
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 2022 and for your financial records. Please consult with your accountant or tax-preparer regarding your filings.

Dear Corporate Member,

In this last year, 2022, Marsha WSC has

- * Submitted application the Texas Water Development Board (TWDB) for funding under the terms of the Drinking Water State Revolving Fund. We were ranked 131th of about 200 applications, and were not selected for funding for this coming fiscal year. However, we were invited to reapply for funding, which we have done.

However, on review of the TWDB scoring method for allocating funds, we have concluded that we have basically no chance of getting funding directly. We may eventually get some measure of funding some many years from now, if we keep our application active. We will be keeping the application active for the foreseeable future.

- * We have an outline of a plan for making upgrades to our system with limited external funding. We are looking into the possibility of funding thru the US Department of Agriculture - Rural Development.
- * We submitted an Emergency Preparedness Plan as directed by legislative action under Senate Bill 3 of the 2021 Texas legislature regular session. The Plan would place a financial burden on Marsha WSC, resulting in our being issued a waiver for the legislative requirements.

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 2021 was filed in November 2022 after a 6 month extension. A copy of that tax return is available on

our website at <http://www.marshawsc.org>. As the tax return is somewhat long, a copy is not being included in this mailing.

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 2022, if you are up to date on your billing payments and are a member in good standing, you will have \$1760.00 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.

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 not going to get anywhere near the legal question of who owns the money that has been

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

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 2022, the total accumulation should be approximately \$280,000.00.

This coming Saturday 21 January 2023, 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 Directors