

**MARKLEEVILLE WATER COMPANY
ANNUAL MEMBERSHIP MEETING AUGUST 3, 2019
PRESIDENT'S REPORT 7-1-2018 through 6-30-2019**

**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 Joanne Oehlerking secretary / grant writer, and treatment plant operator Buck McLelland. 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 byproducts of disinfection. Monthly byproducts testing confirms that MWC water has been below state mandated levels in 22 out of 24 tests during the last year. This improvement is due to the diligent efforts of Buck and Director Kris Hartnett. We look forward to Buck's continued advice and direction.

Business management also 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 collecting water charges from delinquent payers, (delinquencies increased this year)

Evaluate and prioritize projects, and

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, and compliance with state mandated water restrictions.

BY-LAWS

Director Steve Hibbs has nearly completed the rewrite of the MWC Bylaws. Upon completion and final review, the new bylaws will be submitted to our Attorney, Wes Strickland for his review and recommendations. Once the bylaws have been reviewed and modified according to legal counsel recommendations, they will be sent to all members for acceptance. Steve has contributed 100's 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 updated to reflect many changes in the laws governing mutual water companies and to accurately define our operations and policies.

UPDATING PIPELINE EASEMENTS

The Board of Directors came to the 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 hired R.O. Anderson Engineering to survey and document certain pipeline easements for mainlines situated on property owned by Fritz Thornburg. Steve Hibbs and Fritz Thornburg worked together to locate the pipeline routes which required surveying. The project was estimated to cost app \$17,000 however actual costs came in below estimates at \$13,205.00. Monies for payment came from the Invested Funds Account.

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 submitted an application to the drinking water State Revolving Fund administered by the State Water Resources Control Board for a \$435,000 planning grant. The state requires an engineered set of plans including design drawings and 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 conclude the project. MWC contacted the state and RCAC and after discussions it was decided MWC personnel would be allowed to conduct a final 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 \$36000 which compared to a state wide MHI of over \$65,0000. The MHI survey identifies our community as a "Severely Disadvantaged Community". Severely Disadvantaged Communities are qualified for 100% financial assistance grants. After updating our grant application several times it was accepted and we were told that funding for the planning grant would be available October 2018. In October we were told funding would be available in January 2019. In June 2019 the State Water Resources Control Board sent an

agreement requiring MWC approval and submission. The MWC directors approved and submitted the agreement and funding may be available August 2019. We want to caution our members that delays and changes in state policy can jeopardize funding even though it has been assured.

If MWC is unable to secure grant funding for pipeline construction, we may have to attempt securing a low interest loan. The state administers a loan program whereby funds are lent a 2% for a twenty-year term. If MWC needed to borrow \$5,500,000 at that rate the residential quarterly bill would increase by \$446 to a total quarterly bill of \$686 which is an increase of 285% compared to the current \$240. Standby, government, and commercial rates would 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 one-time assessment on residential users of \$400 could be levied to replace one of our 40,000-gal 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 which would require restructuring the water company 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 a real possibility.

Historically, Markleeville Water Company rates have been based on the cost of operations and starting in the 1990's contributions to a capital improvement fund. Once money was accumulated in the fund various improvements were paid for or loans for improvements paid off. In the 1980's we borrowed \$75k to build our filtration and treatment plant. In the 1990's that loan was paid off. We also built a 40,000-gallon water tank in the early 1990's. 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 \$100k were used as our portion of a grant to fund the \$1,000,000 Pipeline Replacement Project In the Markleeville Townsite.

BUDGET 7-1-19 through 6-30-20

MWC is projecting some increases in this year's budget due to the anticipated additional costs of legal counsel, grant implementation, increased cost of repairs, and system upgrades.

Repair costs are increasing mainly due to the use of outside contractors. We are beginning to use outside contractors for a greater portion of our repair projects due to the ageing of volunteer directors and the lack of available local labor.

Outside contractors are more expensive. Please refer to the MWC website for an article comparing costs of repairs using various labor rates.

The projected cost of operations for this year should be covered by revenues provided by our current user fees and therefore no rate increase will be required for the current fiscal year. The current budget is available on the MWC website.

MARKLEEVILLE WATER COMPANY WEBSITE

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

1. Our Blog where we can put announcements and pertinent information.
2. FAQs where frequently asked questions are answered
3. Important Documents where members can find board meeting agendas, minutes, operations reports, and other such things.
4. A Contact us form that allows members, or non-members, to fill out a form that is then emailed to us for action

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 our email list) after we post a blog piece or if we have other announcements.

These measures have proven to be our most important tool in our efforts to better communicate with our members.

One request: if you haven't joined our distribution list, please send us an email with your info including name, address, phone number and email address, and we'll add you to the list.

WATER RESTRICTIONS

Another major issue we've had to address over the last several years is that of state mandated water restrictions. Thankfully the restrictions are left largely to the individual water districts at this time. Current requirements allow water companies to develop their own water conservation policies with the requirement that they ensure adequate water will be available for the upcoming three years. This latest requirement can't be applied to 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 days /week for 2 hrs/day with landscape watering on Monday, Wednesday, and Friday for even numbered addresses and Tuesday, Thursday, and Saturday for odd numbered addresses. Water usage averaged app 85,000 gallons per day in July. This is a substantial reduction compared to previous July usages. In prior years, July usage has been app 120,000 gallons per day. We are not certain as to the reason for this reduction but suspect that it is due to one major pipeline leak repair and several modifications in our system. In addition, a drop in usage was noted upon the closing of the Wolf Creek Bar and Restaurant. MWC will continue to monitor usage and if it is determined that this lower usage is the norm we will be able to allow increased landscape watering in the future. During the last year MWC produced app 21,896,024 gallons of finished water. 17,798,700 gallons of filtered water from our surface source and 4,097,324 gallons from our two wells. Although we have water rights to app 27,000,000 gallons of water from the 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. Obviously during drought and from mid August until the end of September raw water from our surface source drops off considerably. During spring runoff and flooding our water turbidity is high making it difficult to filter even though the supply is abundant. 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 CATEGORY

Routine daily operations are carried out by operator Buck McLelland and 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 storage, collect water samples and submit for testing, and note collection gallery conditions.

We are especially grateful to Kris Hartnett for the many hours he devotes to system operations, and Fritz Thornburg for years of service to our water company. I also want to note here that due to the efforts of Kris and Buck in reducing our byproducts of disinfection, we may be able to limit testing to once per quarter rather than the monthly schedule that has been required. This would amount to an annual savings of app \$5600. Kris was also able to secure a waiver for Trichloropropane testing; a savings of \$800 per year. People like these are essential to system operations.

In addition to the daily duties, repairs and maintenance projects are continual. Leaks in the mainline must be repaired, the 20,000 gal settling tank requires regular draining and manual cleaning, the collection gallery must be deepened and adjustments made seasonally. State and county regulators make periodic visits and inspections. The list is long and requires constant expenditure of operator and volunteer time.

As mentioned earlier in this report, an increased portion of our repair and maintenance projects will be handled by outside contractors resulting in increased cost of operations.

SOME OF THIS YEARS COMPLETED MANAGEMENT AND OPERATIOIS PROJECTS INCLUDE:

1. ISO (Insurance Services Office) rate reduction from 6 to 5
2. implementation of fire hydrant maintenance schedule and plan
3. addition of new computer and turbidity meter
4. state waiver allowing MWC to discontinue testing for TCP (trichloropropane) resulting in a savings of \$ 800 per year
5. complete survey and record pipeline for easements on Thornburg property
6. improve system maps
7. take delivery of standby generator
8. repair 5 mainline system leaks
9. replace leaking and malfunctioning air gap on Hot Springs Rd.
10. continue fire hydrant flushing program as per flushing schedule and color code hydrants as per Fire Chief directive
11. minor piping change at Pleasant Valley pump station saving app 1800 gallons per day
12. Bylaws rewrite
13. continued efforts to secure planning grant with the state
14. add ventilation fan to Pleasant Valley pump station
15. developed and approved a document describing the historical development of various types of memberships and their relationships to system service areas. This project was combined with our system mapping project. These

two important projects were accomplished mainly through the efforts of Directors Steve Hibbs and Mary Young.

WE WILL CONTINUE ONGOING SYSTEM PROJECTS THIS YEAR. SOME OF THESE ARE:

1. continued fire hydrant maintenance
2. install standby electricity generator
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 is available on our website
4. update and repair Pleasant Valley pump station electrical and hydraulic system
5. update and maintain new website
6. continue progress on planning grant implementation
7. complete finished water bypass piping
8. complete new Bylaws and present to membership for approval

These are some of the projects we hope to make progress on this year. We've learned in the past that we have a lot to do and not enough money or manpower to make as much progress as we would like so, the projects continue from year to year.

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