

Hello Burton Community!

This third Newsletter from the **Burton Water Cooperative** includes a few brief updates from the Interim Board of Directors regarding the feasibility of the cooperative purchase and management of the Burton Water system. A Save-the-Date for the next community meeting will be sent out soon.

The Board - and its committees - have determined that Cooperative purchase and management of the water system appears feasible if there is broad community support. The physical system is in generally good condition. Low-interest financing is available to help fund the purchase and some initial large construction improvements. Sustainable financial management over the long-term is achievable. And the community has the right mix of expertise to effectively manage the system (with the help of a hired staff system Operator).

Price Negotiations with the sellers have started and the Board needs your input. The Board has discussed the purchase price with the current Burton Water Company owners. At the purchase price required by the current owners, the Board needs significant buy-in from the community to move forward with a purchase agreement. The Board will be doing the following three things to seek input from the community:

1. Distributing a 'white paper' that describes the main findings from the committees including value calculations and financing options.
2. Hosting a community meeting to discuss the white paper, answer questions from the community, and allow for individual community member public comment.
3. Polling the community whether or not to move forward with the purchase at the sellers' price.

The 'white paper' that summarizes committee findings, including value calculations and financing options, is now in development. The Board expects to complete this white paper and distribute it - by email and post - before the end of June. The white paper will have significant detail and may be accompanied by a brief executive summary.

The Next Community Meeting will be in mid-July - details about timing and format To Be Announced Soon!

This will be an important meeting for you to attend. The agenda is expected to include:

- **Summary of the White Paper and Requested Purchase Price**
- **Community Questions**
- **Public Comment**

The Zoom link for the July meeting will be posted on the website (www.burtonwater.org) - send us an email if you have trouble finding the link.

Most importantly, a straw poll regarding cooperative purchase of the system is coming. A simple straw poll (e.g., yay or nay, with respect to the requested purchase price) will be distributed along with the white paper. The community's support for the purchase is necessary for the Board to move forward with confidence. This straw poll is a way for the Board to get a feel of the level of community support.

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Community Fundraising Update. On the May 22 community call we announced our Campaign For Feasibility Funding to raise funds for our due diligence and feasibility costs. The response so far has been great. We now have pledges from the community for \$32,000 from 30 supporters. Pledges range from \$100-\$10,000. This, along with the commitments from the NW Cooperative Development Center and the State, put us at 63% of our goal. Please join us! We hope you will consider how you can be part of the campaign. For more detailed information contact us at info@burtonwater.org.

Questions and Answers from the May 22, 2022 Community Meeting

Q. What is the makeup of the Board? Does anyone have experience with Coops?

A. The current feasibility period Board, selected by the volunteer committees working on the feasibility study and in place for this feasibility process, is made up of neighbors from throughout the Burton water service area. The Board members bring a diverse and applicable set of skills - individual bios are on the website (www.burtonwater.org). If the cooperative purchase of the water system is successful, a permanent Board will be elected from the membership. It is clear that we have many capable people with relevant skills in the Burton community.

Q. For fundraising purposes, is the coop a 501(c)(3) and will a contribution be tax deductible?

A. No. The coop has been established as a non-profit corporation within Washington State but will not be eligible for 501(c)(3) federal tax exempt status. For the feasibility period fundraising, the funds provided by individuals will be treated as a zero-interest loan to the coop, to be accompanied by a loan agreement for the contribution. If a coop purchase goes forward, the funds provided will be deducted from the eventual coop membership fee. If the purchase does not go forward, the amount of the donation will not be returned, unless funds remain after expenses have been paid. The Board would then determine a proportional share to be returned to all individual contributors.

Q. There was originally a spring deadline for a vote on the purchase. What is the new deadline?

A. We need to first see if we have agreement with the sellers on a purchase price. A preliminary straw poll will be distributed to current Burton Water Company customers in June to serve as an initial community input regarding the sellers' requested purchase price. This will be an important opportunity for the Board to gauge the community's interest in the purchase. If we can settle on price, we will take the time to be thoughtful and thorough with all the remaining elements including securing financing from the USDA and completing the regulatory reviews. We will keep the community up to date on this timeline as it emerges, though we expect it to take the remainder of 2022. We all want this to proceed as quickly as it can.

Q. Is the structure one member/one water share?

A. The cooperative model is based on membership, not water shares. A 'membership' is held by a person (or family or entity) who owns a property (or properties) with a connection to the system and who chooses to become a member. Membership will entitle that person (or family or entity) to receive water service at their property (or properties) at a lower rate than non-members and to have a say in the management of the system. A 'water share', in contrast, is a term that is used by other Vashon community water systems to represent an authorized connection to the system and can be bought from

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the system or sold back to the system. For this cooperative, we are talking about memberships (with each membership having one or multiple connections), not water shares.

Q. Is there a ballpark figure for the cost to each member to purchase?

A. We anticipate something in the ballpark of \$1,000 to \$2,500 for the member purchase price (or member equity) per connection. The member equity value will be a balance between affordability for individual members and the size of the USDA loan we are pursuing. We think it should be small enough to be attainable for everyone but large enough to keep the repayment of the USDA loan reasonable over time.

Q. What is the timing for fundraising? When do you need contributions from the community and how do we pledge? Are contributions needed now to meet current expenses?

A. We ideally need you to make a good faith pledge as soon as possible or within the next month. Please send an email to info@burtonwater.org and ask for Chuck to contact you. Chuck envisions following up quickly with those who are interested in pledging. You can also send a check to the Burton Water Coop mailbox at 20211 Vashon Hwy SW, #29, Vashon, WA 98070.

Q. If we make pledges now and the coop doesn't meet goals, am I bound by my pledge?

A. We would like the answer to be yes, knowing that the outcome is uncertain. Understand that this is an at-risk contribution for a good faith community effort. Making a pledge - and sticking by that pledge regardless of the outcome - will help spread the risk to more people, which is in line with the cooperative model. And, if we don't get to an initial agreement with the sellers or if there is a fatal flaw, we will stop the process, stop work on contracted services, and stop requesting funds.

Q. Will the share be sellable?

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For this cooperative, we are talking about memberships (with each membership having one or multiple connections), not water shares. This will be covered in the operating bylaws, which are currently being drafted and will be available to read on our website soon.

A couple of examples to illustrate the Board's current thinking: If you have a membership and have one connection (i.e., your single property) and you sell your property, the new buyer would become a member and the seller's membership would terminate. If you have two different properties, each with a connection, then when you sell one you remain a member with one connection and the buyer of the second property becomes a member with the connection attached to the second property purchased. Also, if you have a connection you can't use, you can relinquish it back to the coop for potential use elsewhere by a different (or new) member.

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Q. Can I remain a customer if I am not a member?

A. It is the Board's aspiration to reach 100 percent membership in the cooperative (i.e., all existing Burton Water Company customers become Burton Water Cooperative members). We will endeavor to keep the cost of membership as affordable as possible and offer options to pay over time so that the upfront financial cost is not a significant barrier. There are benefits to all customers in terms of administrative efficiency and lower costs with 100% membership.

The Board realizes that ultimately not everyone may become members. The current proposal is to have Members join and pay their membership cost in a lump sum or payable over time on a payment plan. However, a current BWC customer can choose not to be a member when the coop is formed, but their water rates would be at a higher non-member rate.

These options will be included in the draft By-Laws for the operating phase of the Coop which will be voted upon and approved by the Membership.

Q. Will new connections be available through the coop?

A. The interim coop board is not taking a position at this time, mostly because we don't have the data to inform us whether there is capacity in the system's water rights to allow for more connections. The Operations Committee is working to start gathering the data that the coop would eventually need to make that decision but it will likely be some time (potentially years) before that decision can be made.

Q. Who are the current owners of Burton Water?

A. The current owners are Evan Simmons and Jim Garrison, both long-time islanders. They are ready to retire and are looking to sell the water system. If the cooperative does not purchase the system, they will look to sell it on the open market.

If this is your first time hearing about this cooperative concept, see the website

(www.burtonwater.org) to get caught up. There, you'll see a list of frequently asked questions, links to the previous newsletters and the video recordings of the previous community meetings, and information on the exploratory committees.

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