

BEAVER LAKE ASSOCIATION
Board of Directors
December 19, 2019
7:30 P.M.

Roll Call

Sandy Battreall – President	Present
Fred Becker – Vice President	Absent
Bill Barrett – Secretary	Present
Andy Kayhanfar – Treasurer	Absent
Dale Long	Present
Russ Parmer	Present
Jeff Miller	Absent

Approval of the November 2019 Board Minutes

Motion was made by Long, seconded by Barrett to approve the November 21, 2019 Board of Directors minutes. Motion carried unanimously.

Building Inspector's Report
Reported by: Bill Barrett

There were four miscellaneous permits issued in November 2019. There are eight residential permits year to date.

Motion was made by Barrett, seconded by Long to approve the November 2019 Building Inspector's report. Motion carried unanimously.

Committee Reports

Property and Safety Committee
No meeting held

Lake, Habitat, & Fisheries Committee
Reported by: Russ Parmer

- The committee continued discussion about zebra mussel videos and boat stickering
- The committee approved two DCFs about illegal dumping in the lake

Motion was made by Barrett, seconded by Long to approve the December 11, 2019 Lake, Habitat and Fisheries Minutes. Motion carried unanimously.

Utility Committee
Reported by: Bill Barrett

- Monthly utility functions and projects report reviewed
- A sewer riser failed at Riverdale and Ponca Point
- There was a water line break on Beaver Lake Blvd
- Lift station 4 and 6 work moved to spring
- The committee made five recommendations for Handbook changes

Motion was made by Long, seconded by Parmer to approve the December 2, 2019 Utility committee minutes. Motion carried unanimously.

Finance Committee
Reported by: Scott Houston

- Revenue for November was \$681 better than plan and expenses were \$28,833 worse than plan, with a bottom line, including other income/expenses of \$28,833 worse than budget for the month
- Revenue YTD was \$4593 better than plan and expenses were \$80,521 worse than plan, with a bottom line, including other income/expenses of \$68,364 worse than budget for the period
- Available cash was \$460,093
- Cash flow statement showed an increase of \$68,933 for the month
- Capital items included \$651 for 2015 Chevy truck payment; \$667 for 2018 Chevy one ton payment; \$1222 for rocking Access Areas and Shorelines; \$10,764 for Sewer Plant Pump; \$58,093 for asphalt improvements
- Past due accounts: **Dues** \$58,210, up \$19,784 from October; **Water** \$3590, up \$65 from October. Total Past Due Accounts were \$61,800, up \$19,849 from October
- The committee further discussed credit card recommendations
- Update on payoff of Line of Credit with Cornerstone Bank
- Committee will continue to look at the Handbook and get potential changes to the Board
- Update on refinancing the Water Treatment Loan
- Update on 2020 BLA Budget
- The committee recommends a project status report for the Finance committee starting in 2020

Motion was made by Barrett, seconded by Long to approve the December 12, 2019 Finance committee minutes. Motion carried unanimously.

Appeals Committee
Reported by: Mike Chaloupka

One appeal was filed for a violation for burning by the Navrkal's of lot 1043.

The committee heard from both the property owners and the security staff and recommends denying the appeal by the Navrkal's of lot 1043.

Motion was made by Parmer, seconded by Long to agree with the committee's recommendation and deny the appeal by the Navrkal's of lot 1043. Motion carried unanimously.

Motion was made by Parmer, seconded by Long to approve the December 10, 2019 Appeals committee minutes.

Barrett addressed concerns by the committee on their role in the Handbook review. He stated that Miller will check to make sure the chair received the original email from October with their instructions.

Motion to approve December Appeals committee minutes carried unanimously.

Election Committee

No meeting held

Security Summary

There were 39 warnings and six citations issued on Beaver Lake property.

Old Business

Motion was made by Barrett, seconded by Parmer to approve the 2020 water and sewer rates.

Ron Reineke, lot 1912 asked what the new water and sewer rates were.

Barrett outlined the rates for 2020 as recommended by the Finance Committee, under the new rate structure addressed in the attached addendum to these minutes:

"New structure eliminates the minimum 3000 gallons for water and waste water, and will charge users a per 1000 gallon rate for water and for waste water.

Water operating base fee will change from \$15.50 to \$17.50. Cost for water per 1000 gallons will remain at \$3.42.

Waste water operating base fee will change from \$9.00 to \$12.00. Cost for waste water per 1000 gallons will remain at \$2.14

The SRF Loan Expansion Fee will remain the same at \$42.00 billed quarterly."

Motion to approve 2020 BLA Water and Sewer Rates approved unanimously.

Motion was made by Parmer, seconded by Battreall to approve the 2020 BLA Operating Budget.

Barrett provided a Summary of the Rate Study, actions, and new rate structure. The Summary is attached as an addendum to these minutes.

Motion to approve 2020 BLA Budget approved unanimously by a roll call vote.

New Business

Motion was made by Parmer, seconded by Battreall to approve a Homestead split of lots 1039 and 1040.

Barrett mentioned that, with the two recent homestead splits, the number of billable lots goes from 1636 to 1638.

Motion to approve Homestead split of lots 1039 and 1040 carried unanimously.

Motion was made by Parmer, seconded by Long to approve DCF 273. This adds a paragraph to Section IV (Property) to ban the disposal of yard waste and chemicals into the lake. Motion carried unanimously.

Motion was made by Parmer, seconded by Long to approve DCF 274. This adds a fine of \$100 in regard to the disposal of yard waste and chemicals into the lake. Motion carried unanimously.

Motion was made by Barrett, seconded by Parmer to open a safety deposit box at the new Cornerstone Bank located at Beaver Lake.

Long clarified that an old safety deposit box had been used at the Cornerstone Bank located in Murray and this would just move that box to the bank branch closer to the lake.

Motion to open a safety deposit box carried unanimously.

Motion made by Long, seconded by Battreall to approve an increase in the line of credit at Cornerstone Bank from \$200,000 to \$300,000 and allocate \$100,000 of the line of credit against the reserve requirement on the SRF loan. Motion carried unanimously.

Scott Houston, lot 1729 asked about member absences on committees vs. member absences on the Board of Directors. He would like to write a DCF to change the wording and asked if a DCF form would be made available on the BLA Website.

Battreall stated that a new DCF form was put in the library on the Website.

Ron Reineke, lot 1912 asked how much income the newest homestead split generated.

Battreall said it was approximately \$27,000.

Barrett pointed out that, with the two recent homestead splits, the only outstanding loan the Association holds is the SRF loan.

Mike Chaloupka, lot 1697 asked how many cars are allowed to be parked in a property owner's front lawn.

Barrett stated that there is no current rule regarding the number of cars, as long as they are all currently licensed vehicles in operating condition.

Long suggested that Chaloupka fill out a DCF with his recommendations for a new rule.

Motion was made by Parmer, seconded by Long to adjourn. Motion carried unanimously.

The Beaver Lake Association Board conducted a Utility Rate Study in January 2019 for the purpose of:

- Evaluating the current cost vs. revenue to operate our utility system (water/waste water).
- Utilizing the information from the Study as input to the budgeting process.
 - The last utility analysis' were done over 9 years ago in 2008 and 2010.
 - Rural Water conducted the Study at no cost to the BLA.

Background – BLA Utility System (Water & Waste Water) is providing:

- Both services to over 1145 BLA users (70+% of the membership), and to our common facilities;
- Contracted waste water services for Murray, Lake Ridge Association, Cooke Plaza (5 bays), Cornerstone Bank, and Windstream service building (water & waste water).
- Prior to 2009, and under our current billing structure, the BLA adjusted utility rates for:
 - The minimum 3000 gallons, and per 1000 gallons above the minimum,
 - Rate changes were applied on a percentage change basis vs. a flat dollar/cent rate basis.
 - The BLA made rate adjustments based on the results from utility rate analysis conducted every 2-3 years, cost of inflation, and other factors to operate the system.
- Since 2011, 2 utility rate increases have occurred (2012 and 2015), on a Flat Rate basis, for \$1.50 and \$1.00 respectively, for the minimum 3000 gallons rate only.
 - The flat rate increases were also applied to external users' rates for wastewater.
 - BLA rates per 1000 gallons above the 3000 gallon minimum have not changed since 2009.
- Significant operating cost increases have occurred during 2019 to operate our utility system.
 - i.e. due to the flooding, transport costs of waste affluent has increased over 18% this year.
 - 2019 increases were not part of the Rate Study since the Study was completed in January 2019.

What did the January 2019 Rate Study find and recommend? The Study Summary:

- The report reviewed the various 2018 BLA costs vs. revenue billed to operate our system.
- Over \$310,000 shortfall between cost to operate vs. revenue collected.
 - The shortfall is supplemented by BLA Dues, over 20 percent of annual dues collected per member.
- The Utility Rate Study recommended that the BLA:
 - Transition from the current rate billing structure (min. 3000 gals. & per 1000 gals. above the min.),
 - To a flat operating fee for water & waste water, and a rate per 1000 gals. for water & waste water.
- The Goal - By implementing these recommendations the BLA would:
 - Mitigate the shortfall between cost vs. revenue to operate the utility system, and
 - Establish a self-sustaining utility system, given the large buildout of our Association, (over 70 percent of membership), and the servicing external users; both of which are growing.

What did the Board and Committees Do and why? Actions:

- The Board provided guidance to the Utility and Finance Committees to review the Study and provide their recommendations to the Board.
- Utility Committee recommendations to the Board:
 - approve a rate increase; approval of a detailed rate study; change to a 0 gallon minimum rate structure recommended by Rural Water and complete this change in 1 year.
 - further discussion of the Rate Study included the goal to have the utility system self-supporting.
- Finance Committee recommendations to the Board:
 - accept the Rate Study recommendations; establish a 0-gallon minimum charge.
 - keep the Utility Expansion Fee for the State Revolving Fund Loan unchanged.
 - change the water operating fee from \$15.50 to \$17.50; keep rate per thousand gallons at \$3.42.
 - change the waste water operating fee from \$9.00 to \$12.00; keep rate per 1000 gallons (based on water usage) at \$2.14.

What did the Board decide? Board Actions:

- Reviewed the Rural Water Study and recommendations, and the Committees' recommendations.
- Accepted both committees' and the Study recommendation to transition from the current rate structure to a base operating fee for water & waste water, and rate per 1000 gallons for water & waste water.
- Accepted the Finance Committee's recommendations to:
 - increase water & waste water operating fees to \$17.50 and \$12.00, respectively.
 - keep the cost per 1000 gallons the same for water and waste water, \$3.42 and \$2.14, respectively.
 - keep the Utility Expansion Loan Fee the same, \$42.00 per quarter/\$168 annually.
- The Board also reviewed these changes against our entire BLA budget and decided to:
 - reduce the Annual Dues for all members from \$931.36 to \$853.90, a portion of the supplement used to cover the utility operations shortfall.
 - increase all external user rates by 30 percent for waste water services based on BLA increases and inflation costs incurred over 2019 and previous years.

Bottom Line: What can the BLA utility users and all members expect and when?

- 2020 Annual Dues will be reduced by \$77.46
- Depending on usage, the average 2020 monthly utility billing increase should be:
 - approximately \$21.50/month for water & waste water, or less, based on gallons used, and
 - after accounting for the Dues decrease, the monthly increase should be about \$15.25/~30%.
- 2020 external user rates will increase 30% of the current 2019 contracted rates.

Why? By taking the actions above and other decisions, the Board:

- Paid off our Line of Credit used to purchase our 1 Ton truck and sand spreader purchased in 2018,
 - Paid off the Chevy pickup truck loan,
 - Kept our contingency fund in place to support unplanned critical repairs (over \$40,000 used in 2019),
 - Addressed other operating costs incurred due to inflation and other factors,
 - Approved \$434,200 for the following 2020 Capital Improvements:
 - South water tower Blast and Paint*
 - Lift Station #4 update*
 - Lift Station #6 update*
 - Blast and paint North Tower
 - Update raw water pumps & motors
 - Install fire hydrant
 - Finish replacing clubhouse windows
 - Resurface roadways maintenance
 - Replace our aging backhoe
 - Add docking system east of clubhouse to conform with State regulations
 - Repair culverts on Access Lot 9 and 968
 - Purchase dredge pipe and fittings to keep dredge system operating
- *Funds rolled over from 2019 for these projects

In closing, the Board and committees worked diligently to achieve our goal that we believe is in the best interest of the Association as a whole by transitioning to a utility billing structure that will:

- Mitigate shortfalls between cost vs. revenue to operate our utility system,
- work towards a self-sustaining utility system operation for all our users,
- mitigate the use of membership Dues to supplement or subsidize the utility system operations,
- Enable the Board to utilize more of our Dues for operational and capital improvement needs.