

LANE COUNTY METROPOLITAN WASTEWATER SERVICE DISTRICT

RESOLUTION AND ORDER 98-6-24-1M) IN THE MATTER OF ADOPTING THE 1998-99 METROPOLITAN WASTEWATER SERVICE DISTRICT BUDGET, MAKING APPROPRIATIONS AND LEVYING TAXES

WHEREAS, the Metropolitan Wastewater Service District Budget Committee reviewed and approved the 1998-99 fiscal year budget for the Lane County Metropolitan Wastewater Service District on June 10, 1998; and

WHEREAS, after due notice, a public hearing was held on the 1998-99 fiscal year budget at 9:00 a.m. in Harris Hall, Lane County Public Service Building, on June 24, 1998; and

WHEREAS, the Board, having fully considered the Service District Budget Committee's recommendations and the matters discussed at the public hearing; and

WHEREAS, the Bond Retirement Fund contains revenue resources of \$3,194,711 requiring a levy of \$1,718,268, of which \$137,461 is estimated to be uncollectible; now, therefore

IT IS HEREBY ORDERED, that the 1998-99 fiscal year budget for the Lane County Metropolitan Wastewater Service District as set forth below is hereby adopted; and

BE IT FURTHER ORDERED, that the amounts for the fiscal year beginning July 1, 1998, and for the purposes shown below are hereby appropriated;

BOND RETIREMENT FUND 81

Table with 2 columns: Description and Amount. Rows: Debt Service Payments (\$2,589,996), Operational Reserves (\$2,185,523), Total Requirements (\$4,775,518)

ADMINISTRATION AND CONSTRUCTION FUND 82

Table with 2 columns: Description and Amount. Rows: Materials & Services (\$13,073), Transfer Payments to Metropolitan Wastewater Management Commission (\$2,845,927), Operational Contingency (\$0), Total Requirements (\$2,859,000)

GRAND TOTAL REQUIREMENTS \$7,634,518

FILED

JUN 29 1998

COUNTY CLERK BY M. Building

AND, BE IT FURTHER ORDERED that taxes provided for in the adopted budget in the aggregate amount of \$1,718,268 be levied by the Lane County Metropolitan Wastewater Service District for bonded debt and be assessed pro rata upon all taxable property as of 1:00

a.m. July 1, 1998. The following allocation and categorization subject to the limits of section 11b, Article XI of the Oregon Constitution make up the above aggregate levy:

	Subject to the General Government <u>Limitation</u>	Excluded from the <u>Limitation</u>
Bond Retirement Fund	0	\$1,718,268

Adopted by the Lane County Metropolitan Wastewater Service District Board of Directors this 24th day of June, 1998.

 Chair, Board of Directors

APPROVED AS TO FORM
 Date 6/17/98 lane county

 OFFICE OF LEGAL COUNSEL

Lane County
**Metropolitan Wastewater
Service District**



Approved Budget FY 98-99

METROPOLITAN WASTEWATER SERVICE DISTRICT

1998-99 BUDGET CALENDAR

May 24, 1998	First Notice of Budget Hearing Published
May 31, 1998	Second Notice of Budget Hearing Published
June 10, 1998	Budget Committee Public Hearing; Review and Approve Budget; Set tax Levy (Additional Review Scheduled as Necessary)
June 19, 1998	Budget Summary and Notice of Budget Hearing Published
June 24, 1998	Governing Body Public Hearing and Budget Adoption

SERVICE DISTRICT BUDGET COMMITTEE MEMBERS

District Elected Officials

Steve Cornacchia
Ellie Dumdi
Bobby Green, Sr.
Peter Sorenson
Cindy Weeldreyer

Citizen Members

Marie Bell
Mary Ann Holser
Carol Jones
Doug Keeler
Walt Meyer

Budget Officer

William A. Van Vactor, County Administrator

Contact person, Lane County

David Garnick, Sr. Management Analyst, County Administration
682-3694

Contact person, Metropolitan Wastewater Management Commission (MWWMC)

Susie Smith, Environmental Services/MWWMC Manager, City of Springfield
726-3697

Peter Ruffier, Div. Director, Public Works Wastewater Div., City of Eugene
682-8606

METROPOLITAN WASTEWATER SERVICE DISTRICT BUDGET FOR FISCAL YEAR 1998-99

Background

The Lane County Metropolitan Wastewater Service District (CSD) was formed by the Lane County Board of Commissioners on December 28, 1977, under Oregon Revised Statutes Chapter 451. The CSD is a separate legal entity from Lane County and is funded through a separate budget. The Board of County Commissioners serves as the policy board of the CSD, and the Lane County Administrator serves as the Budget officer. The CSD contracts with the Metropolitan Wastewater Management Commission (MWWMC), an intergovernmental organization formed under ORS 190 by Lane County, the City of Eugene, and the City of Springfield, for design, construction, grants administration, operation and maintenance of the regional wastewater facility. The completed facility has cost approximately \$105 million.

The Lane County Metropolitan Wastewater Service District received voter authorization on May 28, 1978, to sell \$29.5 million in general obligation bonds to finance the local share of the regional wastewater treatment construction program. Federal Environmental Protection Agency (EPA) grants provided the balance of the construction costs. The grants have been administered directly by the MWWMC and are not a part of the County Service District budget.

Setting Construction Priorities

Design and construction priorities are established by a seven member policy board of the MWWMC. Construction of the regional sewerage facility has been phased over a 20-year period to accommodate the availability of federal grant funds appropriated under the Sewerage Works Construction Grants Program and distributed in Oregon in accordance with the Department of Environmental Quality Grant Priority List. Start-up of the regional facility took place on April 2, 1984.

Until FY 92-93, the remaining CSD funds had been reserved, except for initial design work of the East Springfield Interceptor project, pending Federal audit at the completion of the planned construction. Pre-audit work began in FY 90-91, funded by both MWWMC and the CSD.

In March 1992, the CSD Board received and reviewed a Financial Master Plan for the Metropolitan Wastewater Management Commission, including both short-term and long-term capital improvements requirements. On the basis of the report and bond counsel's opinion, the Board authorized the use of unexpended bond proceeds for new projects.

In FY 92-93, the CSD Board approved an additional \$2 million for the first phase of the East Springfield Interceptor construction. This portion, Phase I, has been completed. In addition, the CSD Board approved the use of bond proceeds in the amount of \$3,381,500 for treatment plant Capital Improvement Projects. These projects included the Pretreatment Process Building Upgrade, sludge thickening equipment, enclosing the Fillmore Pump Station, and increasing the space in the Operation Building.

In FY 93-94 an initial draft of the federal audit was presented to MWWMC for discussion and resolution prior to release of the final audit. Because the County Service District had a potential contingent liability for questioned costs from these grants, no new spending was authorized in FY 94-95. An identified \$500,000 was placed in spendable authority for possible audit exceptions; the balance was placed in Operational Reserves.

In FY 94-95, design work was completed for the Fillmore Pump Station and the Pretreatment Facilities Modifications. A regional Facilities Master Plan requiring an 18-month to a two-year effort was also implemented.

In FY 95-96, the Fillmore Pump Station project was completed. The Biosolids Plastic Removal was incorporated into the Pretreatment Improvements project and construction began in January. CH2M Hill, along with MWMC staff, made progress on the Regional Facilities Master Plan.

In FY 96-97, the Regional Facilities Master Plan and the Air Drying Beds Rehabilitation Project were completed. The Pretreatment Improvements Project neared completion with final modifications scheduled in FY 97-98.

For FY 97-98, capital projects included completion of modifications to the Pretreatment Improvements, design and construction of a laboratory expansion and remodel at the regional Water Pollution Control Facility (WPCF), the first of a three to five year project to increase processing capacity at the Biosolids Management Facility (BMF), the first of a two-year study to develop a Wet Weather Flow Management Plan (WWFMP), and improvements to the Dredge Movement System at the BMF.

Pretreatment improvements are anticipated to be completed by June or July of 1998.

In FY 97-98, design work and construction bidding were completed for the laboratory expansion and remodel. While funds were budgeted for construction in FY 97-98, construction has been delayed because bids received substantially exceeded the project estimate and the budget. Bids were rejected and staff is re-evaluating the bid specifications and the project scope. Budgeted funds for construction will be carried over to FY 98-99.

Two major components of the Biosolids project were initiated in FY 97-98: (1) MWMC began engineering/design for a mechanical biosolids dewatering facility, under contract with Carollo Engineers; and (2) MWMC began a feasibility and cost evaluation of conversion of biosolids processing to produce unrestricted "Class A" biosolids products.

The Dredge Movement System at the BMF was retested in FY 97-98 to determine whether planned improvements are necessary for safety purposes. Test results showed that the dredge does not need to be upgraded at this time, therefore, scheduled improvements will not occur. This issue will be revisited when the demand on the dredge increases to expand biosolids production.

Finally, FY 97-98 marked completion of the first of the two-year Wet Weather Flow Management Plan (WWFMP) development, which is supported by regional and local wastewater programs.

The CIP for FY 98-99 includes new funding for completion of two projects initiated in FY 97-98:

- Biosolids Mechanical Dewatering Facility Construction (\$8,300,000)
- Wet Weather Flow Management Plan (\$100,000)

FISCAL YEAR 1998-99 BUDGET

The Fiscal Year 1998-99 budget for the Lane County Metropolitan Wastewater Service District is:

	FY 97-98 Budget	FY 98-99 Proposed	Chg From FY 97-98	Percent Change
Bond Retirement Fund	\$5,114,018	\$4,775,518	(\$338,500)	(6.6%)
Administration and Construction Fund	2,695,000	\$2,859,000	164,000	6.1%
TOTAL DISTRICT FUNDS	\$7,809,018	\$7,634,518	(\$174,500)	(2.2%)

The Bond Retirement Fund accounts for the debt service payments on the original \$29.5 million in general obligation bonds. The Administration and Construction Fund accounts for transfers to the MWMC for construction of the sewerage facilities and the remaining balance of the bond sale proceeds.

Transfer of Funds to MWMC

BOOK 160 PAGE 1603

Proceeds from the bond sales provide the administrative and construction funds for the regional facility. The funds are managed and invested for the CSD by Lane County until MWMC requests funds to reimburse costs incurred for approved design and construction projects. The CSD budget shows this transaction in the expenditure line item "Transfer Payments to the Metropolitan Wastewater Management Commission." Accountability of the Funds transferred to MWMC is maintained in several ways:

1. MWMC is required to submit annual cash flow projections to Lane County. The cash flow projections are used for planning investments and as a monthly and quarterly maximum amount of money the MWMC can request.
2. MWMC must make a formal requisition of the funds before payments will be transferred. The requisitions are for the expenses which have actually been incurred. The requisitions are reviewed by Lane County staff prior to reimbursement. The CSD also has access to all MWMC invoices, statements, and records.
3. MWMC must submit periodic reports to the CSD on the status of the project in accordance with a format established in the bond purchase agreements between the CSD and the Department of Environmental Quality.
4. MWMC is required to have an independent audit annually. The CSD is also audited annually.
5. The Lane County Board of Commissioners currently has access to the MWMC's budget via two channels: two representatives on the MWMC policy board, and the budget ratification process established in the intergovernmental agreement. Within the Urban Transition context, any future organizational changes in MWMC will be considered by the Metropolitan Policy Committee (MPC) and referred to the three governing bodies for final approval in accordance with the provisions of the intergovernmental agreement.

Administration and Construction Fund

The Administration and Construction Fund accounts for revenues received from the general obligation bond sales, interest earned from investment of bond-sale proceeds, and the expenditure of those funds to the Metropolitan Wastewater Management Commission for the construction of the regional wastewater treatment facility.

Materials & Services expenses include \$1,231 for the final year of the Financial System Assessment, \$10,272 for County Indirect, and \$1,570 for other miscellaneous expenses.

In FY 96-97, the MWMC budgeted \$500,000 to cover resolution of the Environmental Protection Agency (EPA) Audit of the federal construction grants. These funds are appropriated from the County Service District bond proceeds. The EPA federal audit was substantially resolved in FY 96-97. In January 1997, the EPA's Final Determination Letter (FDL) was received, which requested repayment of \$524,830. In review of the FDL, staff conceded to the immediate refunding of \$281,201, but appealed the remaining \$234,629.

All necessary documentation has been filed with the EPA on behalf of MWMC, and we await a formal hearing and the EPA's final decision regarding the remaining disputed funds. We are assured by EPA that this will occur prior to September 1998. Sufficient funds are available within the MWMC capital project budget to make the final payment to EPA settling all outstanding audit issues.

Therefore, bond funds no longer need to be held in reserve for repayment of federal grant monies. The FY 98-99 MWSD budget proposes transferring the remaining \$2,845,927 in bond proceeds to MWMC to complete the Biosolids Mechanical Dewatering Facility construction project estimated at \$8.3 million.

Administration and Construction Fund (Fund 82)

	1995-96 <u>Actual</u>	1996-97 <u>Actual</u>	1997-98 <u>Budget</u>	1998-99 <u>Proposed</u>
<u>Resources</u>				
Investments	\$190,547	\$140,169	\$140,000	\$148,000
Fund balance	<u>2,283,578</u>	<u>2,459,346</u>	<u>2,555,000</u>	<u>2,711,000</u>
Total	<u>2,474,125</u>	<u>2,599,515</u>	<u>2,695,000</u>	<u>2,859,000</u>
<u>Expenditures</u>				
Materials & Services	14,779	19,580	20,458	13,073
Transfer Payments to MWMC	0	0	0	2,845,927
Operational Reserve	<u>0</u>	<u>0</u>	<u>2,674,542</u>	<u>0</u>
Total	<u>\$14,779</u>	<u>\$19,580</u>	<u>\$2,695,000</u>	<u>\$2,859,000</u>

Bond Retirement Fund

The Bond Retirement Fund is a nonoperating fund which provides accounting control for the payment of interest and principal on the Service District's general obligation bonds.

The initial \$29.5 million bonds were sold in four issues between 1979 and 1982, at interest rates ranging from 4.86% to 8.86%. The Department of Environmental Quality (DEQ) purchased the majority of the bonds.

In September 1989, at the request of the governing body of the Metropolitan Wastewater Service District, Lane County completed an advance refunding of the Series 1980 and 1982 bonds which carried the highest interest rates. This resulted in a savings to district taxpayers of \$940,000 over the life of the bonds.

In December 1992, Lane County completed a second advance refunding which saved an additional \$454,000. The present bonds carry interest rates of 4.85% to 5.03%. The proceeds from the Advance Refunding were used to purchase U.S. Government State and Local Government Series securities that were placed in an escrow account for the purpose of making payments on all of the principal and interest on the refunded debt. The refunding is considered to be an in-substance defeasance.

Tax Levy

Debt service payments in FY 98-99 will be budgeted for \$2,589,995. However, total debt service requirements through November 1999 (when the subsequent fiscal year's tax levy is received) are \$4,775,518. The fund's balance and other revenues are estimated at \$3,194,711. This leaves a balance of \$1,580,807 to be collected through property taxes. Uncollectible taxes of \$137,461 are also budgeted, making a total levy requirement of \$1,718,268.

The current year's tax rate is .2464 based on the district's adjusted Measure 50 Assessed Value (AV) of \$7.99 billion. The district tax payer owning a \$100,000 house has paid \$24.64. For FY 98-99, the total levy requirement will go down as a result of paying off the 1978 bonds next year, coupled with an increase in the Assessed Value.

The Assessed Value of the district is expected to rise by the statutorily allowable 3% to \$8.23 billion in FY 98-99, resulting in an estimated tax rate of .2087, or about \$20.87 for the district taxpayer owning a \$100,000 residence. This is a estimated reduction of \$3.77 from the current year. Again, the rate is just an estimate. New construction may result in a higher AV, but since the CSD will be levying an amount and not a fixed rate, the actual rate paid may be further reduced.

Equalization Payments

In 1990 the Cities of Eugene and Springfield adopted new equalization charges that allow residences outside the district, but within the Metropolitan Plan area, to receive sewer services. The equalization charge is a catch-up charge so that new users buy into the capital equity of the system.

Equalization charges are collected and held by the Metropolitan Wastewater Management Commission in a special account. The amount paid to the CSD is on a previously agreed to declining percentage basis, dropping by 15 percent per year. For FY 94-95 collections, the CSD received 50 percent of the payments. For FY 95-96 collections, the CSD portion dropped to 35%, and for FY 96-97 collections, the amount dropped to 20 percent. For FY 97-98 collections, the CSD will receive only 5% of these payments. Beginning with FY 98-99 collections and thereafter, the MWMC will retain all collections.

That portion which is attributable to the CSD is paid to the district in July as a resource to reduce the annual

tax levy. The first payment of \$466,060 was received in July 1992. In July 1993, the District received \$539,372; in July 1994, \$384,094; in July 1995, \$379,038; in July 1996, \$377,234; and in July 1997, \$249,074. The equalization estimate for July 1998, based upon 5% of FY 97-98 collections, is \$50,368.

In-Lieu of Tax Payments

Once connected, new users outside the district pay both a user fee to the utility and a payment-in-lieu of tax to the District. In-lieu of tax payments are included on individual tax account statements prepared by the Lane County Assessor. The rate is the same as the in-district users are charged. In FY 95-96, the in-lieu-of taxes assessed were \$114,905; in FY 96-97, \$127,838; and in FY 97-98 the amount was \$142,545.

Bond Retirement Fund (Fund 81)

	1995-96 Actual	1996-97 Actual	1997-98 Budget	1998-99 Proposed
<u>Resources</u>				
Property taxes/current year	\$2,057,332	\$1,953,187	\$1,812,646	\$1,580,807
Property taxes/prior years	98,489	99,297	73,024	73,785
Interest	143,924	142,726	94,244	62,246
Equalization credits	379,038	377,234	196,600	50,368
Agripac	224,814	224,821	224,752	224,890
Fund balance	<u>2,787,199</u>	<u>2,830,986</u>	<u>2,712,752</u>	<u>2,783,422</u>
Total	<u>5,690,796</u>	<u>5,628,251</u>	<u>5,114,018</u>	<u>4,775,518</u>
<u>Expenditures</u>				
Materials & Services	0	0	0	0
Debt Service:				
Interest	649,810	537,876	439,545	334,995
Principal	2,210,000	2,210,000	2,225,000	2,255,000
Reserved for future years' requirements*	<u>0</u>	<u>0</u>	<u>2,449,473</u>	<u>2,185,523</u>
Total	<u>\$2,859,810</u>	<u>\$2,747,876</u>	<u>\$5,114,018</u>	<u>\$4,775,518</u>

* Bond principal and interest payments due and payable between July and November must be levied in the current fiscal year in order to have funds immediately available at the beginning of the next fiscal year.

REQUIREMENTS FOR BOND REDEMPTION BY BOND

**Lane County
METROPOLITAN WASTEWATER SERVICE DISTRICT**

<u>Requirements</u>	<u>#781*</u>	<u>#891**</u>	<u>#921 New Refunding Bonds</u>	<u>Total</u>
	<u>(1978)</u>	<u>(1989)</u>	<u>(1992)</u>	
Bonds Due 07/01/98 to 06/30/99	\$225,000	0	\$2,030,000	\$2,255,000
Interest Due 07/01/98 to 06/30/99	<u>5,738</u>	<u>0</u>	<u>329,258</u>	<u>334,996</u>
Subtotal	230,738	0	2,359,258	2,589,996
Bonds Due 07/01/99 to 11/01/99	0	0	2,045,000	2,045,000
Interest Due 07/01/99 to 11/01/99	<u>0</u>	<u>0</u>	<u>140,522</u>	<u>140,522</u>
Subtotal	0	0	2,185,522	2,185,522
Total Requirements	<u>\$230,738</u>	<u>0</u>	<u>\$4,544,780</u>	<u>\$4,775,518</u>

* The 1978 bonds will be paid off during FY 98-99.

** These bonds were called 9/95.

TAX LEVY REQUIREMENTS FOR BOND REDEMPTION

**Lane County
METROPOLITAN WASTEWATER SERVICE DISTRICT**

Bonds Due 07/01/98 to 06/30/99	\$2,255,000	
Interest Due 07/01/98 to 06/30/99	334,996	
Bonds Due 07/1/99 to 11/01/99	2,045,000	
Interest Due 07/01/99 to 11/01/99	<u>140,522</u>	
Total Funds Needed		<u>\$4,775,518</u>
Cash On Hand 07/01/98	2,783,422	
Prior Years Receipts	73,785	
Investment Earnings	62,246	
Equalization Credits	50,368	
Agripac Reimbursement	<u>224,890</u>	
		<u>\$3,194,711</u>
Balance Needed		\$1,580,807
Estimated Current Year Uncollected: 8%	<u>\$137,461</u>	
Total Levy Needed	<u><u>\$1,718,268</u></u>	