

OCEANSIDE WATER DISTRICT
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May 2013

Letter to our Oceanside Water District Customers in Oceanside and Cape Meares

The past year has been a challenging year for the Oceanside Water District, in particular dealing with an on-going landslide in the Cape Meares community which has endangered the stability of the 100,000 gallon water storage tank located in the forest above the community. During the last 2 months, it has become apparent that the site stability of the existing tank is subject to failure, which could cause the Cape Meares community's water supply to be endangered. As a result, the Board of Commissioners for the Oceanside Water District has been working to prepare an emergency contingency plan to maintain water service in the Cape Meares community notwithstanding a failure of the existing water storage tank site, and to find a replacement storage tank site that is not prone to landslide failure.

This emergency situation has also prompted the District's Board of Commissioners to re-prioritize our Master Plan project list. Up to now, the first priority has been replacing the existing 38-year old water treatment plant in Oceanside which supplies water to the entire District encompassing both the Oceanside and Cape Meares communities. We the assistance of the past rate increases, we had been building reserves with the intent to replace the Oceanside water treatment plant in the next few years, but the Cape Meares landslide emergency is requiring us to now replace the Cape Meares water storage tank first.

The Board of Commissioners and District WaterMaster Alan Tuckey have recently met with representatives of the State of Oregon Clean Water State Revolving Fund to investigate financing options for replacement of the Cape Meares water storage tank as well as the District's other master plan needs. We have learned that the District may be able to receive a very-low interest-rate long-term loan, and a grant (that would cover up to 10% of the project cost), if we apply for assistance this Spring (2013). We have also learned that it is in the District's best interest to apply for financing assistance now for all of the District's high-priority needs, including replacement of the Oceanside water treatment plant, and construction of a 2nd water treatment plant to serve the Cape Meares community from Coleman Creek in Cape Meares.

The estimated total cost of the District's high-priority master plan needs is \$7.3 million, of which the replacement storage tank for Capes Meares is approximately \$800,000. The State of Oregon Clean Water State Revolving Fund would be able to provide a grant of up to \$700,000 towards the project, leaving a balance of approximately \$6.6 million that would be financed through a 30-year loan at an interest rate of just 1% per annum. It has been calculated by the State of Oregon and verified by the District's Interim Engineer, that only a small increase to the District's existing monthly rates would be necessary to make the debt service on the loan, using the budgeted funds that had been being set aside for reserves for the past few years to make most of the debt service payment. The projected increase in rates needed to reach the full debt service payment is less than \$5/month per customer.

While we work on permanent financing for all the District's high priority needs, we are already making immediate plans for the replacement of the Cape Meares water storage tank, using our existing reserves to fund the cost on an interim basis. We hope to have a new water storage tank in place by the end of 2013, at a site proven geologically stable, on property currently owned by the Stimson Lumber Company, who has been cooperating with us greatly during this emergency period. The new tank will be of the most modern technology, and double the storage size, which will provide for a much-improved fire-fighting capability in the Cape Meares community, and help guard against any temporary loss of the water line between Oceanside and Cape Meares that brings water "over the hill" to Cape Meares from Oceanside.

NOTICE OF USER FEE INCREASE-EFFECTIVE JULY 1, 2013:

To assist in meeting our planned debt service payments, and cover operational cost increases, the basic monthly service charge for the Oceanside Water District will increase from \$45 to \$50, per single family dwelling, effective July 1, 2013. In order to qualify for many low-interest State/Federal grants and/or loans, and to help pay the cost of \$7.3 million for the replacement of the Cape Meares water storage tank, and new water filtration plants in Oceanside and Cape Meares, a monthly rate of \$50-55 is required. The benchmark set to ensure the State/Federal government is not subsidizing water systems charging unduly low monthly rates. This year's \$5 rate increase will be applied roughly half to operational cost increases and half towards the Future Plant Replacement Fund (reserve), which has now grown to \$510,000, still well short of the funds needed.

WATER MASTER'S NOTE

We have completed another productive year for the Oceanside Water District as we move forward in replacing the District's aging infrastructure. During the past year, District staff have continued to rebuild, replace and upgrade sections of the distribution system that have plagued the District with leaks in the past. The District board has done an outstanding job of charting a course for the future, and we are now headed in a positive direction. The existing water filtration plant in Oceanside installed in 1975, continues to operate at its optimum level of operation, with just occasional hiccups, despite being well past its useful life, affording the ability to work on the Cape Meares storage tank replacement as our revised first priority.

The District staff would like to thank you, our customers, for allowing us the opportunity to continue to provide your family with some of the cleanest, natural water available on the planet. We work hard to maintain a safe and dependable water supply. As always, the District staff asks you, our customers, for your continued support and vigilance in reporting leaks and any suspicious behavior associated with the system tanks or equipment. This is a community water system, and it takes a concerned community to keep it safe and viable. Please do not hesitate to give us a call if you have questions or concerns about your water supply or would just like to tour the plant.

Thank you all, Alan Tuckey, Water Master, Oceanside Water District

PRESIDENT OF DISTRICT'S BOARD OF COMMISSIONERS NOTE

The Oceanside Water District is in need of a series of major upgrades/replacements over the next 5 years. The Board has increased rates to address the cost of these improvements. The rate increases have put us in a good position to take advantage of low-interest rate financing assistance and grants to cover these costs, resulting in less money borrowed, at lower interest, thereby providing real savings to Oceanside Water District customers. We can look forward to safe, affordable drinking water for the future.

On behalf of my fellow Commissioners, I would like to thank our Watermaster, Alan Tuckey, his assistant, Rob Robinson, recording Secretary, Mary Lovell, and the administrative staff of the Netarts-Oceanside Sanitation District (N.O.S.D.), Office Manager, Tami Walker, Yvonne Blaser, and Becky Glassburn. Their combined efforts continue to provide the Oceanside Water District with professional, efficient, and courteous service we greatly appreciate.

I would like to thank the N.O.S.D. Directors for sharing their building and staff to support our administrative services. While it's true O.W.D. pays for these services, the co-operation and support is a win-win for our communities. The following pages constitute our mandated annual water quality report to our constituents, known as the Consumer Confidence Report (CCR).R

Respectfully, Bob Garrigues, Chairman, Oceanside Water District Board of Commissioners