
Marsha Water Supply Corporation

15504 Brenda St., Austin, Texas 78728 Telephone: 512-803-8725

NOTE: This letter contains information that may be important to your tax filing for 2020 and for your financial records. Please consult with your accountant or tax-preparer regarding your filings.

Dear Corporate Member,

This last year, 2020, has brought Marsha WSC a number of changes behind the scenes. And being a year with a viral pandemic, has made what has been accomplished more remarkable.

In this last year, we have

- * Outsourced our water operator work to Hydrotech Water Solutions LLC (Hydrotech)
- * Contracted with Hanson Professional Services Inc (Hanson) for consultation work regarding the upgrades needed for the Marsha WSC infrastructure
- * Contracted with Third Coast Geospatial Technologies Inc (3cGeo) for GIS mapping services
- * Contracted with Marissa Pollard for meter reading services
- * Retained our contract with Atchley and Associates LLP (Atchley) for tax preparation and financial services

The most important action is that we have begun meeting with the Texas inter-agency group (Texas Water Infrastructure Coordinating Committee (TWICC)) to begin the application process for external funding.

In the final days of 2017, the Internal Revenue Service granted us tax-exempt status as a 501(c)(12) corporation. This opens the door for us to begin application for external funding, and for us to restructure the corporation into what a Texas water supply corporation should be.

As a tax-exempt entity, our tax return is now a matter of public record. Our tax return for 2019 was due to be filed in May 2020. We were not ready to file at that time, and got an automatic

6-month extension. We filed the 2019 tax return in November 2020. A copy of that tax return is available on our website at <http://www.marshawsc.org>

Regarding that tax return, please note that the IRS has some two dozen or more different classifications for tax-exempt entities. We are a 501(c)(12) entity. This means that MWSC is not a charity, does not accept tax-deductible donations, does not do any political lobbying, and does not do fundraising campaigns. We are self-funding thru our membership. We are in the same tax-exempt classification as telephone and electrical utility cooperatives.

Marsha WSC is a co-op. The proper description is a member owned, member controlled, member benefit cooperative non-profit corporation.¹ That has certain ramifications about how we do things (director elections, for example). It also means that our financial structure is very similar to that of a partnership.

In a partnership, the member-partners pool funds into a common pot to establish and operate a business. The proportion of ownership is determined by how much has been contributed to that common pot. The contribution to that common pot is still that member-partner's own money. If the partner wants to sell his stake in the partnership, then somebody has to buy him out for what his contribution is to that pot.

For a Texas water supply corporation, the property owner is the member-partner, according to the Texas Water Code.² The contribution to the pot is the "member right of participation" and is attached to the property that receives service. When the property is sold, the right of participation transfers with that property ownership.

For Marsha WSC, that "right of participation" is the "construction charge". That \$40 charge each month is your contribution to the common pot as a property owning member-partner. When you sell your property, you are also selling your partnership interest in Marsha WSC.³

At the end of 2020, if you are up to date on your billing payments and are a member in good standing, you will have \$800.00 contributed to the construction charge pot. This is your money, and should be reflected in your financial net worth. This contribution will increase by \$480.00 each year for the foreseeable future. This is an increase of \$360.00 for year 2020, as the construction charge was frozen for three months for the pandemic shutdowns.

We bill you directly as the owner member-partner. If you have a commercial or otherwise leased property, we will not bill the tenant because the tenant cannot be a partner, and we are

¹ Section 13.002(24), Texas Water Code, definition of "Water supply or sewer service corporation"

² Section 13.002(11), Texas Water Code, definition of "member"

³ Section 67.016, Texas Water Code

not going to get anywhere near the legal question of who owns the money that has been contributed. That is a contract issue between you and your tenant. This is why we have gotten very particular about establishing a power of attorney for billing to anyone other than the member-owner.

The construction charge contribution is NOT being used for Marsha WSC day-to-day operation. The accumulated contribution is being held in a separate bank account to be used solely for the purpose of upgrading our water system. At year end 2020, the total accumulation should be approximately \$120,000.00.

This coming Saturday 16 January 2021, we are having our annual member meeting. The meeting time is 2pm, in the conference room at Comfort Suites at the intersection of I-35 and Wells Branch Pkwy.

We strongly recommend that you attend the member meeting in January.

Sincerely

Roland Martinez

Roland Martinez,

President Pro Tem of the Board of Director

Marsha Water Supply Corporation

Annual Meeting Agenda

Saturday 16 January 2021
2:00pm - 3:00pm
Comfort Suites ~ Conference Room
15112 FM 1825, Pflugerville, TX 78660

This is the Comfort Suites located near the intersection of Wells Branch Parkway and I-35

2:00pm The Annual Meeting opens.

Agenda for the Annual Meeting

1. Open
2. Reports
 - A. Annual financial report
 - B. System status
 - C. Corporation update
3. Public Comment (time limit is 3 minutes, please sign in before comment)
4. Questions and Answers
5. Close

Notice: There is a meeting of the newly elected Board of Directors immediately following the annual meeting. The agenda for this Board meeting is posted separately. This Board meeting is open to the public.

Thank you