

Beverly Hills Mutual Water Company

614 North Tejon Street
Colorado Springs, CO 80903

Annual Shareholders Meeting
Tuesday, March 3, 2020

Agenda

- Board introductions
- The basics – Beverly Hills Mutual Water Company 101
- Financials
- Significant activities this past year
- New business
- What lies ahead
- Election of one director
- Questions & Answers

Board of Directors (Term Ends)

Gene Crandall, President (2023)
7830 Coventry Drive
gmcrandall@aol.com

Mark Kennedy, Vice President (2024)
7903 Coventry Drive
cr4mark@q.com

Paul Harrison (2021)
7660 Saxeborough Drive
paulharrison688@msn.com

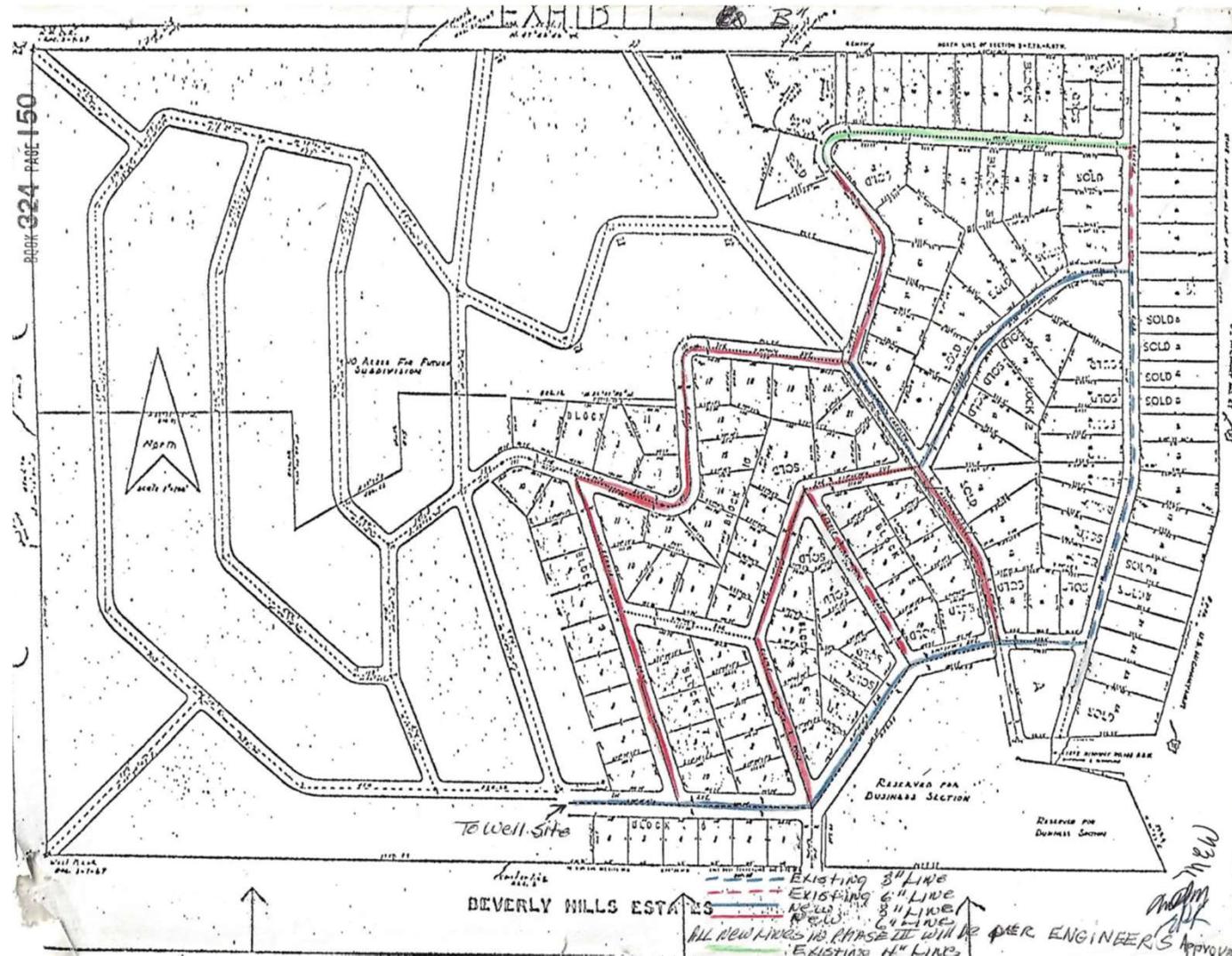
Orlando Zapata, Secretary (2020)
559 3rd Avenue
ojzapata@gmail.com

Mark McNary, Treasurer (2022)
7914 Saxeborough Drive
markmcnary5@gmail.com

Beverly Hills Mutual Water Company 101

- BHMWC is a private, 501c (12) non-profit company; each homeowner owns an equal share in the company
- It was founded by the developer of Beverly Hills Estates in 1957 to serve what was then a remotely located community
- We have no employees
- We are run by a volunteer board made up of community members
- Facilities operated by contractor – Colorado Water Pump Corporation (aka Colorado Water Well)
- Billing handled by Walker Schooler District Managers
- 118 residential customers
- 1 non-residential customer (Fire House)

Historical Plan for Beverly Hills

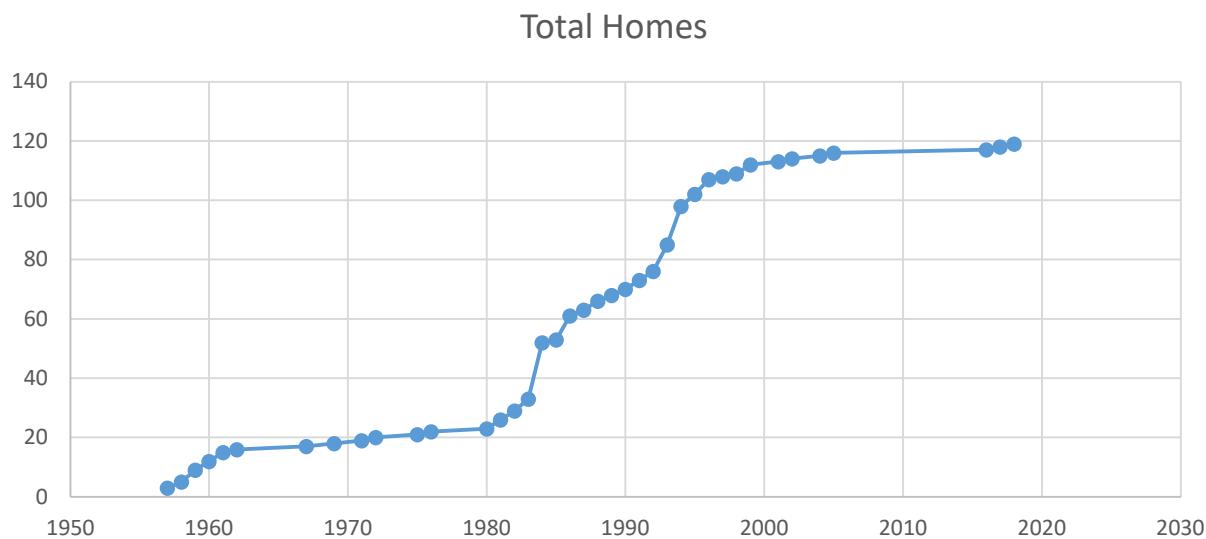


Beverly Hills Mutual Water Company

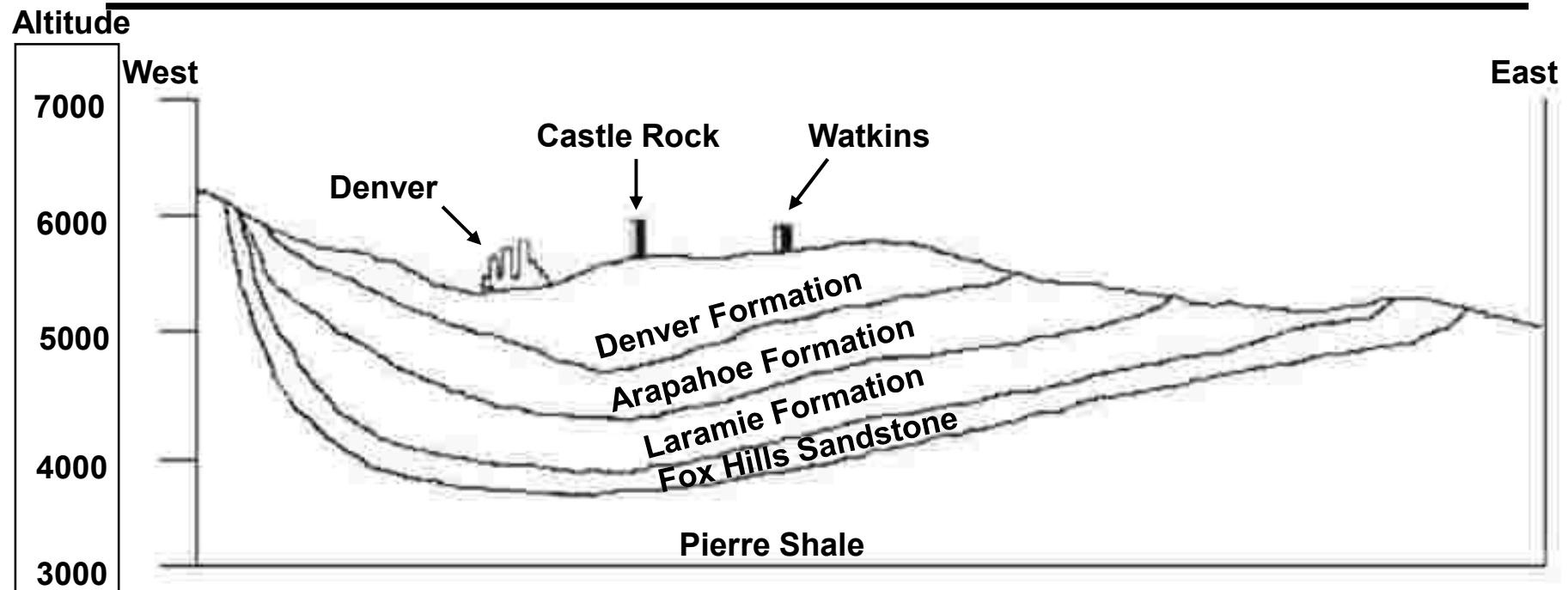
Historical Growth of the BHMWC

Year	Total Homes	Annual Homes	1st	2nd	3rd	Beverly	Carolyn	Castle Pines Parkway	Charter Oaks Drive	Coventry	Debbie	Saxeborough	Suffolk
1957	3	3				3							
1958	5	2		1		1							
1959	9	4				4							
1960	12	3				1	2						
1961	15	3			1	1					1		
1962	16	1			1								
1967	17	1									1		
1969	18	1		1									
1971	19	1		1									
1972	20	1				1							
1975	21	1		1									
1976	22	1			1								
1980	23	1									1		
1981	26	3								2			1
1982	29	3		1		1				1			
1983	33	4		2	1						1		
1984	52	19		1	4	1	4			6	1		2
1985	53	1								1	1	2	
1986	61	8		1	1	1		1					
1987	63	2		1			1						
1988	66	3			1	1	1						
1989	68	2								2			
1990	70	2							1	1			
1991	73	3		1						1		1	
1992	76	3		2								1	
1993	85	9	1				1				1	4	2
1994	98	13		2	1	2	3		1		1	2	1
1995	102	4		1	1							2	
1996	107	5		1		2						1	1
1997	108	1		1									
1998	109	1				1							
1999	112	3				2							1
2001	113	1									1		
2002	114	1				1							
2004	115	1											1
2005	116	1				1							
2016	117	1					1						
2017	118	1				1							
2018	119	1	1						2	15	7	15	9
Totals =			2	18	12	25	13	1	2	15	7	15	9
			119										

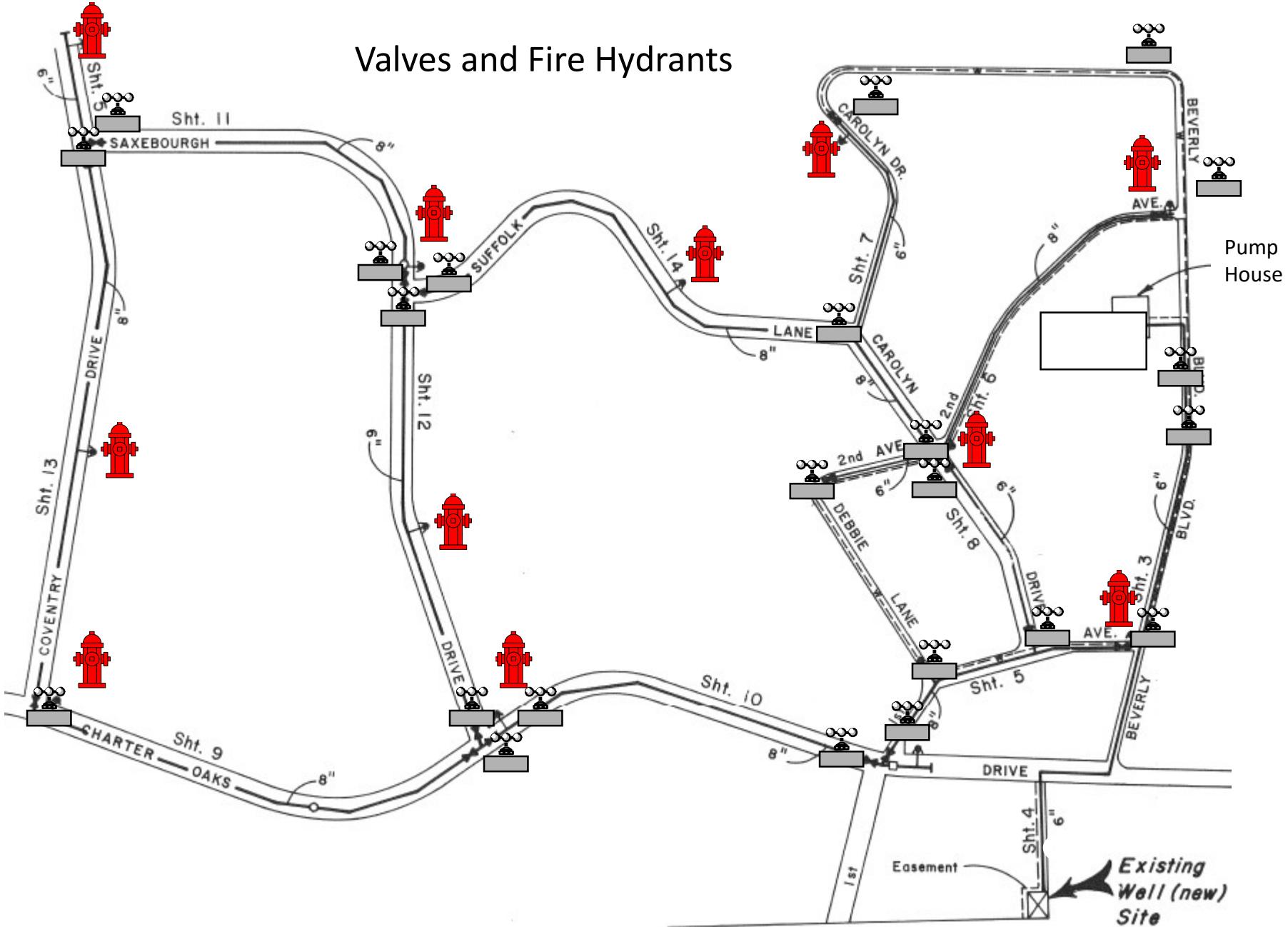
Home Construction Growth Curve



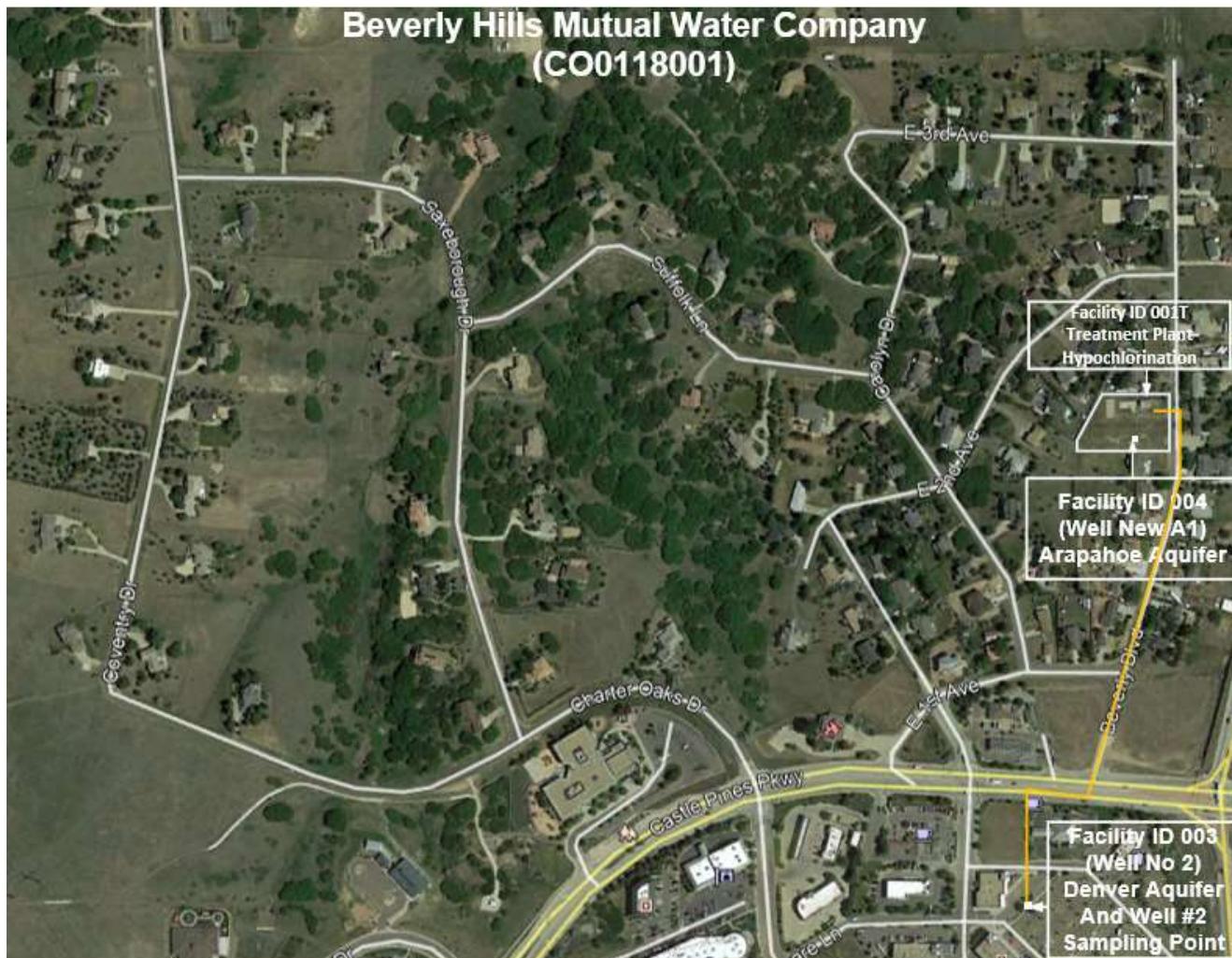
Denver Basin



Valves and Fire Hydrants



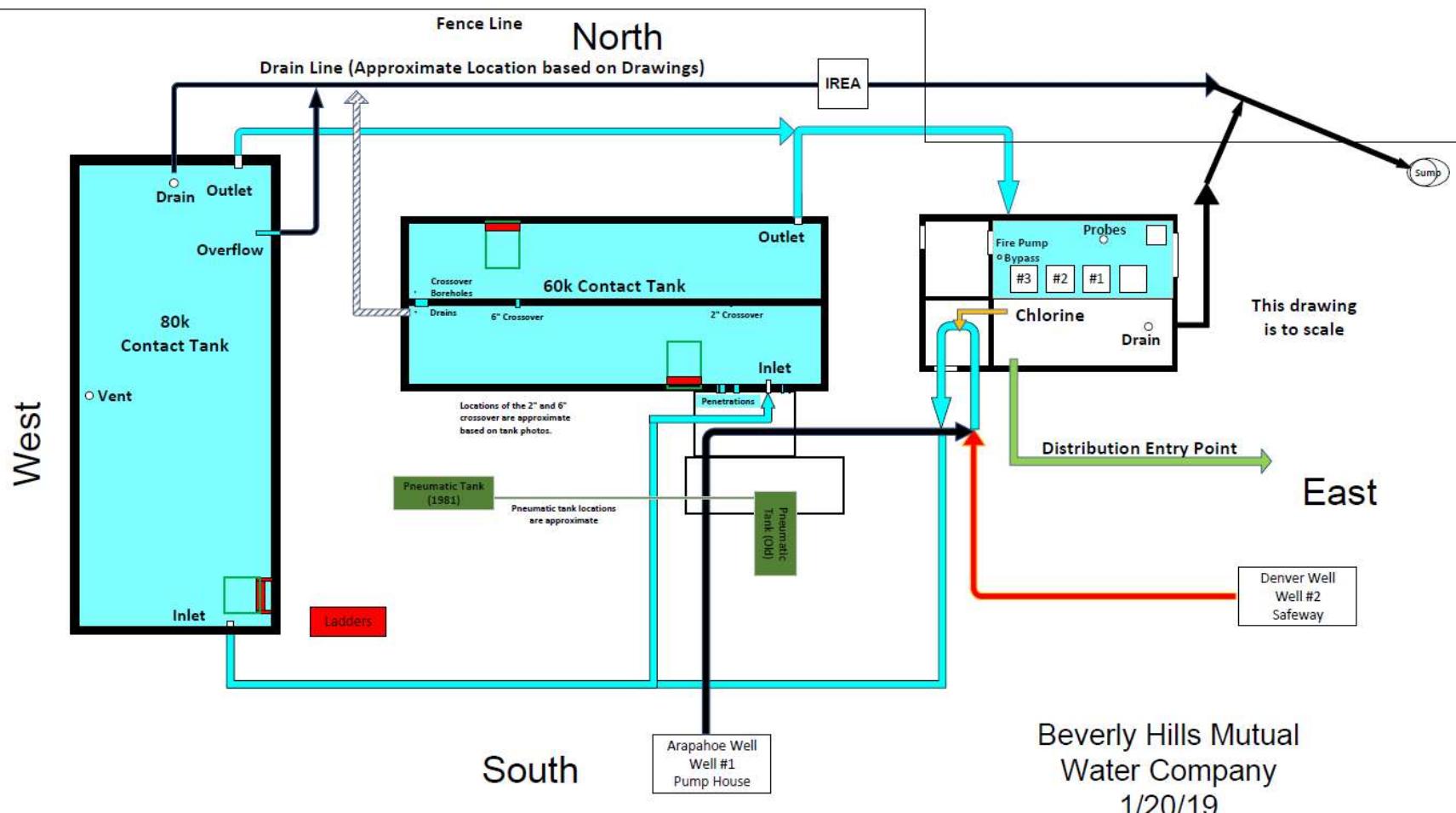
Booster Pump Station, Contact Tanks, Well #1 and Well #2 Locations



7801 Beverly Boulevard



Processing Flow



Wells and Water Rights

- New well RF-7778
 - Completed 2003
 - Depth = 2200 feet
 - Arapahoe Aquifer
 - 10 inches in diameter
 - Tested to 250 gpm
 - Permitted for 125 gpm
 - Old well = 60 gpm
 - Average usage = 120 gpm
 - Peak usage = 230 gpm (Total 141.14 acre feet)
- Safeway Well (RF-7779)
 - Redrilled 1980
 - Depth = 1100 feet
 - Denver Aquifer
 - 8 5/8 inches in diameter
 - Tested to 150 gpm
 - Permitted for 125 gpm (Total 201 acre feet)

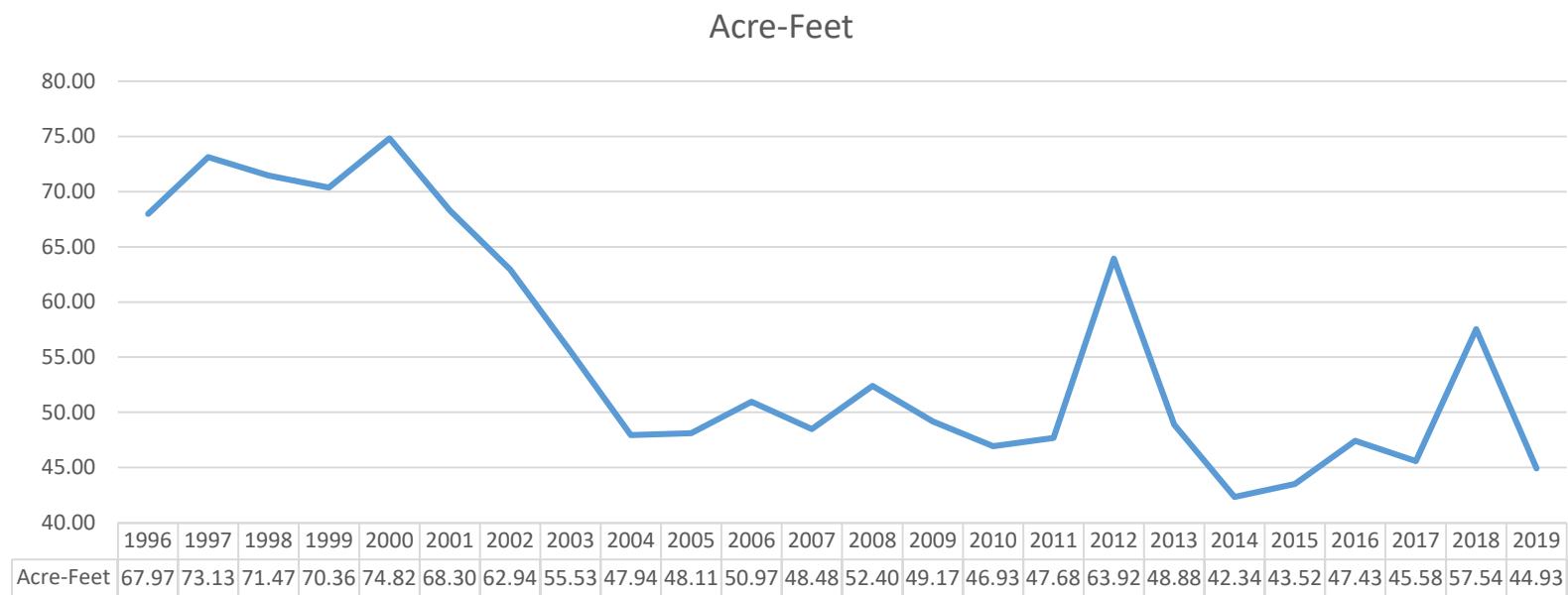
Combined not to exceed 260 acre feet

Water Usage

Year	7779-RF Denver (Acre-Feet)	7778-F Arapahoe (Acre-Feet)	7778-RF Arapahoe (Acre-Feet)	Acre-Feet	# Users	Average Gallons per Home per Month	Expenses	Cost per 1000 Gallons
1996	43.71	24.26		67.97	107	17,249		
1997	46.80	26.33		73.13	108	18,387		
1998	44.68	26.79		71.47	109	17,805		
1999	46.25	24.11		70.36	112	17,059		
2000	46.25	28.57		74.82	112	18,140	\$ 43,608	\$ 1.79
2001	43.40	24.90		68.30	113	16,413	\$ 54,702	\$ 2.46
2002	22.61	40.33		62.94	114	14,992	\$ 64,793	\$ 3.16
2003	25.19	20.50	9.84	55.53	114	13,227	\$ 70,782	\$ 3.91
2004	14.78		33.16	47.94	115	11,320	\$ 110,280	\$ 7.06
2005	15.99		32.12	48.11	116	11,262	\$ 71,032	\$ 4.53
2006	3.51		47.46	50.97	116	11,931	\$ 71,605	\$ 4.31
2007	45.38		3.10	48.48	116	11,349	\$ 74,592	\$ 4.72
2008	47.70		4.70	52.40	116	12,266	\$ 107,385	\$ 6.29
2009	27.06		22.11	49.17	116	11,510	\$ 140,813	\$ 8.79
2010	26.42		20.51	46.93	116	10,986	\$ 93,064	\$ 6.09
2011	32.84		14.84	47.68	116	11,161	\$ 86,724	\$ 5.58
2012	59.77		4.15	63.92	116	14,963	\$ 105,716	\$ 5.08
2013	38.92		9.96	48.88	116	11,442	\$ 104,088	\$ 6.54
2014	32.24		10.10	42.34	116	9,911	\$ 97,664	\$ 7.08
2015	32.72		10.80	43.52	116	10,188	\$ 94,888	\$ 6.69
2016	35.03		12.40	47.43	117	11,008	\$ 107,244	\$ 6.94
2017	34.10		11.48	45.58	118	10,489	\$ 143,229	\$ 9.64
2018	28.05		29.49	57.54	119	13,130	\$ 95,794	\$ 5.11
2019	22.22		22.72	44.93	119	10,253	\$ 80,271	\$ 5.48
An acre foot (Gallons) =	325,851							

Water Usage Trend

- Consumption decreased after a very hot 2018



FY 2019 Income Statement

Income Statement	1/31/2020	1/31/2019	1/31/2018	1/31/2017	1/31/2016	1/31/2015	1/31/2014	1/31/2013	1/31/2012
Revenue									
Residential	\$149,043	\$113,461	\$110,851	\$112,233	\$92,510	\$108,520	\$109,879	\$113,000	\$98,037
Commercial	673	1,050	980	840	8,820	1,117	1,005	1,065	1,075
Late Charges	1,290	770	650	950	1,020	1,180	1,070	1,020	1,140
Water Tap Fee		20,000	20,000	20,000					
Miscellaneous Income		1,284	7,258	1,371	1,738	1,982	789	150	
Interest Income	4,567	768	786	683	648	606	688	774	754
Transfer Fees		75	400	225	200	125	175	125	49
Total Revenues	\$155,573	\$137,408	\$140,925	\$136,301	\$104,936	\$113,530	\$113,606	\$116,134	\$101,055
Expenses									
Accounting	\$7,375	\$11,949	\$14,064	\$11,470	\$8,875	\$10,179	\$10,625	\$10,499	\$10,079
Bank Charges	2,008	2,100	2,118	2,268	1,968	600	600	565	600
Consultant Fees			5,000			532			
Depreciation	29,000	35,895	38,406	38,406	38,406	37,522	31,981	28,784	28,494
Directors Fees						700	700		
Dues & Memberships	275	175	175	175	175	175	175	150	150
Engineering Fees						344	973		
Insurance	754	2,984	2,889	2,801	2,720	2,525	2,580	2,540	2,396
Inspection Fees		730	80						
Lawn Service					375	250	375	310	250
Legal Fees						315			
Meter Repairs	13	28	37,967						
Meter Reading	1,718	236	928	1,160	414	928	928	928	928
Office Expense	3,529	421	399	365	162	276	129	674	
Postage	691	16							
Repair & Maintenance	42,620	16,220	20,925	28,290	22,614	19,138	30,072	37,865	17,134
State Health Lab Tests					744	5,273	5,389	5,603	6,768
Survey Fee		1,968	745						
Taxes & Licenses	301	152	150	250	150	150	150	150	150
Telephone	635	609	600	597	542	584	545	575	568
Utilities	20,351	21,327	18,726	21,462	17,742	18,159	18,850	17,073	19,208
Miscellaneous		984	58			13	16		
Total Expenses	\$109,271	\$95,794	\$143,229	\$107,244	\$94,888	\$97,664	\$104,088	\$105,716	\$86,724
Net Income	\$46,302	\$41,613	(\$2,304)	\$29,057	\$10,048	\$15,866	\$9,518	\$10,419	\$14,331

FY 2019 Balance Sheet

- Redacted from Web Site Version

2019 Expense Summary

• Repairs & Maintenance (53.1%)	\$42,620
• Utilities (25.4%)	\$20,350
• Billing/Banking expenses (16.9%)	\$13,604
• Meter Reading (2.1%)	\$1,718
• <u>Everything Else</u> (2.5%)	<u>\$1,978</u>
• Grand Total	\$80,270

- This is all expenses except for depreciation
- Everything else: Insurance, telephone, taxes/licenses, Dues/memberships, meter repairs

2019 Colorado Water Pump Corporation

• Monthly Maintenance Fees with Bac-T Tests (29.2%)	\$6,986
• Sensaphone Alerts/Repairs (19.1%)	\$4,554
• System Flush (13.8%)	\$3,304
• Rebuild Chlorine Pumps (12.1%)	\$2,895
• Other Periodic Tests (10.8%)	\$2,587
• Sanitary Survey Support (8.2%)	\$1,968
• <u>Hypochlorite (6.8%)</u>	<u>\$1,625</u>
• Total	\$23,919

Billing and Banking Expense by Quarter

Item	4/30/2019	7/31/2019	10/31/2019	1/31/2020
8020 - Accounting & Audit	\$ 4,290.00	\$ 2,670.00	\$ -	\$ 415.00
8050 - Bank Charges	\$ 525.00	\$ 529.31	\$ 811.60	\$ 142.20
8150 - Office Expense	\$ 789.40	\$ 810.00	\$ 1,230.08	\$ 700.00
8170 - Postage	\$ -	\$ 219.00	\$ 153.70	\$ 318.30
Total	\$ 5,604.40	\$ 4,228.31	\$ 2,195.38	\$ 1,575.50

- We had overlapping bank charges during the transition to First Bank
- Billing/customer services costs have been reduced with the transition

Significant Activities in 2019

- Moved billing to Walker Schooler District Managers
 - Cut monthly costs by almost 50%
 - Added automatic bill pay capability (24 people currently signed up)
 - Added credit card bill pay option
- Moved banking services to First Bank
 - Invested in Premier Time Deposit Accounts (CDs)
 - Interest income increased to \$4,567 for the year versus \$606-768 previous eight years
 - Expect interest to exceed \$6,600 next year
 - Reduced monthly banking fees by around 50%
- Repaired/Added fence around water company property
- Created BeverlyHillsMutualWater.com web site

Water Consumption

Month Ending	Acre-Feet Pumped	Gallons Pumped	Gallons Metered at Houses	Pumped - Metered Gallons	Adjustment (See Notes)	Adjusted Pumped - "Metered" Gallons	% Adjusted "Metered"/Pumped	Days	Average Adjusted Unmetered per Day (Leakage)	Average Gallons Pumped per Day	Total Pumping Time (Hours) per Day @ 150gpm	Month	Days to Clear the Tanks (Effective)
2/28/2019	1.51	490,900	434,088	56,812		56,812	11.6%	28	2029	17,532	1.9	February	6.56
3/31/2019	1.62	529,300	475,159	54,141		54,141	10.2%	31	1746	17,074	1.9	March	6.73
4/30/2019	2.10	685,000	611,606	73,394	20,099	53,295	7.8%	30	1777	22,833	2.5	April	5.03
5/31/2019	3.23	1,051,800	934,916	116,884	63,400	53,484	5.1%	31	1725	33,929	3.8	May	3.39
6/30/2019	5.58	1,817,900	1,740,713	77,187		77,187	4.2%	30	2573	60,597	6.7	June	1.90
7/31/2019	7.31	2,382,900	2,263,961	118,939	9,287	109,652	4.6%	31	3537	76,868	8.5	July	1.50
8/31/2019	8.27	2,696,000	2,560,774	135,226		135,226	5.0%	31	4362	86,968	9.7	August	1.32
9/30/2019	7.36	2,399,500	2,263,234	136,266	18,409	117,857	4.9%	30	3929	79,983	8.9	September	1.44
10/31/2019	2.78	904,300	852,626	51,674		51,674	5.7%	31	1667	29,171	3.2	October	3.94
11/30/2019	1.74	566,900	529,704	37,196		37,196	6.6%	30	1240	18,897	2.1	November	6.08
12/31/2019	1.65	539,100	489,903	49,197		49,197	9.1%	31	1587	17,390	1.9	December	6.61
1/31/2020	1.69	550,100	498,264	51,836		51,836	9.4%	31	1672	17,745	2.0	January	6.48
FY 2019		14,613,700	13,654,948	958,752	111,195	847,557	5.8%						

- Adjustments are service line break, system flush, meter failure, and another service line break

Water Comes from Both Wells



Eye On Water

- Every user can monitor water consumption via EyeOnWater.com or mobile App
- Every user can set an alarm and be notified if their meter detects a leak
 - Default leak threshold is one gallon per hour (8,760 gallons per year)
- Several homeowners have detected leaks via the App
- Only 71 of 119 users have activated the App
- There are currently four active leaks (1.1 to 4.4 gallons per hour)
- Number of leaks increases to double digits in the summer due to sprinkler systems

System Reliability

- One meter suffered an internal failure – internal mechanism repaired under warranty
- One cellular endpoint failed in November – replaced under warranty

Current Activities – Tank Remediation

- We have solicited and received four bids for tank and clear well remediation work needed in response to last years sanitary survey
- Bids are being evaluated and work will hopefully be completed this spring before watering season begins

Current Activity – Hydrant Replacement

- We have received bids for the replacement of the two hydrants on Beverly Boulevard
 - 1957 Pacific States Hydrant – parts no longer available
 - 1959 Mueller standard hydrant – WE cannot locate the hydrant isolation valve
- All other hydrants were installed in 1981
- Work will be performed some time this year

Current Activity – Combined Uranium

- Combined Uranium -226/228 is normally monitored every six years
- Our last result for our 2019 test showed a level of 6.0 pCi/L that is higher than the 5.5 pCi/L level defined by the state
- The state has asked us to monitor the Combined Uranium level quarterly to further track this level
- Test results take 6-8 weeks for this test
 - We have not received the first quarter results yet

Major Infrastructure Risks

- Combined Uranium level
- Denver aquifer well (Safeway)
 - Drilled in 1980
 - Last pulled for pump replacement in August 2009
- Valve functionality
 - Several valves do not work and prevent us from easily isolating parts of the system for system flushing
 - Need to prepare and execute a valve replacement plan
- All distribution pipelines were replaced during the 1980 system expansion except:
 - Debbie Lane
 - 3rd Avenue (including Beverly Blvd to 2nd Avenue and the northernmost part of Carolyn Drive)
 - No failures yet, but we believe this may be cast iron pipe.
- Arapahoe well pump has not been pulled since circa 2009 (Layne-Western arbitration incident)
- Each of these items represent a significant repair cost
- Current cash reserve of ~\$440,000 would be stressed by a well failure and leave few additional funds in case of a second major need

How clean is the water?

- The system is operated in accordance with a Monitoring Plan filed with the state
- We pass state required tests for bacteria, heavy metals, nitrates and nitrites

Item	Frequency
Bac-T	Monthly
TTHMs and HAA5s	3 years
Lead and Copper	Annual
Nitrate	Annual
Fluoride	3 years
Inorganics Group	3 years
Synthetic Organics Group	3 years
Volatile Organics Group	3 years
Combined Uranium	6 year
Gross Alpha, without Radon & Uranium	6 years
Nitrite	9 years

- Denver Basin is the source – water is high quality
- Source water is high in dissolved iron and manganese, resulting in occasional brown water
 - Periodic flushing decreases the problem
 - A system-wide filter would require an operator

What lies ahead?

- Tank Refurbishment
- Replacement of Beverly Boulevard Hydrants
- Monitoring the Combined Uranium level

Election of One Director

- Orlando Zapata's term expires this year

Questions?
