

Section:	NDR-5 Non-Dues Revenue	Approval Date:	9/28/2018
Policy:	NDR-5.2 Affiliates	Latest Revision:	

NDR-5.2 Affiliates

5.2.1 Purpose

As part of the Association's efforts to develop and enhance its non-dues revenue and member services programs, it offers a mechanism by which mutual water companies can participate in the Association in a limited capacity. Through the affiliate support program, mutual water companies provide water expertise and financial support, which benefits the Association's member agencies.

5.2.2 Definition

Affiliates are private, nonprofit mutual water companies, or other private nonprofit organizations created and operated for the purpose of controlling, treating, acquiring, using, managing, or supplying water for any purpose within California.

5.2.3 Affiliate Term and Renewal

Affiliate term with the Association is based on the calendar year, January 1 to December 31. Affiliates joining after the beginning of the calendar year will have their fees pro-rated on a monthly basis for the remainder of the year. Affiliates joining after October 1 will have their fees pro-rated for the current year and will be billed concurrently for the following year's fees. Affiliate status with the Association is automatically renewed upon payment of annual fees, which are due by January 31 of each year. Affiliate fees are nonrefundable.

5.2.4 Affiliate Fees

Affiliate fees will be calculated at 50% of the Association's dues schedule as established by the Board.

5.2.4.1 Calculation Methodology

Affiliate fees will be determined by the following methodology.

Beginning in the spring of each year, staff will solicit from affiliates their State Controller's Report or audited financial statements for the fiscal year ending June 30 or prior calendar year ending December 31 identifying operation and maintenance (O&M) costs.

If the Association does not receive an affiliate's State Controller's Report or audited financial statements by September 1, the affiliate's fees will be based on the previous year's O&M plus a 25% increase, which will then be adjusted upon receipt of the State Controller's Report or audited financial statements.

5.2.4.2 Fee Schedule

Affiliate fees will be calculated based on the following schedule, which is calculated at 50% of the member schedule rates:

- Operations and maintenance (O&M) steps break at even 000's
- Fee amounts are rounded up at all levels to the nearest 0 or 5
- Be no more than 1% of O&M or \$375, whichever is greater

5.2.4.3 Fees Formula

The fees formula for affiliates will be based on the adjusted O&M expenses for the following activities as reported to the State Controller:

- Water, including, but not limited to, reclaimed water, recycled water, desalination, stormwater, groundwater, and surface water
- Wastewater
- Electric
 - Hydropower facilities requiring a FERC license will be charged on the full electric enterprise
- Land reclamation and levee maintenance
- Flood control and water conservation; and drainage and drainage maintenance

5.2.4.4 Fees Calculation Steps

The Association will calculate affiliate fees using the following steps:

1. Adjust total O&M by subtracting water purchases, groundwater replenishment and depreciation. Capital expenditures can also be subtracted if they have been included as an expense item. Purchased power can be deducted only if purchased for the purposes of resale.
2. Subtract pumping from the total resulting from 1. above and multiply the result by two.
3. Use the lessor of 1. or 2. as the total O&M to apply to the fees schedule.
4. Adjustment: An affiliate's fees will be set at the same level as the previous year if the change in O&M would otherwise result in a reduction in fees.
5. Adjustment: An affiliate's fees cannot be greater than 1% of the adjusted O&M calculation or \$375, whichever is greater.
6. Exemption: In some cases, an affiliate may experience a permanent structural change in its operations that warrants a corresponding reduction in fees. If an affiliate has incurred such a change, the following exemption procedure will be used to identify cases where the exception to the O&M adjustment is warranted:
 - a. A formal written request from the affiliate's authorized representative will be submitted to the Executive Director describing why the exemption is warranted.

- b. The overarching criteria used to determine if an exception is warranted is if a structural change has occurred, and:
 - 1) The structural change is the cause of the reduction in O&M, and
 - 2) The structural change is expected to persist over time and is not temporary.
- c. The request will be reviewed by the Executive Director and a determination will be made within 30 days of receipt of the request.
- d. Association staff will respond in writing to the affiliate requesting the exemption within two weeks of the decision by the Executive Director.

5.2.4.5 Affiliate Merger and Consolidation

When an affiliate merges with another affiliate entity, the O&M expenses for the merging entities will be calculated separately, and then added together, for purposes of the fees calculation until there is one full year of combined operating expenses in the State Controller's Report or a combined audited financial statement is submitted to the Association.

When an affiliate merges with a public agency, Association staff will review the newly formed entity's status to determine if it meets the criteria of an affiliate or public agency prior to assessing the appropriate fees or dues.

5.2.4.6 Dispute of Annual Fees

If an affiliate disagrees with its annual fees, it can submit a written dispute of the fees amount to the Executive Director. The Executive Director will review the request and make a determination within 30 days of receipt of the written dispute.

5.2.5 Benefits of Participation

Affiliates receive the following benefits:

- Five subscriptions to the Association's monthly printed newsletter, *ACWANews*.
- Listings on the Association's electronic directory for members, associates, and affiliates.
- One copy of the Association's annual *Summary of Legislation*, which summarizes all enacted legislation the Association followed during the prior year.
- Opportunities to participate in the Association's sponsorship levels allowing affiliates to receive special benefits and level recognition at Fall Conference.
- Access to "Member-only" content on the Association's website, including publications, member tools, and newsletters.
- Advantage pricing on all products, Association sponsorship and advertising, and Association-sponsored events.

- Access to “Affiliate” logo to highlight partnership with the Association on website, social media, and printed materials.
- Exclusive opportunity to partner with ACWA JPIA for Health, Dental, Vision, Life, Workers’ Compensation, Liability, Long-term Disability, and Employee Assistance Program.

5.2.6 Application for Participation

Association staff may approve affiliate status in the Association following the official review of an application to confirm that the entity meets the criteria for affiliate status and upon payment of the required fees. The affiliate status will be renewed on a calendar basis upon payment of annual fees.

5.2.7 Termination

Affiliate status in the Association may be withdrawn or terminated for the reasons listed below. Withdrawal or termination of affiliate status ends any participation in the Association’s activities and services.

Termination of affiliate status for non-payment of fees or affiliate withdrawal will affect the continued eligibility to partner with ACWA JPIA for liability, property, workers’ compensation, and employee benefits coverage.

5.2.7.1 Non-Payment of Fees

Affiliate status in the Association may be terminated for non-payment of fees.

5.2.7.2 Affiliate Withdrawal

Any affiliate may terminate status in the Association by sending written notification of its intention to withdraw to the Association’s Sacramento office. The effective date of such termination of status will be 10 business days from receipt of the termination notice. Annual fees already paid will not be refunded.

5.2.7.3 Interests of the Association

The Association may terminate the status of any affiliate upon 30 days’ written notice when it is determined that continuance of such relationship would not be in the best interest of the Association.

References:

Previous Board Policy F.1.

See Administrative Procedure: *To be determined.*

Revision History:

Revision Date	Description of Changes	Requested By
9/28/2018	Initial Release	ACWA Staff and Governance Workgroup