

WASDA connections

Water and Sewer Distributors of America

Summer 2009

2009 Fall Meeting & Partnership Forum: WASDA's Indy Bound!

October 25-27, 2009

By Sarah Hagy, Executive Director

WASDA Members are heading to Indianapolis, Indiana—a new location for WASDA's Fall Meeting & Partnership Forum and Indy is ready! Attendees will get a true sense of the city they are visiting; from the hospitality of local members welcoming guests upon arrival to experiencing native products and fare from the city, this meeting is not one to be missed.

The Indianapolis Marriott Downtown, located just a few steps away from the heart of downtown will offer attendees a 4-diamond experience at an affordable rate. Just recently completing a \$9.5 million renovation, the Indianapolis Marriott Downtown will offer comfortable accommodations and meeting space for members to network, conduct business and meet new friends while catching up with familiar faces.

The Fall Meeting's feature event is, of course, the Partnership Forum, connecting Manufacturers and Distributors at one time, in one place, to conduct business, learn about new products and services, and/or solidify relationships with key customers and/or vendors. With the challenges this economy has brought to the industry, conversations are sure to be robust and innovative, sharing new concepts and opportunities that have come out of these unique times.



Aside from networking and conducting business is the opportunity to learn more about how WASDA is working to strengthen the industry-at-large. From updates by the Government Relations Committee on potential legislation that would raise up to \$10 billion dollars for infrastructure projects to WASDA's participation at AWWA's ACE in San Diego, there are several opportunities to learn more about how to help WASDA work for you and your business. Members are invited to participate in the Committee Meetings taking place on Sunday, October 25 as well as the General Business Session on Monday morning, October 26; be sure to book your travel appropriately.

Registration materials will be available in early August. The brochure, registration information and contact table appointment template will be emailed to everyone and posted to the website. Should you have any questions at any point in the registration process, please contact a member of the WASDA Headquarters Team. See you in Indy!

In This Issue

Fall Meeting Preview	p. 1
Blumenauer Water Trust Fund	p. 6-7
Committee Corner	p. 3-4
Future Meeting Dates	p. 5
Message From the President	p. 2
Profit Improvement Report	p. 13-15
Scholarship News & Winners	p. 8-12

Bringing together all elements of the waterworks and sewer distribution industry for the purpose of promoting, educating and representing its participants.

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Message from the President



Hello Everyone,

I know this is the “summer edition” of *Connections*, but it sure doesn’t seem like summer yet in New England. We were cold and rainy for most of June. We also did not see the “normal” amount of business that we see in the summer construction season. This is not a good trend for me. If business is going to be slow then

at least the weather should be good enough so that I can go golfing. Things have to change soon hopefully on both fronts.

The first thing I must tell you is that we are losing a valued member of the Fernley team due to relocation. Rebecca Mathis gave her notice to Fernley & Fernley so she could move back home to Richmond, VA. Rebecca was only with WASDA for one year, but she did a tremendous job for us. I first met Rebecca at ACE in Atlanta where she was helping us with our booth. Her energy and enthusiasm was a great asset for all the WASDA booth workers. It is only fitting that one of her last duties for WASDA was to work at the ACE in San Diego. I would like to personally wish Rebecca the best of luck with her future. Fernley & Fernley has appointed Jameela Smith to fill Rebecca’s position. I look forward to meeting and working with Jameela when I travel to Philadelphia next month.

The summer letter from the President is always an interesting prospect. I have already written a letter recapping the last meeting in Puerto Rico. We have not had an official WASDA meeting since then, but I know many of you met up in San Diego for the ACE. Most of you are probably going about the business of trying to “make it” in a poor economy and not really thinking about WASDA too much. I would like to assure you that WASDA is working hard behind the scenes all year for you. Every committee is meeting and planning for the future.

The Marketing Committee just finished one of their big projects for the year by displaying at the ACE in San Diego. They were confronted with a number of logistical challenges, but Rebecca and the Committee did a great job again this year with their on-site management. Marketing will have more *Opflow* advertising and a new poster campaign coming shortly. The Publications Committee just finished the new 2009-2010 Directory and it has been mailed to everyone; it looks great as always. I

would personally like to thank every one of our advertisers; I know it is a tough year for everyone’s advertising budget and WASDA truly appreciates your support again this year. Publications has also just reached the deadline for the statistical survey. I know I look forward to receiving mine back from Al Bates. I am sure this is the year he finally tells me to hang it up and sell ice cream from a stand on the beach. The Program Committee is working hard on planning the next FOUR meetings. Most of their attention is on the upcoming meeting in Indy, but they are already picking a site for Spring 2011. I expect to see great things from the Program Committee in Indy. It seems like I have been hearing about that meeting for three years now. There is no way Indy can be as nice as Ed Nugent tells me. Everyone would live there if that was the case.

This brings me to Government Relations. I don’t want to steal all of Peter Krainock’s thunder, but there is so much going on in Washington today that Peter could turn the Government Relations Chair position into a full-time job. On July 14th Congressman Blumenauer introduced a bill that would form a clean water trust fund which could provide up to \$10 billion annually for replacing our aging infrastructure. We are going to need everyone’s input to congress to help push this through both houses. This bill could change our industry for many years to come. Please look for Peter’s updates through the Capwiz system. This is not a onetime economic stimulus package. This is real money focused directly at our industry. Your help here is critical.

WASDA is working all year for you and your company. Our volunteer committee members work hard to provide all these benefits to the members of WASDA. I thank them again for their dedicated service. If any of you have a passion for any of the work that these committees do, then I ask you to step up and help a committee. The committee chairmen would love to have you on board. Don’t wait for them to ask you for help.

Enjoy your summer. I hear it is coming to New England soon. I can’t wait to see everyone again in Indy. It is going to be a meeting for the ages. If it is as good as Ed Nugent and Betsy Mitchell say, then I might have to buy a Peyton Manning jersey!

Sincerely,

A handwritten signature in black ink, appearing to read "Sam Peirce". The signature is fluid and cursive.

Sam Peirce
WASDA President

Committee Corner

Associate Member Committee

Walter Cooper, Chair

The Associate Member Committee is looking forward to seeing everyone at the 2009 Fall Meeting & Partnership Forum in Indianapolis in October. Be sure to make appointments early; Headquarters will post an attendee listing on the WASDA homepage once registration picks up which will detail registrants to date. Just because you do not see a company on the listing doesn't mean you shouldn't contact them. Remind companies to register as early as possible to get the most out of the Forum.

Government Relations Committee

Peter Krainock, Chair

If you are a subscriber of WASDA's Capwiz blasts, you know that the past few months have been very active. Here is an update on the most recent developments:

- The CWC has released their Economic Impact Study (attached) on economic benefits that come with funding water and wastewater infrastructure projects. The study, Sudden Impact: An Assessment of Short Term Economic Impacts of Water and Wastewater Construction projects in the United States is available for hard copy distribution. If you would like to order copies for your office, contact Jameela Smith (jsmith@fernley.com) at Headquarters to request your copy; available on a first come, first served basis.
- The long awaited Government Accountability Office (GAO) just released their report (attached) highlighting viable revenue sources that could generate about \$10 billion annually to support a Clean Water Trust Fund. This report was requested over a year ago by Committee Chairman Oberstar, Water Resources and Environment Subcommittee and Rep. Earl Blumenauer from Oregon.
- The draft of the Water Protection and Reinvestment Act is now available. This legislation will provide a deficit-neutral, consistent and firewalled source of revenue to help states and local communities replace, repair and rehabilitate critical drinking water and waste water treatment facilities and will be financed by a number of small, broad-based and equitable taxes on those who contribute to water quality problems and those who use our water systems. Attached is a one-page summary of the bill and a section by section description of its contents.

Congressman Blumenauer (Ore) introduced this legislation on July 14 ahead of the Transportation and Infrastructure Committee, Water Resources Subcommittee's July 15 hearing on financing water infra-

structure. While many groups and organizations worked with Rep. Blumenauer's office on this bill, one notable organization chose not to participate. We are talking about AWWA. While it was never clear why AWWA chose not to be engaged, the last thing we need is for AWWA to take pot-shots at the bill once it is introduced. WASDA can help! If you or your company has influential contacts in AWWA, now is the time to let them know on an individual basis how important this bill is to you, your company, your communities and the Nation's infrastructure. We need AWWA on board or at least not opposing its passage through the legislative process.

Since WASDA has been involved in this process from the beginning, you are the first ones to see these documents. Download, print, read and start talking. This bill, if passed, will create a permanent \$ 10 Billion dollar per year fund. That is a LOT of pipe, valves and fittings.

Marketing Committee Corner

Jim Fuller, Chair

The Marketing Committee has been very busy working on the poster project. This program is designed to help raise awareness for WASDA within the ranks of all members. These posters boldly show the members logo and accompany our slogan "Making Water fit for Life," illustrating we are proud members of WASDA and what we are all about. We have almost 50% of the members participating in this program and will offer an opportunity for members to order extra posters for all their branches, plants, and offices. Not only is this program fun but it is a prime opportunity to gain involvement from all distributor and vendor members.

Our ad program for 2009 has kicked off with the May issue of *Opflow*, inviting all to visit our new booth at the ACE 2009. The booth's goal, as it has been in years past, was to drive traffic to our Associate Members as well as growing awareness for WASDA. See Rebecca Mathis' report following for more details about our participation.

We are planning a follow up ad in the September issue of *Opflow* naming our winner of the "Best Buy" gift card and thanking all that stopped by our booth in San Diego.

Next we are getting excited for our October meeting in Indy and look forward to more members working on the committees: Associate Members remember all are welcome to join in the fun.

See you there!

continued on next page

Committee Corner (cont'd)

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Membership Committee Corner

Ed Nugent, Chair

Greetings from the Membership Committee, I truly hope this article finds you in a busy time. We all have to reconfigure our business models due to the changes in our markets. I on behalf of the Committee would first like to thank all of you for showing your commitment to WASDA by renewing you dues for 2009. We realize there are plenty of items on the budget to consider and we are thankful you feel, as we do, that your investment in WASDA is valuable.

I attended the ACE in San Diego to work with the Marketing Committee at the booth and survey the various companies for possible membership. I feel confident WASDA will have a few new Associate Members from our conversations. The booth was well received and very well located. Thank you to Mike Dooley, Jim Fuller and the Marketing Committee for the opportunity to participate.

I would like to personally welcome all of you to the Indianapolis Partnership Forum in October. We have been working toward making this meeting a must attend event. With our "Hoosier Hospitality" and the great location downtown, I could not think of a better place to be in late October. Keep in mind I live in Indiana, so I might just be a bit biased.

Please call me if you have any thoughts or possible prospective members you would like me to contact. Thank you and I look forward to seeing you in Indy in October!

Program Committee

Ed Morrison, Jr., Chair

The Fall Meeting & Partnership Forum is right around the corner! This year's meeting will be held at the Indianapolis Marriott Downtown, October 25-27, 2009; registration for the Meeting will open in August. We are excited to be going to Indianapolis for the first time. As always, this meeting is sure to bring true value to all attendees. We encourage everyone to register early with the hotel and for the meeting. Hope to see you there!

Additionally, the dates and locations for the 2010 Annual Meeting and 2010 Fall Meeting & Partnership Forum have been selected. Please stay tuned for more information.

Publications Committee Corner

Dave Putnam, Chair

The 2009 Annual Statistical Survey submissions are in and I am pleased to announce that we had a total of 22 Distributor Members take advantage of this profit-making tool. Although this is a decrease from last year, we are up from past years and hope participation in this valuable tool continues to grow. Relative industry information such as this is not available in a format this concise. Those of you who chose not to participate this year, please let me know what we need to do to better assist your business. Our long-term goal will continue to be for 100% participation by WASDA Distributor Members.

You all should have received your Membership Directory for 2009. The cover features a spin-off of our national ad campaign trumpeting the value and sources of clean water. The directory is again full of useful reference information about WASDA, its members, our vendors, and operations.

In 2009 we saw a slight decrease in advertisers from 32 to 31 or 3%. If we missed you this year, please contact the committee about advertising opportunities in 2009. Thanks to all of our advertisers for your continued support and participation. Please keep it as a handy reference and also let us know what you think. We continually strive to make it a useful tool for many aspects of your business.

News from The Library, please do not forget to view our antitrust video, "The Price". It is perfect for new hires or those moving within your company to a new position in which they will be involved in bidding, estimating or sales. WASDA has two copies that are available to loan; and all you pay is shipping and handling. Contact Jameela Smith at Headquarters for details: jsmith@fernley.com.

Finally, we need to "hear from you" – please send us any relative industry or company information that you think our members could benefit from. It may be a company update, new product or service, or interesting news from your region. We have WASDA publication contacts in the Eastern, Central and Western US, and are looking forward to hearing from you. WASDA is your pipeline to and from the industry for news and information.

WASDA at AWWA ACE

WASDA Exhibits at AWWA's ACE '09 – San Diego, CA June 14 – 18

By Rebecca Mathis

The WASDA Booth was back at AWWA's 2009 ACE, supporting WASDA Members in a variety of capacities. Whether it was as an "oasis" for Associate Members also exhibiting (couches, flat screen TV, water stations), an opportunity to educate and inform attendees about WASDA, or to drive attendees to other WASDA Member booths, WASDA's presence had a positive impact.

Booth volunteers and staff helped answer questions about WASDA and assisted in creating booth traffic to the vendor members that were exhibiting. A signature card was handed out that requested attendees to visit at least ten WASDA member booths and have the member sign off on the card. A completed card was returned to the WASDA booth which entered the attendee into a drawing for a \$500 Best Buy gift card.

WASDA volunteers spoke with potential members about the many benefits of joining WASDA, and six potential members expressed interest in attending the Fall Meeting & Partnership Forum to learn more about WASDA.

The booth also served as a meeting place for the WASDA members. Before the exhibit space opened to the public, WASDA members were welcomed with an invigorating cup of coffee, catching up on world news and networking while getting ready for the day ahead. Overall the oasis served a variety of purposes for ACE attendees, strengthening the WASDA brand within the industry.

Headquarters is contacting all members that requested more information, notifying the winner of the \$500 Best Buy Card and of course following up with prospects interested in attend the Fall Meeting & Partnership Forum. If you have any suggestions or comments regarding the exhibit or ideas for the future, please contact Sarah Hagy at WASDA Headquarters: shagy@fernley.com.

WASDA Thanks its 2009 Directory Advertisers!

Associate Members

A.Y. McDonald Mfg. Company

Advanced Drainage Systems, Inc.

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Michigan Pipe & Valve - Saginaw

Pipelines, Inc.

Pollardwater.com

United Pipe & Supply

Company, Inc.



Future Meeting Dates

2010 Annual Meeting

February 28 - March 3, 2010
Loews Ventana Canyon Resort
Tucson, AZ

2010 Fall Meeting & Partnership Forum

October 24-26
Sheraton Denver Downtown Hotel
Denver, CO

2011 Annual Meeting

February 26 – March 2, 2011
The Fairmont Turnberry Isle Resort & Club
Aventura, FL (Miami area)

Blumenauer Introduces Multi-Billion Dollar Water Trust Fund



Blumenauer Introduces Multi-Billion Dollar Water Trust Fund to Rebuild and Renew America Industry, Construction, Environmental, & Water Stakeholders Unveil \$10 billion Annual Fund

Washington, DC—Representative Earl Blumenauer (D-Ore) today introduced bipartisan legislation to establish a Water Trust Fund for investing in America's broken drinking water and sewage treatment systems. The "Water Protection and Reinvestment Act," H.R.3202, establishes a \$10 billion annual fund for repairing America's corroded pipes and overburdened sewer systems, which pose serious health, environmental, and security consequences.

Representatives Mike Simpson (R-ID), Norm Dicks (D-WA), Tom Petri (R-WI), and Steve LaTourette (R-OH) joined Rep. Blumenauer in introducing the legislation, as well as a diverse coalition of stakeholders representing rural communities, contractors, engineers, and environmental and water interests.

The Water Protection and Reinvestment Act will be financed broadly by small fees on such things as bottled beverages, products disposed of in wastewater, corporate profits, and the pharmaceutical industry. This will provide a long-term, sustainable source of revenue to ensure economic prosperity and protect the health of people and the environment.

The \$10 billion annual fund will create more than 250,000 jobs.

For more information on the water trust fund and how it will be paid for, see the fact sheet in this press packet or visit Rep. Blumenauer's website.

Following are statements from Rep. Blumenauer, members of Congress, and groups that joined the press conference to endorse this important legislation:

"When water mains are bursting through the streets, and sewage is leaking into our lakes, rivers, and streams, we have gotten past the point of out of sight out of mind," **said Congressman Earl Blumenauer.** "We know things are critical when, based on current funding levels, it would take Oregon more than 62 years to meet our current wastewater needs. Establishing a steady funding source to rebuild and renew America's outdated water infrastructure is a concrete step that puts us on the path to a healthier, more secure future. As we look for ways to jumpstart our economy, the Water Protection and Reinvestment Act will create hundreds of thousands of jobs while protecting the health of people and the environment. After many years of work, and numerous conversations with a multitude of stakeholders, I am proud to unveil this vital piece of legislation.

"I'm pleased to be an original cosponsor of Rep. Blumenauer's legislation, which will create a long overdue funding source for our deteriorating water infrastructure," **said Congressman Steve LaTourette.** "The EPA has stated that in Ohio alone \$22 billion will be needed over the next 20 years to repair drinking water and waste water infrastructure. This bill addresses these needs that exist across the country which currently leave local taxpayers with the bill."

"It is no secret to the people of Wisconsin that our aging wastewater infrastructure is increasingly being overwhelmed," **said Congressman Tom Petri.** Last month as a result of rain, nearly one billion gallons of untreated sewage and storm water spilled out of Milwaukee-area sanitary and storm sewers into local rivers and Lake Michigan. Milwaukee is only a local example. The problem of inadequate and crumbling wastewater facilities is urgent and nationwide. The Wastewater Protection and Reinvestment Act is greatly needed if we are to have both reliable drinking water and wastewater treatment."

"Municipalities face serious challenges in meeting their clean water goals, including a growing population; aging infrastructure; increased regulatory requirements with stepped-up enforcement from EPA; and global competition driving up the cost of labor and materials," **said Tom Walsh, who spoke on behalf of the National Association of Clean Water Agencies (NACWA).** "We believe a clean

Blumenauer (cont'd)

water trust fund, such as the one that would be created by Congressman Blumenauer's bill, is critical to ensuring communities can continue to meet their Clean Water Act obligations."

"Every day we rely on seemingly invisible water and wastewater systems to support our quality of life and the nation's economy, and yet they suffer from inattention and underfunding," **said American Society of Civil Engineers president D. Wayne Klotz.** "A long-term, dedicated funding source, like the one proposed by Congressman Blumenauer, will go a long way in ensuring that these vital systems can continue to support the health and safety of the American people."

"A new economic study by the Clean Water Council demonstrates that water and wastewater projects generate tens of thousands of living-wage jobs, substantially increase demand for goods and services, and expand local tax bases," **said Bill Hillman, CEO of the National Utility Contractors Association.** "A long-term, self-sustaining and dedicated wastewater infrastructure trust fund would go a long way to reduce the structural investment gap that is creating an environmental crisis."

"We are at a transformational moment. The same old 19th and 20th century approaches to water management simply aren't fit for the challenges of this century," **said Rebecca Wodder, president of American Rivers.** "It is time to embrace a 21st century approach to water that integrates green solu-

tions, recognizes changing climatic conditions, and helps ensure community safety and security. By supporting smart water infrastructure investments, the Trust Fund will help ensure a future of clean water for generations to come."

"In recent years funding for water infrastructure has suffered from neglect and misplaced priorities," **said Mitch Jones, Senior Legislative and Policy Analyst for Food & Water Watch.** Even with the increases already approved by Congress, we will fall woefully short of our nation's need this year. We can't afford to rely on the whims of Congress and the change of administrations to guarantee the safety of our infrastructure. That's why we need a Water Protection and Reinvestment Fund."

"Communities in rural America desperately need this type of comprehensive and sustainable program that not only supports vital water and wastewater infrastructure, but also serves to improve public health and the prospect for future economic development opportunities," **said Rural Community Assistance Partnership Executive Director Robert Stewart.** "By providing a dedicated funding source, using existing delivery systems, and requiring a high level of responsibility and accountability from the utility recipients, the 'Water Protection and Reinvestment Act' will help ensure that this generation and those that follow us will be guaranteed safe, affordable and dependable water and wastewater services for their families and for future economic growth."

2009 Matt Stager Memorial Scholarship Fund

The Matt Stager Memorial Scholarship Fund received 17 applications for consideration this year. This means that up to four students were awarded a \$1,000 scholarship renewable for four years. While the Selection

Committee reviews these applications, they also approve past winners' renewals based on maintaining a minimum GPA of 3.0.

2009 Scholarship Winners



Taylor Brooks
Trumbull Industries, Inc.

Dear Matt Stager Memorial Scholarship Committee:

First of all I am honored, and very thankful to receive the Matt Stager Memorial Scholarship. I am a recent graduate of Brookfield High School in Brookfield, Ohio. In the fall I plan to attend Ohio State University and study in the field of medicine. I hope to obtain a four year Bachelor's Degree in science and continue my education into a school of medicine to possibly obtain higher degrees. Currently my hobbies include watching football and baseball, playing my guitar and piano, and reading.

My favorite author is Chuck Palahniuk, and much of my reading is spent either on his books, or the works of Augusten Burroughs. In the future, I hope to be an epidemiologist working to discover the secrets of the world's diseases. I am very interested in travel, and hope to incorporate that love into my career somehow.

Again THANK YOU very much.

Lauren Burchfiel
United Pipe & Supply

Dear Matt Stager Memorial Scholarship Committee:

First, I would like to thank you for this wonderful and generous scholarship!

My name is Lauren Burchfiel and I graduated from West Albany High School in Albany, Oregon. Next year, I am attending Chapman University in Orange, California. While I am there, I will be involved in their Disciples on Campus program, which will include holding fundraisers, leading church services, and volunteering around campus. I also plan on joining their Varsity Water Polo team. My major at Chapman will be Education, as I am planning on pursuing a career as a teacher. As of right now, I am not entirely sure what exactly I'd like to teach, but I'm leaning towards elementary school or high school, and if I teach high school I will most likely teach English, Psychology, or Social Studies.

After obtaining my Bachelor's Degree, I hope to join the Peace Corps and serve in a country of need for two years. Once I have accomplished that, I would like to go back to school and pursue my Master's Degree in Education, or a more specific field. Then I plan to settle down somewhere and hold a job as a teacher.



2009 Matt Stager Memorial Scholarship Fund (cont'd)



Christina Flanagan
M.J. Pipe & Supply, Corp.

Dear Matt Stager Memorial Scholarship Committee:

My name is Christine Flanagan, and I am a graduating senior from Hilton High School in Hilton, New York. I believe that I have tested myself throughout my last four years by taking classes that were challenging instead of just easy. This has led me to what I hope will be my vocation; Communications and Broadcasting. I have been accepted into the 2+2 program at Monroe Community College and with the State University of New York at Brockport. As I gain more experience in this field, I wish to go on to complete an internship. I would like to be a news broadcaster for a local news station when I complete college. This scholarship is greatly appreciated and will help me to attain my future goals.

Avary Kolasinski
United Pipe & Supply

Dear Matt Stager Memorial Scholarship Committee:

I am a 2009 West Linn High School graduate. Throughout my high school career I was involved in just about everything my school had to offer. You could find me in Student Government meetings, Young Republican Club events, Model United Nation conferences, basketball games, fundraising events and Advance Placements tests. I was always busy trying to handle my hectic schedule and maintain my family and friends because I always figured it was the same frantic schedule I would face in college.

I plan to spend the next four years at Oregon State University Honors College working towards a double major in Chemistry and Organic and Biochemistry. During my four years I am going to be working in the lab with variety of experiments in order to pursue and engage in options for future careers. As of right now, after college I hope to work as a chemical engineer in pursuit of someday owning my own company. I want to thank you for the opportunity in helping me pursue my dreams through the Matt Stager Scholarship.



Thanks to Our Donors

The Scholarship Fund would not exist without the support of our generous donors. A special thank you to the following companies and individuals for their generous contributions!

Water Works Supply Corporation
Utility Supply Company
WASDA

Matt Stager Memorial Scholarship Fund Recipient Updates

Ellen Moore
Groeniger & Company

Dear Matt Stager Memorial Scholarship Committee:

I just wanted to thank you for your continued support of my college education. Your contribution is very valuable to me and my family. I am currently enrolled in my third quarter at Cal Poly and I LOVE it! The surrounding area is so beautiful and there is always something to do downtown. Every day I walk around my new city and I always feel so lucky that I chose to go there. I have made many good friends and my professors are very impressive. I am sticking with my major of City and Regional Planning. I am taking a class on land use and transportation next quarter and if I enjoy that I plan on emphasizing my future career in transportation issues. I also plan to minor in Sustainable Environments but I can only start taking the required classes my junior year. I am excited to learn and grow at Cal Poly for the next few years, and I have this scholarship to thank for helping make that happen.

Meghan May
Trumbull Industries, Inc.

Dear Matt Stager Memorial Scholarship Committee:

My name is Meghan May, and I will be a junior at John Carroll University during the upcoming 2009-2010 school year. Although I am anxious to start my first year as an upperclassman, I reminisce about my recently completed sophomore year. Near the end of my freshman year, I applied and was hired as a tour guide for John Carroll University. I began my role as a new tour guide at the start of my sophomore year. Throughout the year, I gained vast knowledge about my university as well as great friendships. I have formed strong bonds with my coworkers as well as a deep sense of belonging at John Carroll University. In addition to working as a tour guide, I was inducted into the Phi Eta Sigma Honors Society and officially began my membership in this organization. I also participated in the Honors Program and the Honors Student Association of which I am the newly elected Vice President. Lastly, I continued to play a role in the Italian Club as well as intramural volleyball. I am hopeful that I will continue my memberships in all of these clubs and organizations throughout my junior year.

In terms of academics, I recently declared Biology as my major, and I am hopeful that I will earn an internship within the dentistry field for the summer of 2010. Furthermore, I am looking into joining the biology club as well as applying to the Pre-Med Honors Society of John Carroll University.

Currently, I am applying for the tour guide coordinator position within the John Carroll Office of Admissions and am preparing for my study abroad trip to Rome, Italy this upcoming May. I look forward to the start of this once in a life time experience as well as the start of my junior year at John Carroll University, both of which are a reality because of the Matt Stager Scholarship. I would like to thank the Matt Stager Scholarship Selection Committee for its generous contribution throughout my college experience thus far.



Matt Stager Memorial Scholarship Fund Recipient Updates



Angela Summers
United Pipe & Supply

Dear Matt Stager Memorial Scholarship Committee:

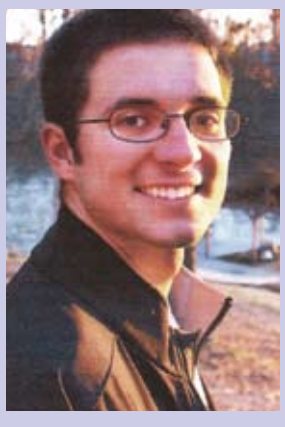
As one of your 2008 Matt Stager Scholarship Recipients, I am pleased to report that I maintained a 3.6 GPA during my freshman year at Oregon State University. Once again I thank you for recognizing my achievements this year with the \$1,000 scholarship award, and I look forward to representing WASDA again during my sophomore year at Oregon State for the second year award of \$1,000.

I really appreciate the scholarship that supports my goals of a college education.

Jessica Woodruff
HD Supply

Dear Matt Stager Memorial Scholarship Committee:

My name is Jessica Woodruff and I attend the University of Alabama. I am majoring in Advertising with a Studio Art minor. That major and minor will help me on my way to become a graphic designer. However, until I graduate, I study for my classes and work at Bidgood Hall. There, I am part of the technology support group. I help fix professors' computers and assure that their technology is working properly. I really enjoy attending, Unashamed, a college worship service for Christians, on Thursday nights. I am also part of the Russian club where we study the Russian culture by watching Russian movies or cooking Russian food. Thank you for the scholarship that helps to make all of this possible for me.



L.B. Woodruff III
HD Supply

Dear Matt Stager Memorial Scholarship Committee:

I am L.B. Woodruff III and I am a junior majoring in Chemical Engineering at the University of Alabama. My college experience has been absolutely amazing so far. I have three more semesters and a few more summer classes before I graduate. My classes have been very challenging, but they have also been very interesting and rewarding. Each semester I look forward to learning about new subjects and expanding my knowledge for my future career. Once I graduate I plan to get a job as an engineer for a chemical plant. I am not sure of any specific chemical plants I want to work for yet. There are so many different opportunities and directions I can go as a Chemical Engineer; it will take a lot of thought before I can decide on one.

I want to thank you so much for helping make all of this possible. It is an honor to be receiving the Matt Stager Scholarship. When I was younger I could only imagine one day attending the University of Alabama. This scholarship has helped make that dream come true. I am very appreciative of the money. It is a tremendous help to me at college and to my future career.

Matt Stager Memorial Scholarship Fund Recipient Updates

Lauren Moore
Groeniger & Company

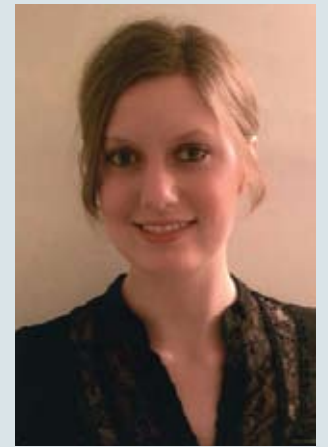
Dear Matt Stager Memorial Scholarship Committee:

Hello there! I just wanted to let you know that I deeply appreciate your generosity toward my family and to me over the past few years. I think it's great that you value education and seek to assist people on their paths through school and toward meaningful careers. I am really enjoying college and I want to thank you for helping to make that a possibility in my life. Your monetary support helps a lot.

I am still attending UC Santa Cruz, and am close to the end of my junior year. I am an Intensive Psychology major, which means I must meet all the requirements of a typical psychology major, but with a few additional challenging classes, research with a professor, and a few extra classes outside of my major. My psychology studies have been extremely interesting and fulfilling, and I am left continually curious to learn more. For the past two quarters, I did a field study at a preschool, during which I assisted teachers in supervising children through circle time, free time, art and science projects, and meals. I also had a designated time each week in which I taught yoga and meditation to the children. It was a really life changing experience, and gave me insights about childhood, education and myself.

During my time at the preschool, I also found more clarity about what I hope to do with my life after college. I realized that I really love education, but I prefer to play a supportive role rather than a teaching role. So, at this point, I aspire to be a high school counselor or an academic advisor. I have had really incredible academic support through my schooling, and I hope to provide other young people with the guidance they need to somehow decipher their way through all the big decisions they are faced with, and to help them work toward their goals. For me, pursuit of this career probably means two years at graduate school in pursuit of a Master's Degree in counseling. I am beginning to research this step for myself.

Again, thank you so much for your contribution toward my pursuit of my goals. You have been very helpful.



Profit Improvement Report

Profit Improvement Report

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Misunderstanding the Expense Structure

By Dr. Albert D. Bates
President, Profit Planning Group

The sales challenges associated with the recession have caused most firms to take a serious look at their operating expenses. Obviously, most of the effort has focused on cutting expenses. While that is an important task, a more fundamental issue is determining the nature of the firm's expense structure. That is, deciding whether the organization should build a heavy fixed-expense structure or whether it should rely more on variable expenses.

Examining the expense structure is not an academic issue. The ability to put in place an expense profile that reflects the firm's strategic posture is essential to long-term success. It also has major implications for the ability of the firm to withstand current and future economic challenges.

This report will examine the expense structure of WASDA members based upon the Statistical Report. By definition the discussion will be somewhat technical. However, it is extremely important. The report is organized into two key sections:

- **Why the Fixed Versus Variable Distinction is Important** — This section will analyze how changes in the mix of fixed expenses versus variable expenses alter the firm's response to different economic conditions.
- **Changing the Expense Structure** — This will provide a road map to the actions that can help the company alter its basic expense structure.

Why the Fixed Versus Variable Distinction is Important

There is probably no subject duller than an analysis of fixed and variable expenses. However, the fact that almost nobody can agree on what these expenses are makes it a relevant topic of discussion. In addition, the organization's success depends upon how expenses are structured into these two categories. Simply put, the two expense groups respond in very different ways to changes in sales:

Variable Expenses — These are expenses that automatically rise or fall as sales rise or fall. That means that management does not have to do anything to cause these expenses to change. The classic variable expenses are sales commissions, bank-card charges, bad debts, interest on accounts receivable and a few other miscellaneous categories. If the expense does not change automatically with an increase or decrease in sales, it is not a variable expense.

Fixed Expenses — These are expenses that only change if management takes action. In a severe economic downturn, no expense category is sacred. However, fixed expenses do not fall until management forces the issue.

At this point a deep philosophical question comes to mind—so what? That question is addressed in **Exhibit 1** which examines the operating performance of a typical WASDA member and two scenarios that the firm might consider for its mix of fixed and variable expenses.

continued on next page

A Managerial Sidebar: The Expense Structure and the Break-Even Point

Break-even analysis is one of the most useful measurements firms have in their financial tool kit. However, very few firms actually utilize the break-even point in their financial planning, largely because of uncertainty as to what constitutes fixed expenses and variable expenses.

Using the information from Exhibit 1, the typical firm's break-even point can be calculated as follows:

$$\begin{array}{r} \text{Fixed Expenses} - \$ \\ \text{Gross Margin \%} - \\ \text{Variable Expense \%} \\ \\ = \\ \\ \underline{\$3,875,000} \\ 22.0\% - 4/0\% \\ \\ = \\ \\ \underline{\$3,875,000} \\ 18.0\% \\ \\ = \\ \\ \$21,527,778 \end{array}$$

For the firm with "Light" variable expenses in Exhibit 1, the break-even point would rise to \$21,875,000. For the firm with "Heavy" variable expenses, the break-even point would fall to \$20,535,714.

Profit Improvement Report

continued from previous page

The “Typical Variable Expenses” columns in the middle of the exhibit represent the typical firm in terms of where it is currently and where it would be if sales declined by 10.0%. In this example, variable expenses account for 4.0% of sales. The bottom-line profit for the firm is 2.5% of sales, the WASDA norm.

In the “Light Variable Expenses” scenario, the firm has altered its expense structure by converting variable expenses to fixed expenses. While total expenses remain the same, the variable expenses portion now represents only 2.0% of sales. The rate of variable expenses has been cut in half. In the final two columns the process has been reversed and variable expenses now account for 8.0% of sales.

The “so what” occurs when sales falls. As shown in the two “Typical” columns, the 10.0% sales decline causes profits to fall from \$625,000 to \$175,000, a reduction of 72.0%. This assumes no actions are taken by management to reduce fixed expenses. It is the direct result of the sales decline and the associated decrease in variable expenses.

In the “Light” scenario, where variable expenses have been converted to fixed expenses, the same percentage decline in sales caused profits to fall by 80.0%. In the “Heavy” scenario where variable expenses are

emphasized, the profit decline is 56.0%. While this is still severe, it is certainly less traumatic. Comparing the “Light” variable expense column to the “Heavy” one, profits—after the sales decline—are \$150,000 greater with a variable expense-based expense structure. It is the difference between laughing and crying.

The action of converting fixed expenses to variable is a very legitimate undertaking. The result will always make the firm less susceptible to economic downturns. Nothing will completely shield the firm from a sales decline. However, with a greater emphasis on variable expenses the firm will automatically enjoy higher profits than they otherwise would when sales decline.

There is, of course, no such thing as free lunch. During a period of sales growth, having a heavy proportion of variable expenses will limit the upside impact on profits of the sales gain. When the expense structure is driven by variable expenses, the firm is buying insurance against a sales decline. It pays for that insurance with the profits not generated during periods of growth.

Changing the Expense Structure

Most organizations have more of an ability to adjust fixed and variable expenses than they appreciate. The opportunities arise in two, relatively similar-sized categories.

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Exhibit 1
The Impact of a Sales Decline Under Various Assumptions About Variable Expenses

Dollars	Light Variable Expenses 10% Sales		Typical Variable Expenses 10% Sales		Heavy Variable Expenses 10% Sales	
	Current	Decline	Current	Decline	Current	Decline
Net Sales	\$25,000,000	\$22,500,000	\$25,000,000	\$22,500,000	\$25,000,000	\$22,500,000
Cost of Goods Sold	0	0	0	0	0	0
Gross Margin	19,500,000	17,550,000	19,500,000	17,550,000	19,500,000	17,550,000
Fixed Expenses	5,500,000	4,950,000	5,500,000	4,950,000	5,500,000	4,950,000
Variable Expenses	4,375,000	4,375,000	3,875,000	3,875,000	2,875,000	2,875,000
Total Expenses	500,000	450,000	1,000,000	900,000	2,000,000	1,800,000
Profit Before Taxes	4,875,000	4,825,000	4,875,000	4,775,000	4,875,000	4,675,000
	\$625,000	\$125,000	\$625,000	\$175,000	\$625,000	\$275,000
Percent of Sales						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Goods Sold	78.0	78.0	78.0	78.0	78.0	78.0
Gross Margin	22.0	22.0	22.0	22.0	22.0	22.0
Fixed Expenses	17.5	19.4	15.5	17.2	11.5	12.8
Variable Expenses	2.0	2.0	4.0	4.0	8.0	8.0
Total Expenses	19.5	21.4	19.5	21.2	19.5	20.8
Profit Before Taxes	2.5	0.6	2.5	0.8	2.5	1.2

Profit Improvement Report

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Sales Force Compensation — More aggressive salespeople tend to flock to commission-only plans which they feel maximize their personal compensation. Most other salespeople prefer a base and commission plan as it affords a certain degree of security. Many firms end up with a combination of plans. However, in doing so, they have the worst of both worlds.

When sales rise, the commissions tend to accelerate automatically. When sales fall, high performers continue to generate sales and commissions while poorer performers fall back on the base salary to the detriment of the company. No single area of expense structure planning is more important than compensation of the sales force.

Other Expenses — Converting variable expenses to fixed expenses is easy. Converting fixed expenses to variable expenses requires extreme creativity. Piece-rate programs can be established, delivery activities can be outsourced and even rent can be restructured. The only limit is the desire of the firm to make such changes.

Moving Forward

Deciding upon the appropriate mix of fixed and variable expenses is one of the most important long-term decisions the company will make. The trade-off is one of moderating profits—neither exceptionally high nor low—versus enjoying spectacular profits in up years and terrible profits in bad ones. It is a trade-off that every firm should make consciously.

About the Author:

Dr. Albert D. Bates is founder and president of Profit Planning Group, a distribution research firm headquartered in Boulder, Colorado.

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