

June 19, 2023

Board of Commissioners and Budget Committee
Marcola Water District
PO Box 8, Springfield, OR 97477

Re: Background Information for the June 21, 2023 Board Meeting

REGULAR SESSION

The following is provided as background on regular agenda items for this month's meeting.

Minutes and Financial Reports. Standard Quickbooks reports are included in your packets. For the month of May we had \$13,285 in revenue and \$10,252 in regular expenses. Fiscal year-to-date, July 1, 2022 to May 31, 2023, we have \$167,148 income with 115,305 for expenses.

'Aging' Report. As of June 16 we are due \$652 from accounts with balances due past at least 60 days. This amount is up slightly from last month, and is due to just 3 accounts. Just over half of the balance is over 120 days old and from the old Marcola Grade School property

Annual Rainbow Billing Rate Adjustment. Rainbow has updated our prices to keep up with inflation and our own increased costs. The attached rate sheet will take effect on July 1, 2023 and is updated to also reflect current office and equipment fees.

Transfer from Contingency. We are in the last month of the budget year and we are doing great with most of the budget projections. Last year the board "appropriated" funds and authorized our spending limits. Without a fix we might go slightly over on Personnel Services. As a precaution, I ask the Board to adopt **Resolution 2023-05** and authorize transfers from contingency to dip into our backup funds to add money to this one specific line item in the budget.

PFAS. Last month I reported that we sampled four wells as part of UCMR5, the 5th round of the Unregulated Contaminant Monitoring Rule that EPA uses to assess for possible new chemical limits. These results take 6-8 weeks for the lab to process, so we are still waiting to learn more.

I expressed some relief that one previous sample at Irish Well did not detect any PFAS. I went back and looked at the December 8, 2021 sample results again, and the minimum reporting level (MRL), the lowest level at which the chemical can be reliably detected, was only 11.5 parts per trillion (ppt). Technology available now allows detections as low as 2 ppt, so it is possible we get some detections with the new tests in what we thought was a safe well. We will find out soon. Remember that 1 part per trillion is like 1 second in 32,000 years. It is really small.

Development Updates. We had a request for a second water meter at 92080 Marcola Road, the large house and shop on the old Fisher's Mill site with all the concrete. Jeff Bergstrom wanted a separate water meter for the shop building where he is moving his business from Springfield to do diesel engine repairs. This results in additional income of \$2,734 for development charges to the district. A leaking service on Savage Street was repaired the week of June 5 when our crew was already in Marcola with equipment for the new service installation.

Carson Street Connection. Troy and Allie Bryant have now both passed away. The trailer that was parked at the end of Carson Street under a medical hardship permit to providing living space for their caregiver is no longer authorized. It is my understanding that Lane County is investigating and may require the removal of this trailer. (This is where we had a large bill accumulate for unpaid water use and meter tampering.)

Ready-For-Summer Well Updates. Jeff finished building the **Maple 2** doghouse to keep it sanitary and protect the wellhead electrical connections. On Monday (June 19) the controls consultant will update the controls programming and this well should be ready for summer.

Most of the new chemical feed lines for **Irish Well** have been procured, and it is on Jeff's list to finish and install. He has already done this same work at Spicer Well.

Rainbow has been communicating with vendors regarding Arsenic filters for **Roberts Well** and has started working on a plan review submittal to ensure the state regulator would allow this model of filter to be used before we buy it. We are also sending sample data to the vendor to confirm the filter would be efficient and effective for our water and treatment needs. We still aim to order the equipment before the end of June to spend some of the money out of the current year's budget. We will also pay a \$248 plan review fee to seek approval from the state for the treatment modification. I am feeling good about the decision to proceed with Roberts Well. Running this well during the hottest four months of the year will require the water to be treated, but will provide a little extra supply to meet demand during the summer months.

Water Supply Status. With the abandonment of the Page Well, and modification to Maple #2 allowing it to be placed into service, we are down to two wells that are not being utilized, Roberts (listed as an emergency well due to Arsenic right at the federal limit) and Shields (listed as an emergency well due to Arsenic levels at eight times the federal limit).

I went back and again reviewed the 2002 Source Water Assessment Report prepared by the state. From page 13, "No well reports are available for the Page and Shields wells. As a result, the method of construction, including the character and placement of the casing seal is unknown. The casing seal, therefore, is judged inadequate for both wells." During investigation regarding the possible use of the Page Well we learned that the state would not approve the use due to improper or undocumented drilling techniques. I believe we likely need to treat Shields the same way and will need to come back to this well another day and consider our options ranging from abandonment to overdrilling a seal and treating to drilling a replacement well at the same or a different location.

BUDGET HEARING

The Budget Hearing will take place in the middle of the regular Board meeting.

- The Board Chair will open the hearing and ask the Budget Officer for updates. The far right column on the forms has been filled in with no changes from what was approved by the Budget Committee at the May meeting.
- In April the Budget Committee provided the public a chance to comment on the proposed budget. The June meeting will consist of a publicly advertised Budget and Water Rate Hearing with the 5-person Board, and adoption of the formal resolutions to set water rates, impose taxes and appropriate funds to allow expenditures.
- The Budget Committee **approved a budget with a total of all funds of \$195,000+\$45,000+\$7,000=\$247,000** and property tax rate of \$0.4037 per thousand.

After closing the Budget Committee Meeting, we will return to the Regular Session for any remaining business and to schedule next meetings before closing.

Sincerely,
Jamie Porter
for Marcola Water District

cc: w/encl: Budget Committee Members (shown with current position number)
1-Eugene Cole, 2-Pam Coleman, 3-vacant, 4-vacant, 5-vacant

BUDGET & WATER RATE HEARING

The Budget Committee met twice and voted to approve a budget for fiscal year 2023-24. This approved budget has been publicly advertised as the budget the Marcola Water District intends to adopt, and the Budget Hearing allows citizens to come and provide comments regarding the proposed budget or rate increase. After hearing any comments on the budget or rate increase, the hearing will be closed, the Board will vote, and the regular meeting will resume.

I do not recommend any changes to the budget as approved by the Budget Committee, but the governing body is allowed to do so after closing the hearing and considering new information.

The following items summarize the key points in the approved budget:

1. Last year our cash flow was tight as we have been moving money to our savings (Replacement Reserve Fund) and locking it up for future projects, leaving things too tight in our checking (General Fund) to pay for ongoing expenses. This year the budget will transfer from savings back to checking. If the year goes better than expected and extra money builds up in our checking account, we can move some to savings at a future time.
2. The budget assumes the amount of water sold is the same as last year, with a \$2 per month base rate increase and a \$0.15 per unit increase to the usage rate.
3. Project work is up slightly from last year, but the budget is still pretty tight to continue to earn more than we spend and allow us to store additional funds for our future projects such as replacement of a storage tank.
4. We will keep \$8,500 in Operating Contingency available as a short-term emergency fund. To spend any of this money, the Board would need to approve a resolution to authorize a transfer from Operating Contingency to a specific fund during the year.
5. We will budget \$10,000 for Capital Outlay that could be spent directly out of our Replacement Reserve Fund should a need arise, otherwise it stays in savings.

The approved budget assumed a rate increase. Five resolutions finalize the budget process:

- **Resolution 2023-06** sets the amount of the total budget, consisting of all funds.
- **Resolution 2023-07** makes appropriations, giving authority to spend money and incur obligations (commitments to spend money).
- **Resolution 2023-08** officially states the district's intent to impose (charge) property taxes, and says how much.
- **Resolution 2023-09** authorizes a transfer from the Replacement Reserve Fund back to the Water Operating General Fund to improve access to funds for cash flow and to cover the funds budgeted for Capital Outlay expenditures.
- **Resolution 2022-10** adopts a resolution raising the base rate by \$2.00 per month and usage rate by \$0.15 per unit of water used. One unit = 748 gallons.

The far right column in the FY 2023-24 Budget Worksheets have been filled in based on the budget approved by the Budget Committee. Copies of these forms are included in your packets. While the Board could choose to make some last minute changes, the forms have been prepared assuming that you adopt the recommended budget as it is presented.

Changes to the budget after the budget hearing

Once the budget hearing has been held, the governing body can make changes to the budget that was approved by the budget committee. The governing body must take all available information into consideration when adopting the budget. This information includes the public testimony presented at the budget hearing and any new information affecting the estimates of the upcoming year's resources or expenditures [ORS 294.456(1), renumbered from 294.435(1)]. For example, if a higher beginning fund balance, additional grants or other new resources are available, the additional monies can be added to the applicable fund balances and additional expenditures planned.

It is important that the governing body carefully consider the budget it adopts. Changes to the budget after it has been adopted often require governing body action, and sometimes require additional publications and public hearings. It is for this reason that all available information should be collected during the budget process.

There are restrictions on the size of certain changes by the governing body that may require additional process steps before the resulting budget can be adopted. Any expenditure in any fund can be reduced as long as resources and requirements in the fund remain in balance. The total budget must also remain in balance. Other than re-balancing if necessary, no additional process steps are required when expenditures are reduced. Any tax levy can be reduced from the rate or amount that was approved by the budget committee. The applicable funds and the total budget must be adjusted to remain in balance. Otherwise, no additional process steps are required when taxes are reduced.

Expenditures may be increased. If the total increase in no fund exceeds \$5,000 (\$10,000 in a biennial budget) or 10 percent, whichever is greater, then no additional process steps are required. However, if the expenditures in any fund are increased by more than \$5,000 (\$10,000 in a biennial budget) or 10 percent, the governing body

must publish notice of a second budget hearing and a new financial summary, and hold the second hearing before the adjusted budget can be adopted.