

Presidents Report for 2014 Annual Meeting

Good evening and welcome to the annual meeting of the Roosevelt Water Association. My name is John Olsen and I am a trustee and President of our water association.

Tonight, I able to report on some of the great progress we made this year and also on a number of good news items. While I intend to let the appropriate trustees and managers' report on these, I will give you a short summary up front.

Most likely the item of interest to everyone is "Where did we end up with our previous manager?" At last years' annual meeting, I provided an update on the inappropriate use of RWA funds and that a very favorable judgment was made and all remained was to collect the funds from the sale of their residence. It is now a year later and I can say that we have been fully paid the ~\$440K that was agreed to at arbitration. Our updated procedures ensure this will not happen again and have worked well with everyone abiding by them. We have double checks in place on everything and two trustees are needed to approve all payments. I am glad to see this past chapter of our association closed so that we can return to our more relevant needs of maintaining and upgrading our water system.

Next, I would like to mention some very interesting context about our association.

Our water system came to life in 1965. Pipe, controls and all fittings have a life span which is approaching an end for many. We have identified areas that will need to be repaired and replaced. We have a good capital plan coming together which spreads costs between the membership and to a larger extent, the new developments that will be coming to our area in the coming years.

If you look around the Snohomish and Monroe area, you will see that we are a prime area for expansion.

We have been in the introductory stage with several developers regarding their upcoming plans, which suggest that over the next 4 to 7 years, there will be about 402 new homes in our association, not counting the ones commissioned for 2014. This would be an approximate 35% increase overall.

I also want to state that the day-to-day running of our association has really progressed. Janelle has worked hard and performed very well as the new manager and has done a good job of staying close to our planned budget. We are also quite efficient with our operations. Systems similar to ours in size have 4 full time staff members and a couple of part time employees. We have 2 full time and 2 part time employees at this time.

We have also been training a new person who could ultimately be our assistant manager or future manager. If you have had any dealings with Sam Nicholls, you have likely found him well informed and very personable. I look forward to his future contributions to the association.

Our web payment options have also been well received and now we have about 8% of the association paying on-line. We have also received fewer complaints and have received many compliments and thank you's which are certainly well appreciated.

With regard to capital improvement plans: We have updated our Water System Plan (previously called the Comp Plan) which the Washington State of Department of Health requires us to update every 6 years. This can often be a \$100,000 to \$150,000 dollar project, but at minimal expense, we were able to complete our update to be current for another 5 to 6 years.

We have also hired another Engineering firm to provide an independent review our present plans for the tank and pump station. They are also helping us with suggestions on which capital improvements we should concentrate on first. They have told us that our system is in

very good condition and they have seen other systems in need of many more improvements than we need.

In the planning for our expected future growth, we have found it necessary to modestly increase our Member and Connection fees. This is needed so that when we have to address additional repairs, improvements or even another tank, we will be well on our way to having the funds to properly pay for it. We plan to do this by annually funding from our system improvement rates, an amount equal to the annual depreciation of our infrastructure. This assures current rate payers contribute toward the depreciation and eventual replacement of the system from which they are currently benefitting. This approach also helps reduce our water rates over the long term, by reducing the amount of capital improvements financed by debt and will assure that the system does not deteriorate over time since it is being improved on a continual basis. Mike Carlson will discuss this further during his Treasurers' report.

And lastly, our biggest effort for 2015 is moving forward with our new tank. To recap from last year, we need to construct a new tank for water reserves as well as an additional pump station. We are required by the State of Washington to have a larger storage capacity for water to ensure we have the minimum 2-day supply in the event of an emergency. This requires the addition of a million gallon tank to ensure the required water is available. The storage the Association has always used is essentially one of the main Everett water distribution lines which brings the water down from Spada Lake. On several recent occasions, this line has been shut down for maintenance or repair purposes which puts our Association in jeopardy of losing pressure, draining our lines and causing problems during these shut downs.

The cost of the tank, pump station, engineering and all the required permits and reports has been projected to be about 3.1 million dollars. While I will let Janelle speak to this in more detail, I will say that we have identified potential areas to improve the design which

drastically reduce the expense of the pump station and we have also secured a low interest loan in the amount of 3.5 million dollars to fund both the tank construction and other near-term improvements.

Closing:

In closing, I would like to personally again thank all the Trustees and the employees for their hard efforts this past year. We have made a lot of great progress now that our prior chapter has been closed and we are track for further accomplishments this year, all while maintaining an efficient, and low cost water association.

Thank you. John Olsen