance with both reporting of whether there is a need for a backflow system, installation of a back-flow system, and annual testing to make sure the system is functioning. It is your responsibility to know whether you need a back-flow device (in which case you must get one), and if you have one, to have it tested each year. When the qualified back-flow tester tests your device he/she will automatically email our office to show you are complying. The Mutual has been delinquent in this for several years and we have been put on notice by the state to improve.
4. Adopt a fire hydrant! Look around and locate the three nearest fire hydrants to your house. During the winter if any of them are covered by snow please consider clearing them of the snow if that is reasonably possible. We send workers and equipment to inspect and clear fire hydrants but snow can sometimes cover them faster than we can clear them.