

Lovell Lake Association (Association)

Water Quality Reserve Spending Policy

February 8,2024

Background:

As stated in the current By-laws of the Association, our purpose is to “promote the welfare of Lovell Lake and its environment and community”. The Board has recognized over the years that maintaining and improving the quality of lake water is one of the most important aspects of promoting the Lake’s welfare and has instituted several multi-year programs (e.g.: weed watch, water testing , Lake Host) to achieve that goal.

The Association has accumulated reserve funds over the years from annual dues and donations targeted to water quality initiatives and through careful monitoring of expenses in relation to our income. At the end of 2023 the Association will have available cash and investments of approximately \$260,000.

Some other matters we considered in establishing this policy:

- Although the Lake’s current water quality is good, and the programs noted above have been effective, recent water testing results from the University of New Hampshire indicate a downward trend in certain aspects of the Lake’s water quality.
- There are several threats to the Lake’s water quality including among others invasive species, soil erosion , and rising phosphorous levels . This policy covers all water quality issues.
- A 2022 report from our Watershed Planning Committee based on a AWWA survey of all properties around the Lake (see appendix below) identified several potential sites where the risk of soil erosion and other factors threaten water quality.
- The Board has gathered information regarding the historical concerns of the potential threats and cost of invasive plants (milfoil) and fish species (koi) . We now better understand that the potential cost and effort to address these threats , if they were to become a problem, are well within our current financial capabilities (particularly given the proactive water quality programs instituted as noted above).
- The cash balances we have accumulated can be used in a proactive manner to protect and improve the water quality of the Lake from emerging issues (e.g.: soil erosion) while maintaining adequate reserves for operations and the historical concerns over invasive plants and fish species.

The Board recognizes the need to be diligent in meeting the Associations’ purpose and utilize the funds received form various donors over the years for their intended purpose. This Reserve Spending Policy

outlines a measured proactive approach on how the Association can use its cash reserves to address the threat of soil erosion and other factors to promote the Lake's welfare and water quality. The Board recognizes other needs of the Association that require access to the accumulated funds including ongoing operations and the potential threat of invasive species such as milfoil. In evaluating the reserves available to address water quality matters, the Board has assumed that one years of operating expenses (approximately \$35,000) and two potential milfoil invasions (approximately \$25,000) may be required and should be excluded from the amount available for water quality matters. Excluding the potential need for operating and milfoil/invasive species matters, there would be \$200,000 available for water quality matters as of January 1 2024.

Purpose:

This water quality reserve spending policy establishes the following:

- How funds will be used to improve water quality
- A target amount of our existing reserves that will be used annually to fund water quality projects.(i.e., Spending limits)
- The process for how specific projects will be brought forward to the Board for consideration and approval.
- Identification of water quality projects that the Association will fund.
- The authority to approve and use funds.
- Annual reporting and monitoring of the use of funds for approved projects.
- Periodic review of the policy.

How funds will be used-

The Lake's current water quality is an asset to the community and the current Lake landowners for multiple economic, recreational , ecological, and cultural reasons. The AWWA watershed report (see below) demonstrates that no single source of water pollution has a major impact on water quality, but when added up these small impacts can have a significant accumulative effect on water quality. *Every erosion and pollution source that we eliminate contributes to an overall reduction in pollution getting into the lake.* Any improvement that eliminates soil erosion or other threats to the lake benefits all in the Community, not just the landowner of where the threat is eliminated.

Nevertheless, leadership of the Association recognizes that property owners have the primary responsibility to address pollution and soil erosion threats on their properties . Any funding from the Association will be used primarily to match / supplement amounts from individuals and government and private foundations for specific projects ,unless there is a compelling reason to do otherwise.

Spending limits-

There is considerable authoritative literature on accepted approaches to establish a methodology used to target the annual amount of how much of an entity's reserves (endowment funds, large one-time grants, accumulated reserves) should be used for specific initiatives. These approaches include inflation based, hybrid, smoothed and simple approaches that balance the needs of the organization's mission with its long-term viability. The approaches typically calculate a % of the available funds of the beginning of year reserves that can be used for annual spending which is often within 3 to 7% of the reserve balance, with most policies falling at a 5% threshold. Rather than the Association perform an extensive study to determine an appropriate spending threshold (and recognizing the % can be revised during the annual policy review as described below), we will establish 5% of the beginning of the year accumulated reserves (after setting aside amounts for ongoing operations and invasive species) as our initial spending limit.

It should be noted that the 5% spending limit is a target and not meant to be a definitive amount that must be spent each period. There may be years in which no viable projects are available to fund; and other years in which an amount greater than 5% will be spent to seize the opportunity to help complete a high impact time sensitive project. As detailed below, all amounts to be spent will require Executive Committee approval,

Process to evaluate, consider and approve Water Quality projects-

Following is the general outline of how water quality projects will be identified and brought to the attention of the Executive Committee for consideration:

- Throughout the year the Watershed Planning Committee will review existing reports and material on threats to the water quality of the Lake and develop a list of potential projects with estimated costs. This effort will entail reaching out to property owners and others that have identified projects that target soil erosion and other threats to the lake. See below for current sources of potential projects.
- The Watershed Planning Committee will periodically present potential sites to the Executive Committee for consideration. Information presented to the Executive Committee should include:
 - location of the potential remediation site
 - potential threat the site presents to the Lake,
 - the proposed remediation work to be performed,
 - the timeframe for the proposed project
 - the amounts that would be paid by the property owner, grantors, and Association for the project.
- The Executive Committee will discuss the potential sites presented by the Watershed Planning Committee and determine which if any sites will be funded for remediation by a majority vote of the Executive Committee members present at the meeting.
- The cost projects selected for funding should not exceed the 5% annual spending limit established by this policy unless the majority of the Executive Committee votes to allow for additional expenditure to address immediate or time sensitive projects.

- The Association is under no obligation to spend the 5% target each year if no viable projects are available for remediation.
- At the Annual Meeting of the Association the projects selected for funding by the Association will be reported on to the members.

Identification of Water Quality projects that the Association will fund-

Currently, we are aware of the following sources available to identify potential projects that would improve the lake's water quality:

- In 2022 the Acton Wakefield Watersheds Alliance (AWWA) was engaged by the Association to perform an extensive survey of the Lovell Lake watershed. This survey , (as detailed in a report included on our website) identifies 133 sites (categorized as high to low impact) that threaten the lake's water quality. *This is the primary source of information available to us on potential threats to the Lake.*
- Occasionally land owners in the watershed or local organizations will apply for government or private grants to address potential environmental issues regarding the watershed. These grants often require matching funds from others as a condition to access the grant funds. The land owners and / or local organizations may contact the Association regarding interest in assisting in the project.
- Local conservation groups (e.g.: AWWA, Moose Mountain Regional Greenway) may be aware of special projects that address water quality at the Lake and in our periodic normal interactions with these groups, we may be made aware of potential projects.

Authority to approve funding-

Once the Executive Committee has approved the specific projects for financial assistance to address water quality, the Association President and one other officer will have the authority to make payments as required for a project. Any use of funds will be communicated at the following board meeting.

Annual reporting and monitoring of project funding-

The Association President with the assistance of the Treasurer, will maintain a record of the use of funds for water quality projects. In addition to the periodic reports to the Board (see above) there will be a report to the Association members on water quality spending at the Annual meeting.

Periodic review of the policy-

This policy will be reviewed every other year by the Board, or sooner if warranted by internal and external changes. This review will include (i) the anticipated need for operating, invasive species, and water quality reserves (ii) available reserves , (iii) and the specifics needs for water quality projects.

Appendix 1 – 2022 Lovell Lake Watershed Survey Results

133 observed sites were sorted by the Impact Score, Likely Cost of Remediation and Technical Difficulty.

Impact and Cost interrelationships are shown below; for example, there were 35 high impact sites that were observed, 13 of which were likely lower cost fixes. There were 88 medium impact sites observed 68 of which were likely lower cost fixes.

Row Labels	Count of Client Name
High Impact	35
High Cost	11
Medium Cost	11
Low Cost	13
Medium Impact	88
High Cost	8
Medium Cost	12
Low Cost	68
Low Impact	10
High Cost	1
Medium Cost	1
Low Cost	8
Grand Total	133