

BOARD OF DIRECTORS **PASSED**
LANE COUNTY METROPOLITAN WASTEWATER SERVICE DISTRICT

RESOLUTION AND) **IN THE MATTER OF ADOPTING THE**
ORDER) **2003-2004 METROPOLITAN**
03-6-18-1M) **WASTEWATER SERVICE DISTRICT**
) **BUDGET, MAKING**
) **APPROPRIATIONS AND LEVYING**
) **TAXES**

WHEREAS, the Metropolitan Wastewater Service District Budget Committee reviewed and approved the 2003-2004 fiscal year budget for the Lane County Metropolitan Wastewater Service District on May 21, 2003; and

WHEREAS, after due notice, a public hearing was held on the 2003-2004 fiscal year budget at 9:00 a.m. in Harris Hall, Lane County Public Service Building, on June 18, 2003; 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 fulfilled its purpose by retiring all bonded debt and the fund has since been closed out so no further tax levy is required; now, therefore

IT IS HEREBY ORDERED, that the 2003-2004 fiscal year budget for the Lane County Metropolitan Wastewater Service District in the sum of \$172,990 as set forth below is hereby adopted; and

BE IT FURTHER ORDERED, that the amounts for the fiscal year beginning July 1, 2003, and for the purposes shown below are hereby appropriated as follows;

WASTEWATER ADMINISTRATION AND CONSTRUCTION FUND 282

Materials & Services	\$137,453
Operational Contingency	<u>35,537</u>
Total Requirements	\$172,990

GRAND TOTAL REQUIREMENTS **\$172,990**

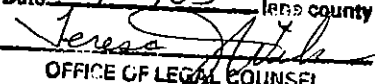
AND, BE IT FURTHER ORDERED that taxes provided for in the adopted budget in the aggregate amount of \$0 be levied by the Lane County Metropolitan Wastewater Service District for bonded debt and be assessed upon all taxable property within the district as of 1:00 a.m. July 1, 2003. The following allocation and categorization for the tax subject to the limits of section 11b, Article XI of the Oregon Constitution make up the above aggregate levy:

	<u>General Government Limitation</u>	<u>Excluded from the Limitation</u>
Bond Retirement Fund	0	\$0

Adopted by the Lane County Metropolitan Wastewater Service District Board of Directors this 18 th day of June, 2003.



Pete Sorenson, Chair
Metropolitan Wastewater Board of Directors

APPROVED AS TO FORM
Date 6/10/03 Lane County

OFFICE OF LEGAL COUNSEL

IN THE MATTER OF ADOPTING THE 2003-2004 METROPOLITAN WASTEWATER SERVICE DISTRICT BUDGET, MAKING APPROPRIATIONS AND LEVYING TAXES

Lane County
**Metropolitan Wastewater
Service District**

FY 2003-2004 Approved Budget

**LANE COUNTY
METROPOLITAN WASTEWATER SERVICE DISTRICT**

2003-2004 BUDGET CALENDAR

May 4, 2003	First Notice of Budget Hearing Published
May 11, 2003	Second Notice of Budget Hearing Published
May 21, 2003	Budget Committee Public Hearing; Review And Approve Budget; Set tax Levy (Additional Review Scheduled as Necessary)
June 8, 2003	Budget Summary and Notice of Budget Hearing Published
June 18, 2003	Governing Body Public Hearing and Budget Adoption

SERVICE DISTRICT BUDGET COMMITTEE MEMBERS

District Elected Officials

Bill Dwyer
Bobby Green, Sr.
Anna Morrison
Peter Sorenson
Tom Lininger

Citizen Members

Scott Bartlett
Francisca Johnson
Doug Keeler
Mary Ann Holser
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 (MWMC)

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

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

Lane County
METROPOLITAN WASTEWATER SERVICE DISTRICT
APPROVED BUDGET FOR FISCAL YEAR 2003-2004

Historical 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 (MWMC), 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 cost approximately \$105 million.

The Lane County Metropolitan Wastewater Service District received voter authorization on May 23, 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 MWMC and are not a part of the county service district budget.

Setting Construction Priorities

A seven-member policy board of the MWMC establishes design and construction priorities. 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 MWMC 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 improvement 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. 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 MWMC 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. \$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.

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 was delayed because bids received substantially exceeded the project estimate and the budget. Bids were rejected and staff re-evaluated the bid specifications and the project scope. Budgeted funds for construction were carried over to FY 98-99.

Two major components of the Biosolids project were initiated: (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 to determine whether planned improvements were necessary for safety purposes. Test results showed that the dredge did not need to be upgraded at that time, therefore, scheduled improvements did not occur. This issue will be revisited when the demand on the dredge increases to expand biosolids production.

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 MWMC Capital Improvements Program for FY 98-99 was focused in two major areas:

1) Development of a Wet Weather Flow Management Plan to address peak wet weather capacity constraints at the Eugene-Springfield Water Pollution Control Facility and in the collection system; and

2) Completion of engineering/design for a mechanical dewatering facility at the Eugene-Springfield Biosolids Management Facility to increase the amount of liquid biosolids that can be dried and land applied on an annual basis. Two other aspects of the Biosolids management strategy also were completed in FY98-99:

1) A feasibility and cost study of transitioning from "Class B" to "Class A" biosolids; and

2) A land acquisition analysis to determine whether there are suitable lands in the vicinity of the BMF to acquire for a dedicated biosolids land application site, using poplar plantations.

The planned modifications and expansion of the laboratory at the WPCF, which were originally budgeted in FY97-98, did not occur because construction bids exceeded the budget and engineering estimate by too great a margin. The laboratory modifications were being re-evaluated and CIP funds were carried over in FY 99-00 to complete the project.

Funds for construction of the biosolids dewatering facility were budgeted in FY98-99 and were carried over to FY99-00. This project essentially used the remaining county service district bond proceeds.

The Future of the District

When the final debt service payment was made in September 2002, the service district fulfilled its original purpose. The future needs of the wastewater system will continue to be discussed at MWMC. The future of the county service district will be discussed at a future date.

In the meantime, the Wastewater Bond Retirement fund will be closed out and the remaining funds will be transferred into the district's Wastewater Administration and Construction fund. The latter fund will be maintained indefinitely to receive all prior year taxes and minimal interest earnings. When the balance is sufficient in subsequent years, a payment will be made to the MWMC.

FISCAL YEAR 2003-2004 BUDGET

The Fiscal Year 2003-2004 budget for the Lane County Metropolitan Wastewater Service District is:

	<u>FY 02-03</u> <u>Budget</u>	<u>FY 03-04</u> <u>Approved</u>	<u>Chg From</u> <u>FY 02-03</u>	<u>Percent</u> <u>Change</u>
Bond Retirement Fund	\$980,900	\$0	(\$980,900)	(100%)
Administration and Construction Fund	10,370	172,990	162,620	100%
TOTAL DISTRICT FUNDS	\$1,927,680	\$172,990	(\$1,754,690)	(91%)

The Bond Retirement Fund accounted for the debt service payments on the original \$29.5 million in general obligation bonds. The final debt service payment was made in September of 2002. The retirement fund will be recommended for closure in 2003 and the remaining balance be transferred into the Administration and Construction Fund. The Administration and Construction Fund will then account for the balance of funds in the district. This fund will be used to receive prior year taxes that are projected to come in over the next several years. The majority of the funds will be transferred to MWMC and only a small balance will be retained to cover the district's audit, overhead, publication and miscellaneous costs until the future of the district is decided.

Transfer of Funds to MWMC

Proceeds from the bond sales provided the administrative and construction funds for the regional facility. The funds were managed and invested for the CSD by Lane County until MWMC requested 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 was maintained in several ways:

1. MWMC was required to submit annual cash flow projections to Lane County. The cash flow projections were used for planning investments and as a monthly and quarterly maximum amount of money the MWMC could request.
2. MWMC made a formal requisition of the funds before payments were transferred. The requisitions were for expenses actually incurred. The requisitions were reviewed by Lane County staff prior to reimbursement. The CSD also had 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 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.

PROGRAM SUMMARY

Administration and Construction Fund

The Administration and Construction Fund accounted for revenues received from the general obligation bond sales, interest earned from investment of bond-sale proceeds, and the expenditure of those funds via a transfer to the Metropolitan Wastewater Management Commission for the construction of the regional wastewater treatment facility. All bond proceeds have already been transferred to MWMC.

The cash balance from the district's bond retirement fund will be transferred into the Administration and Construction Fund in FY 02-03 once the district approves closure of the bond retirement fund. This cash balance will carry forward into FY 03-04 and will be budgeted along with prior year taxes and a small investment earnings revenue.

The bulk of the funds will be budgeted for payment to the MWMC. The remaining funds will be used to pay the district's audit and overhead costs, as well as, other incidental costs associated with legal notices and budget committee expenses. An operational contingency is set aside to cover future overhead costs that are necessary as long as prior year taxes are received and other district business is conducted.

Administration and Construction Fund (Fund 282)

	<u>2000-01</u> <u>Actual</u>	<u>2001-2002</u> <u>Actual</u>	<u>2002-2003</u> <u>Budget</u>	<u>2003-2004</u> <u>Approved</u>
<u>Resources</u>				
Prior Year Property Taxes	\$0	\$0	\$0	\$17,000
Investments	9,534	486	0	150
Fund balance	<u>33,565</u>	<u>17,857</u>	<u>10,370</u>	<u>155,840</u>
Total	43,099	18,343	10,370	172,990
<u>Expenditures</u>				
Materials & Services	8,167	8,104	10,370	7,453
Transfer Payments to MWMC	17,075	0	0	130,000
Operational Contingency	<u>0</u>	<u>0</u>	<u>8,048</u>	<u>35,537</u>
Total	\$25,242	\$8,104	\$10,370	\$172,990

PROGRAM SUMMARY

Wastewater Bond Retirement Fund

The Bond Retirement Fund is a non-operating fund that provided 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 1978 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 that carried the highest interest rates. This resulted in savings to district taxpayers of \$940,000 over the life of the bonds.

In December 1992, Lane County completed a second advance refunding of the original Series 1979 bonds and the 1989 Refunding bonds. This action saved an additional \$454,000. The present 1992 Refunding 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.

In September 2002 the final bond payment was made. This final action fulfilled the purpose for the fund. In May 2003, the fund will be recommended for closure and the remaining balance be transferred into the district's Administration and Construction Fund.

Tax Levy

The final debt service payment was made in September 2002. No further tax levies are required.

Equalization Payments History

In 1990 the Cities of Eugene and Springfield adopted 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 upon 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 was paid to the district each 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 final equalization payment for July 1998, based upon 5% of FY 97-98 collections, was \$64,832.

In-Lieu of Tax Payments

Once connected, new users outside the district paid both a user fee to the utility and a payment-in-lieu of tax to the District. In-lieu of tax payments were included on individual tax account statements prepared by the Lane County Assessor. The rate was the same as the in-district users were charged. Since the bonded debt was retired in September 2002, no further tax levies or in-lieu-of tax payments are required.

Wastewater Bond Retirement Fund (Fund 381)

	<u>2000-01</u> <u>Actual</u>	<u>2001-2002</u> <u>Actual</u>	<u>2002-2003</u> <u>Budget</u>	<u>2003-2004</u> <u>Approved</u>
<u>Resources</u>				
Property taxes/current year	\$408,404	\$450,899	\$0	\$0
Property taxes/prior years	67,792	51,231	30,000	0
Interest	54,593	23,261	11,900	0
Equalization credits	0	0	0	0
Agripac	172,070	221,136	0	0
Fund balance	<u>2,200,681</u>	<u>1,152,153</u>	<u>939,000</u>	<u>0</u>
Total	<u>2,903,540</u>	<u>1,898,680</u>	<u>980,900</u>	<u>0</u>
 <u>Expenditures</u>				
Materials & Services	0	0	0	0
Debt Service:				
Interest	136,980	67,620	21,060	0
Principal	1,720,000	1,000,000	810,000	0
Reserved for future years' requirements*	<u>1,046,560</u>	<u>831,060</u>	<u>149,840</u>	<u>0</u>
Total	<u>\$2,903,540</u>	<u>\$1,898,680</u>	<u>\$980,900</u>	<u>\$0</u>

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

For FY 02-03, the reserve funds are the projected remaining balance after all debt service payments have been made.

In May 2003, the bond retirement fund was recommended for closure and the remaining balance transferred into the Administration and Construction Fund. For that reason, this fund is zeroed out for FY 03-04.

REQUIREMENTS FOR BOND REDEMPTION BY BOND

Lane County METROPOLITAN WASTEWATER SERVICE DISTRICT

<u>Requirements</u>	<u>#781*</u> <u>(1978)</u>	<u>#891**</u> <u>(1989)</u>	<u>New</u> <u>Refunding</u> <u>Bonds</u> <u>#921***</u> <u>(1992)</u>	<u>Grand</u> <u>Total</u>
Bonds Due 07/01/03 to 06/30/2004	\$0	\$0	\$0	\$0
Interest Due 07/01/03 to 06/30/2004	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	0	0	0	0
Bonds Due 07/01/2004 to 11/01/2004	0	0	0	0
Interest Due 07/01/2004 to 11/01/2004	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	0	0	0	0
Total Requirements	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

* The 1978 bonds were paid off October 1998.

** The 1989 refunding bonds (comprised of the previous Series 1980 and 1982 bonds) were called September 1995.

*** The 1992 bonds (comprised of the Series 1979 bonds and the 1989 Refunding bonds) were paid off September 2002.

TAX LEVY REQUIREMENTS FOR BOND REDEMPTION

Lane County METROPOLITAN WASTEWATER SERVICE DISTRICT

Principal and Interest Payments Due:	
Bonds Due 07/01/03 to 06/30/04	\$0
Interest Due 07/01/03 to 06/30/04	0
Bonds Due 07/1/04 to 11/01/04	0
Interest Due 07/01/04 to 11/01/04	<u>0</u>

Total Funds Needed _____ **\$0**

Estimated Funds Available:	
Cash On Hand 07/01/03	0
Prior Years Receipts	0
Investment Earnings	0
Equalization Credits	0
Agripac Reimbursement	<u>0</u>

Current Funds Available _____ **\$0**

Balance Needed _____ **\$0**

Estimated Current Year Uncollected: 8% = _____ **\$0**

Total Levy Needed _____ **\$0**