

# CRUMBACHER ESTATES OWNERS ASSOCIATION

COMMUNITY NEWSLETTER - DECEMBER, 2011

## 2012 BUDGET

---

At the November Board meeting, an updated six-year budget was approved. A copy of this budget has been enclosed for your review. Washington State law requires that the association membership be given 30 days to review the budget prior to ratification. The enclosed budget will be ratified at the next regularly scheduled Board meeting unless opposed by a majority vote of the association members.

The revised budget accomplishes several objectives. First, it completely separates the cash flow of association and water system money. Water system revenues will not be used for association expenses such as road maintenance, and association dues will not subsidize the operation of the water system. This is important because if the association applies for any type of grant or loan for water system improvements, we will need to be able to show a separation of funds that would prevent any misappropriation.

Secondly, the budget incorporates new water rates that were adopted. The Board has been analyzing various rate structures to determine the best strategy for accruing water meter funds without jeopardizing our ability to cover current expenses or to respond to unforeseen emergencies. A multi-level rate structure has been adopted that will accomplish this goal, distributing the costs more equitably between unconnected lots, residential users, and irrigators.

A final accomplishment of the budget is to establish the initial funding levels and annual contributions to the various funds that were previously established. These funds will ensure that money is being set aside for a variety of anticipated needs. By earmarking these funds for future expenses, we can accrue the necessary funds without endangering our legal status as a non-profit organization.

It is important to note that while the budget shows anticipated rate increases in coming years, they are only estimates, and will not be enacted without further analysis and Board vote. If actual expenses do not rise or effective cost-cutting measures are identified, the Board will forego rate increases whenever possible.

## NEW WATER RATES

---

The following rate structure will become effective January 1<sup>st</sup>, 2012. While the rates represent an

increase for all members, the Board is optimistic that the needed funds can be raised without creating an undue financial burden on any individual member.

### Base rate - \$9.00/month

All lots in Crumbacher Estates will be charged a \$9.00 monthly fee. Our water system incurs fixed costs for an annual operating permit, water sampling, and a certified operator, regardless of how much water is used. Even if no water was pumped, we would still be required to meet these regulatory requirements. The Board adopted this fee because it was felt that fixed costs should be distributed among all members regardless of water use.

### Water connection rate - \$33.00/month

All lots with a water connection or exhibiting water use such as a garden or landscaping will pay an additional \$33.00 per month. This represents the bulk of the costs accrued when water is consumed, such as electricity, replacement of parts, or other maintenance needs. Without the benefit of meters, there is currently no mechanism to differentiate between minimal or heavy users. Until the meters are in place, the Board felt that a flat rate for all users was the most feasible strategy.

### Irrigation rate - \$60.00/acre/year

Lots that currently enjoy the benefit of additional water rights for irrigation purposes will be charged an additional \$60.00 per year for each acre of irrigation held. This fee will be billed at the beginning of the year, and will be payable by April 1<sup>st</sup>, before the start of the irrigating season. This fee will be charged regardless of whether or not the irrigation water is being used. Irrigation places a substantial burden on the water system during the summer months, and this fee distributes some of that cost to those users who have the potential to consume significantly larger quantities than other lots.

## WATER SYSTEM FUNDS

---

As was reported earlier in the year, three separate funds were established for the water system: an operating reserve fund, a capital improvements fund, and an emergency reserve fund.

The operating reserve fund is established in order to provide easily-accessible capital to pay bills should there ever be a problem with month-to-month cash flow. Based upon current expenses, the operating

reserve has been funded and capped at \$3200.00, which would typically be enough to cover two months of operating costs.

Money set aside into the **capital improvements fund** is earmarked for planned projects that replace or upgrade substantial portions of the water system. As the recent component inventory revealed, much of our system has surpassed or is nearing its expected lifespan, and careful financial management will be necessary to meet the costs of those projects.

The first such project to be funded through the capital improvement fund will be the installation of water meters, with an anticipated cost of sixty thousand dollars. In order to accomplish this, \$20,000.00 of current assets have been transferred into the fund. Another \$8,000.00 per year will be added to the fund, until it reaches the full amount needed in 2016, when meter installation will occur.

After this project has been completed, the annual funding level will drop to \$4,000.00, with a corresponding increase in funding to the emergency reserve fund.

An **emergency reserve fund** is established as a bit of insurance against the possibility of a catastrophic failure: a fire in the pump house, the collapse of a well, or broken main lines from an earthquake. The fund is capped at \$50,000.00, which is the estimated value of the pump house and its components. Until 2016, this fund will receive minimal funding of \$800.00 per year. After the meters are installed, funding will increase to \$4,800.00 per year until the cap is reached. At that point, no further contributions to the emergency fund will occur, and the full \$8,800.00 per year would be available for capital improvements.

A fourth fund has been established for the annual association dues. It will be initially funded with the remaining balance of association funds after the first contributions have been made to the water funds. This account will separate the association dues, which are collected for roads, non-water infrastructure, and association business expenses, from the water system revenue. The Board intends to keep this fund at a minimal level, and to adjust the annual dues as needed to keep them closely matched with expenses, in keeping with our non-profit status.

## **ASSOCIATION FUNDS SUMMARY**

---

The following summary shows the breakdown of each fund:

### **Initial funding levels:**

- Current association funds (as of Nov. 2011): \$39,955.26 to be divided as follows:

• <b>Operating reserve fund</b>	<b>\$3,200.00</b>
• <b>Emergency reserve fund</b>	<b>\$11,800.00</b>
• <b>Capital improvements fund</b>	<b>\$20,000.00</b>
• <b>Association dues fund</b>	<b>\$4,955.26</b>
	<hr/>
	Total \$39,955.26

### **Initial annual contributions (2012 – 2016):**

- **Operating reserve fund** \$0.00
- **Emergency reserve fund** \$800.00
- **Capital improvements fund** \$8,000.00

## **UPCOMING MEETINGS**

---

The **next regularly** scheduled Board meeting will be held on January 2<sup>nd</sup>, at the home of President Doug Hale, 4 Norway Pines Drive. The meeting will begin at 7:00 p.m. All members are welcome to attend.

The covenants update committee will be meeting on December 12<sup>th</sup>, at the home of Director Rennie McCormick, 40 Oakes Drive. The meeting will begin at 7:00 p.m. Please contact a Board member if you wish to attend.

## **CONTACT YOUR BOARD**

---

**As always, we** value your input and support. Please use any of the following options to contact your board.

Doug Hale, President	826-1653
Darren Schmidt, Vice President	826-2622
Ken Radford, Secretary/Treasurer	826-1977
Rennie McCormick, Director	826-8034

Email: [ceoaboard@gmail.com](mailto:ceoaboard@gmail.com)  
Website: <http://www.crumbacher.net>