

GSPOA Annual Dues Increase Proposal

October 25, 2014

Background:

Annual dues are currently \$90.00 per lot in Glacier Springs. The last dues increase was 13 years ago and was approved by the membership at the 2001 Annual General Meeting. At that time, annual dues increased from \$47.00 to \$90.00. The GSPOA Board of Directors unanimously recommends an increase of dues to \$180/year.

Annual dues fund general operating expenses for the Association. The purpose of this proposal is to increase annual dues to build up necessary reserve funds for long-term capital improvements to the water system, fund unexpected or non-routine maintenance and repairs to the water system and fund hiring a water system operator. To date, all operation, maintenance and upgrades of our system have been performed on a mostly volunteer basis by Rick Benson and Larry Watts. Both Rick and Larry are certified water operators and members of Glacier Springs. As our system continues to grow and Washington State Department of Health (DOH) requirements become more extensive, it is unrealistic to expect that the water system operators continue to volunteer the many hours necessary to perform the job.

This past year saw an increase in expenses for the water system. There were many unanticipated expenses including burst service connections during the extended cold snap and negative water quality test results that required many more follow-up tests than normal (see water system report for details). As a result of these negative tests, numerous improvements were made to the system.

We have enjoyed over 40 years of excellent, inexpensive water service, and this proposal is meant to ensure that we leave a healthy water system that provides safe drinking water and fire protection for future generations. By building up reserves, Glacier Springs will be in a better financial position to fund capital improvements and major maintenance, repair and replacements. Below is a table of estimated future replacement expenses:

Component	Estimated remaining useful life (years)	Estimated current replacement cost (approx.)
Distribution system	98	\$586,000
Second water storage tank	45	90,000
Fire hydrants	15-50	49,500
Individual water meters	45-50	42,000
Original water storage tank	10	55,000
Distribution system replacement in 3 remaining cul-de-sacs (2" lines)	5	14,895
Service Ts	14	14,762
Main water meters/vaults	42	9,600
Service Saddles on 2" lines listed above	5	5,700
TOTAL		\$867,457

Of the 389 water systems in Whatcom County, our system ranks 42nd in number of connections—larger than Maple Falls and Deming. The estimated salary below is based on salaries paid to operators in systems comparable to ours.

Assumptions:

- The number of dues-paying lots remains stable at 244
- The Association accumulates reserves for capital improvements to water system
- The expense for a part-time contracted and licensed certified water system operator is between \$10,000-\$20,000 annually
- The Association continues to fund the following in addition to the salary:
 - Mileage reimbursement at IRS rates
 - All necessary appurtenances and supplies
 - Water quality monitoring tests as required
 - State fees and permits
 - Professional memberships for the Association
 - Required continuing education related to remaining a Certified Water Distribution Manager

Considerations:

The Board of Directors discussed numerous options.

- The Board explored imposing a fee-for-service model for water usage. It was determined that the administrative requirements to monitor usage and produce periodic billing statements would add significant expense and negate the benefit derived from revenue. Additionally, since the primary costs related to the water system are capital in nature as opposed to costs incurred to obtain the resource (we benefit from a spring-fed gravity system with no mechanical pumps), it was recommended that all property owners share the costs. All owners, whether their lots are developed or undeveloped, and whether residents are part-time or full-time, benefit from the increased property values that stem from access to a quality water system.
- The Board also examined dues at other nearby properties. The annual dues for GSPOA are proposed to be \$180 annually. The chart below examines the dues required by other nearby property associations. While it is acknowledged that this comparison is not identical since association benefits vary significantly, it is worth considering as HOA dues are a significant factor in considering real estate values.

Association	Annual Dues	Per Month Basis
Glacier Springs	\$90 (current)	\$7.50
Glacier Springs	\$180 (proposed)	\$15
Mt. Baker Rim	\$540	\$45
Snowline	\$564	\$47
The Glen at Maple Falls	\$1,440	\$120

- The Board considered special assessments. While an assessment may be necessary at some point to cover unanticipated repairs or major work, the bulk of the increasing water system costs are maintenance-oriented. Annual dues should be sufficient to cover the ongoing maintenance expenses to ensure we are maximizing the life of the system, while also contributing to long-term reserves to support its eventual replacement. Investing responsibly over the long-term will minimize the impact of assessments on individual property owners if and when major work is required.

Proposal:

The Board of Directors unanimously recommends raising the annual dues rate to \$180.00 per year, per dues-paying lot. This is based on the following calculation:

Current rate	\$90.00
<u>Proposed increase</u>	<u>\$90.00</u>
	\$180.00
\$180 x 244 dues-paying lots=\$43,920	