

MARKLEEVILLE WATER COMPANY

PRESIDENT'S REPORT 2017/2018

Operating the Markleeville Water Company requires effort in two main categories:

1. Business management and administration
2. Operations and maintenance

In the business management and administration category the five volunteer Directors authorize and review expenditures, oversee and direct our small part time staff consisting of secretary grant writer Joanne Oehlerking, and treatment plant operator Buck McClelland. We are very fortunate to have Buck. Buck is a full time employee of South Tahoe Public Utility District working in drinking water and waste water treatment. Buck brings a high level of professionalism and experience to our mutual water company. He has made modifications to our treatment process which have reduced our by-products of disinfection. Although this problem recurs at times, he continues to modify plant operations for further improvement.

Business management includes:

- contracting with various businesses,
- Responding to membership concerns and situations,
- Working with state and county agencies that regulate and oversee our operations,
- Develop and implement policies,
- Attempt and sometimes succeed in collecting water fees from delinquent payers (a thankless task I might add),
- Evaluate and prioritize projects,
- Seek funding for projects identified according to priority,
- Develop, implement, and enforce water restrictions,

The MWC Directors have been involved with several important issues this year including the rewriting of the company By-laws, updating infrastructure easements, the securing of capital improvement financial funding, company budget, ensuring water availability by stressing compliance with company water restrictions, the building of a company website, and the creation of an employee's handbook.

BY-LAWS

In our ongoing efforts to rewrite the company By-laws, we hired a legal firm that specializes in California water law. After reviewing the first and second drafts provided by the firm, the Directors continue to have concerns about clarity and adherence to state statutes. Director Steve Hibbs volunteered to take on the rewrite and is nearly finished. Steve has contributed 100s of hours of research, writing, discussion and rewriting to this project. We are truly appreciative and in his debt for heading this project and crafting a document that is understandable, unambiguous, and consistent with current law. The By-laws need to be rewritten to reflect the many changes in the laws governing mutual water companies and to accurately define our operation and policies.

EASEMENTS

The Board of Directors came to a consensus opinion that MWC's pipeline easements which are on private land should be updated and more accurately defined. Grant programs require easements to be in place prior to funding and to avoid the possibility of future disputes concerning access to company facilities, MWC is moving forward with a contract authorizing A.O. Anderson Engineering to survey and document certain existing pipeline easements. This project is estimated to cost app \$17,000. Monies will come from the invested funds account. Steve Hibbs and Fritz Thorn burg have worked together to locate the pipeline routes which require surveying.

CAPITAL IMPROVEMENT FUNDING

As most of you know, many portions of our water system are operating way beyond their expected serviceable life. Major sections of pipelines and several water storage tanks are more than 50 years old with an expected life of as little as 25 years. Projected costs of pipeline replacement, plant upgrades, storage tank replacement and surface water collection facility improvements have been estimated to exceed \$5,000,000. Financial assistance in the form of grants appear to be the most desirable means to achieve these needed improvements. Director Mary Young and Secretary Joanne Oehlerking have been leading our effort to secure a planning grant. Mary is a professional Engineer and has years of experience with various drinking water, waste water and storm water infrastructure projects.

The MWC has submitted an application to the Drinking Water State Revolving Fund administered by the State Water Resources Board for a \$500,000 planning grant. The state requires an engineered set of plans including design drawings, supporting calculations, project cost breakdown, and bid documents before submitting an application for a construction grant. Prior to securing approval for the planning grant, MWC was required to establish a need for this financial assistance. Financial need is demonstrated by a Median Household Income survey. The Rural Community Assistance Corporation was selected by the state to conduct the survey, compile the required data, and submit the completed survey to the State Division of Financial Assistance. Due to our rural location and the nature of our community, RCAC was unable to complete the survey after three attempts and was ready to terminate the project. MWC contacted the state and RCAC and after discussions it was decided that MWC personnel would be allowed to conduct the survey. The final MHI survey was conducted with a 94% response rate and upon submission to the state it was determined that the Median Household Income of our membership is \$36,000, far below the State MHI of \$63,783. The survey identifies our community as a "severely disadvantaged community". Severely disadvantaged communities are qualified for 100% financial assistance grants. After revising our grant application numerous times Mary submitted it to the state and it has been accepted. We have been told that when funding becomes available, our planning grant should be funded. We are

expecting funds to be available this October 2018. We want to caution our members that delays and changes in policy can jeopardize funding even though it has been assured.

If MWC is unable to secure grant funding for planning and construction we may have to attempt securing a low interest loan. The state administers a loan program whereby funds are lent at 2% for a twenty year term. If MWC needed to borrow \$5,500,000 at that rate, the residential quarterly bill would increase by \$466 to a total quarterly bill of \$642 which is over 300% of our current rate of \$192. Standby, commercial, and residential rates would all increase by the same percentage.

Another option available to the Directors of the MWC is that of assessments. Assessments could be used to fund smaller capital improvements. For example, a onetime assessment on residential users of \$400 could be levied to replace one of our 40,000 gallon storage tanks. This assessment would be equal to 52% of annual user fees and would apply to all residential, standby, commercial, and government users. Assessments could become an annual necessity. There are other options such as forming various special districts. For example, an improvement district could have the ability to collect revenue through property taxes. Special districts must be accepted by the voters and would probably have no effect in lowering overall costs. For the immediate future we will continue to pursue grant funding, however, loans and assessments are still a possibility.

Historically, Markleeville Water Company rates have been based on the cost of operations and ,starting in the 1990s, contributions to a capital improvement fund. Once money was accumulated in the fund various improvements were paid or loans for improvements were paid off. In the 1980s MWC borrowed \$75K to build our filtration and treatment plant. In the 1990s that loan was paid off. Fritz Thornburg built a 40,000 gallon storage tank in the 90s. A combination of capital improvement funds and grants from the Forest Service RAC program were used to build a 240,000 gallon storage tank in 2005. In 2011, capital improvement funds of \$100,000 were used as our portion of a grant to fund the \$1,000,000 pipeline replacement project in the Markleeville townsite along with a new well.

BUDGET 7-1-18 THROUGH 6-31-19

As projected last year, another rate increase will go into effect with the fourth quarter billing. The increase is needed in order to meet current year budget projections. Last year the Directors notified the membership that this year's increase would be between 15%-25%. The current year's budget has increased 17% over the previous year. Since the increase goes into effect in October rather than July, the monthly rate for the remaining three quarters of our fiscal year must increase enough to cover the revenue shortfall in the July-Sept quarter. The new rate for residential users will be \$80/month or \$240/quarter. This equates to an increase of 25% over the current rate of \$64/month or \$192 /quarter. The percentage increase will apply to all connection categories, residential, commercial, and standby. Last year's rate increase stopped the unsustainable outflow of the previous year and added \$20,000 to MWC's cash on hand. After our mandated contribution of app \$13,000 to the capital improvement fund we came out approximately \$7000 ahead of expenses. The decrease in expenses was largely due to a decrease in salaries of approximately \$5000 and an unused budget item of \$3600 for legal expenses which did not materialize.

This year's budget includes expenses which have not been budgeted in previous years but contribute to MWC's expenses. In this year's budget we have included the cost of the following items:

1. Lost revenue of \$1800/yr/5yrs from county user fees as per our agreement to acquire their electric backup generator.
2. \$25,971 of accumulated bad debt due to delinquent and late user fee payments. This amount to be recovered over 5 years at \$5,194.20/yr
3. Increase in user fee for the last three quarters of this fiscal year to recoup rate increase not charged in the first quarter which amounts to lost revenue of \$6751.08

These three added costs make up approximately 50% of the rate increase which equals \$8.12 of the residential monthly rate.

It should be noted that when the three items above have been paid the amounts dedicated to repayment will continue to be billed but will help to offset future rate increases.

The estimated budget for 7-1-18 through 6-30-19 and the prior two years Profit & Loss summaries are available for review on the MWC website.

MARKLEEVILLE WATER COMPANY WEBSITE AND EMPLOYEE HANDBOOK

Mark Schwartz joined our Board of Directors last August and has made major contributions to your water company. Mark has built a company website and been the lead in creating an Employee's Handbook.

Shortly after joining the Board, Mark set up a website along with an email address. The website, via Wordpress application, gives us the ability to reach members in a number of ways:

1. **Our Blog** where we can put announcements
2. **FAQ's** where frequently asked questions are answered
3. **Important Documents** where members can find board meeting agendas, minutes, operations reports and other MWC information
4. A **Contact Us** form that allows members, or non-members, to fill out the form that is then emailed back to us for action or response.

Each of these pages are within our site at www.markleevillewatercompany.com and can be viewed by members at any time.

We also have an email address, markleevillewatercompany@gmail.com so folks can contact us directly. We also utilize it to email members (that have joined the list) after we post a blog piece or for other announcements (the trial evacuation notice sent out a couple weeks ago is a good example).

All in all, MWC has taken a significant step to better communicate with our members and based on some of the feedback received it seems to be working.

One request: if you haven't joined our distribution list, please send MWC an email with your contact information including name, address, phone number, and email address.

Mark was also instrumental in creating our Employee Handbook, a document which clearly defines the employee's responsibilities to their employer. Thanks Mark, for being such a productive member in your first year as a Director.

WATER RESTRICTIONS

Another major challenge we have to continually address is that of managing our water resource to maximize water production with a limited water resource, undersized treatment facility, and system components which have outlived their expected serviceable life.

Thankfully, water use restrictions are now left largely to the individual water districts. Current state requirements allow water companies to develop their own water conservation policies but must ensure adequate water will be available for the upcoming three years. This state requirement can't be applied to the MWC in any meaningful way. We have no reservoir in which to save surplus water and very limited ground water resources, therefore, restricting use and storing the amount saved due to the restrictions for upcoming years is not an option.

MWC is allowing landscape watering 3 day per week for 2 hours per day with landscape watering on Mon, Wed, and Fri for even numbered addresses and Tue, Thur, and Sat for odd numbered addresses. Water usage averaged approximately 120,000 gallons per day in July. In order to produce that much water our treatment plant must run 21 hours per day and filter 95 gallons per minute. During the last year MWC produced approximately 20,676,831 gallons of finished water. 18,244,731 gallons of filtered water from our surface source and 2,433,731 gallons from our two wells. Although MWC has water rights to approximately 27,000,000 gallons of surface water from Musser and Jarvis Creek, that water is sometimes not available when needed due to normal summer drought like conditions. The amount of water we are able to produce is directly related to the quantity of raw water available, and the water's turbidity. From mid- August until

the end of September raw water from our surface source drops off considerably. During Spring runoff and thunderstorms, when the turbidity is high, water production is reduced even though the supply is abundant. MWC also strives to maintain maximum storage levels for firefighting. These conditions make water use management critical and therefore restrictions on water use are required.

The Directors wish to thank all our members who continue to abide by our water use plan. Without your cooperation, providing and maintaining uninterrupted water service is not possible.

OPERATIONS AND MAINTENANCE

Routine daily operations are carried out by Operator Buck McClelland and Director Kris Hartnett. The operator is responsible for making certain all treatment processes are operating correctly, all monitoring equipment is functioning properly, all equipment readouts are recorded, note tank levels and ensure adequate water storage, collect water samples and submit for testing, and note collection facility conditions.

In addition to the daily duties, the 20,000 gallon settling tank requires regular draining and cleaning, the collection facility must be deepened and adjustments made seasonally. State and county regulators make periodic visits and inspections.

Water company directors and staff are called on for all emergency situations. Over the years you've probably seen us in a muddy ditch repairing a leaky mainline, pulling a water pump for repair, or making electrical and piping repairs at a pump station. Much of this work is done without labor cost to the membership by your volunteer directors.

We are especially grateful to Kris for the many hours he devotes to system operations, and Fritz Thornburg for years of service to our water company. People like these are essential to system operations.

SOME OF THIS YEARS COMPLETED MANAGEMENT AND OPERATIONS PROJECTS INCLUDE:

1. Develop a website and acquire an email address for MWC
2. Develop a fire hydrant maintenance schedule and plan which has resulted in a reduction in the community's ISO rating . The Insurance Service Organization rates communities according to their ability to suppress fires. The community is rated from 1-10. Lower numbers indicate increased suppression ability. The ISO is currently reassessing Fire districts statewide. Our district's number has been reassessed downward partly due to MWC's fire hydrant maintenance program. Kris Hartnett has developed and carries out MWC's portion of this program in coordination with Fire Chief Terry Hughes.
3. Create an Employee's Handbook
4. Clean all tank interiors
5. Locate pipelines for easement project
6. Repair/rebuild pump #1 at Pleasant Valley pump station
7. Mark and Kris completed the required "Director's Training Course". All Directors have completed the training.
8. Develop various policy documents such as: Membership Application, Membership Certificate, 10-day and 24-hr shutoff notices

We will continue ongoing company projects this year. Some of these are:

1. Fire hydrant maintenance
2. Survey and update easements
3. Maintain up to date water analysis testing - all testing is current and meets state standards as indicated in the latest "Consumer Confidence Survey" which has been mailed to all members.
4. Update Pleasant Valley pump station electrical and hydraulic system
5. Maintain and monitor new website

6. Move forward with pipeline replacement grant

MWC Directors have learned in the past that there is a lot to do and not enough money or manpower to make as much progress as we would like so, the projects go on from year to year.

We apologize for our slow response to water system leaks . Fritz Thornburg has been dealing with some health issues and without Fritz we're short an equipment operator. Fritz has always been our one and only when it comes to pipeline excavation. Some of you may not know that Fritz and Gary Coyan built the water company collection facility on Musser & Jarvis Creek and installed the original pipelines from the collection facility to town and within the town site in 1963. Fritz has always been there for us and we wish him a full and speedy recovery.

As most of you know, a good friend to MWC passed away unexpectedly last December. Nancy Thornburg passed on Dec. 31 , 2017. She was one of our water companies strongest advocates and always ready to assist in any way she could. I don't think anyone cared about Markleeville and our community more than Nancy. We lost a real friend and our condolences go out to her wonderful family. She is truly missed.

This concludes the annual President's report to the membership.

Thank you,

Steve Martin, President

Markleeville Water Company