M-3.3 Dues
The viability of any non-profit organization is directly dependent upon its ability to fund its operations. Membership dues are a critical component of the Association’s revenue and a significant portion of the annual operating budget. The Board will establish the annual dues of each member of the Association based on the provisions set forth below.

3.3.1 Membership Term and Renewal
Membership in the Association is based on a calendar year, January 1 to December 31. Agencies joining after the beginning of the calendar year will have their dues pro-rated on a monthly basis for the remainder of the year. Agencies joining after October 1 will have their dues pro-rated for the current year and will be billed concurrently for the following year’s dues. Membership in the Association is automatically renewed upon payment of annual dues, which are due by January 31 of each year. Membership dues are nonrefundable.

3.3.2 Hardship Renewal
If a member is adversely impacted as a result of a dues increase or is suffering a hardship, the member agency’s authorized representative may submit a written request to the Executive Director for a payment plan of up to six months. The request will be reviewed and approved or denied by the Executive Director within 10 business days.

3.3.3 Dues Calculation Methodology
Membership dues will be determined by the following methodology.

Beginning in the spring of each year, staff will solicit from member agencies 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. The Association will then determine a total annual growth factor for increasing the dues schedule, which will be based on the difference between the average O&M growth and the CPI percentage identified for that period. This figure will serve as the basis for an adjustment to the dues schedule for the following calendar year.

If the Association does not receive a member’s State Controller’s Report or audited financial statements by September 1, the member’s dues 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.
### 3.3.3.1 Dues Schedule

The Board will review and approve any adjustments to the dues schedule for public agency members as part of the Association’s annual budget process. Any adjustments to the dues schedules will ensure that all steps and dues amounts are consistent and equitable and include the following provisions:

- Operations and maintenance (O&M) steps break at even 000’s.
- Dues amounts are rounded up at all levels to the nearest 0 or 5.
- Be no more than 2% of O&M or $750, whichever is greater.

### 3.3.3.2 Dues Formula

The dues formula for members 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, with the exception that members that are cities with a membership status prior to 2016 are exempt from this assessment
- Land reclamation and levee maintenance
- Flood control and water conservation; and drainage and drainage maintenance

### 3.3.3.3 Dues Calculation Steps

The Association will calculate member dues 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 dues schedule.
4. Adjustment: A member’s dues will be set at the same level as the previous year if the change in O&M would otherwise result in a reduction in dues.
5. Adjustment: A member’s dues cannot be greater than 2% of the adjusted O&M calculation or $750, whichever is greater.
6. Exemption: In some cases, a member may experience a permanent structural change in its operations that warrants a corresponding reduction in dues. If a member 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 member agency’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 Revenue Subcommittee and a determination will be made within 30 days of receipt of the request.

d. Association staff will respond in writing to the member requesting the exemption within two weeks of the decision by the Revenue Subcommittee.

3.3.3.4 Agency Merger and Consolidation
When member agencies merge, the O&M expenses for the merging agencies will be calculated separately, and then added together, for purposes of the dues 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.

3.3.3.5 Dispute of Annual Dues
If a member disagrees with its annual dues, it can submit a written dispute of the dues amount to the Executive Director. The request will be reviewed by the Revenue Subcommittee and a determination will be made within 30 days of receipt of the written dispute.

3.3.4 Step-up to Membership Program
The Association’s Step-up to Membership Program for new members provides access to all aspects of membership, while gradually stepping up to the full dues amount over a two-year period. The program is a one-time offer per entity and is not available to current members who terminate their membership for any reason.

For the first year, the new member receives a 50% discount on its calculated dues. During the second year, it receives a 25% discount on its calculated dues. By the third year, the member receives no discount and pays 100% of its calculated dues.

For new members joining during the last quarter of the year, the first year’s discount of 50% would apply for the final quarter and the entire following year, with the 25% discount applying to the next year and no discount for subsequent years.

3.3.5 Advance Dues Deposit Program
The Association will finance its building debt through a voluntary advance dues deposit program that allows members to advance the Association a lump sum payment of dues. On a periodic basis, the Board will approve the interest rate, principal pay down rate, and the advance dues deposit program term
based on the Finance Committee’s recommendations. The Board may renew the program at the end of each term along with establishing new interest and principal pay down rates.

### 3.3.5.1 Participating Agencies

For each member participating in the advance dues deposit program, the Association will apply a credit of the approved interest and principal pay down rate toward the member’s annual dues. At the end of each program term, the Association will return the advance dues still on deposit or enter into another agreement with the member. Should a participating member terminate its membership in the Association during the program term, the remaining balance on deposit will be returned to the member in full within six months.

**References:**

*Bylaws, Article 2; Previous Board Policy E.1, 3 and 4.*

**See Administrative Procedure:** To be determined.

**Revision History:**

<table>
<thead>
<tr>
<th>Revision Date</th>
<th>Description of Changes</th>
<th>Requested By</th>
</tr>
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<tbody>
<tr>
<td>6/3/2016</td>
<td>Initial Release</td>
<td>ACWA Staff and Governance Workgroup</td>
</tr>
<tr>
<td>9/30/2016</td>
<td>Revised Policy 3.3.3.2, Dues Formula, to include language pertaining to hydropower facilities requiring a FERC licenses, based on the recommendation of the ACWA Dues Structure Task Force.</td>
<td>ACWA Staff based on action by Board of Directors on 7/29/2016</td>
</tr>
<tr>
<td>3/30/2018</td>
<td>Revised Policy 3.3.3.2, Dues Formula, to exempt members that are cities with a membership status prior to 2016 from the electric enterprise assessment.</td>
<td>ACWA Staff</td>
</tr>
<tr>
<td>3/30/2018</td>
<td>Revised Policy 3.3.3.4, Agency Merger and Consolidation, to clarify how dues are calculated when member agencies merge.</td>
<td>ACWA Staff</td>
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