

CORBETT WATER DISTRICT APPROVED MINUTES

Budget Meeting: 6:00 P.M.

Tuesday, March 6th, 2007
Corbett, Oregon

Commissioners Present: Robert Gaughan, Bob Colclessor, Malcolm Freund, Jeff Hargens, and Marion Kirkham.

Committee Members Present: Dave Mysinger, Barb Adams, and Barb Strasbaugh.

Also present was District Clerk / Budget Officer Jamie Simms.

Audience Members Present: None.

Board Chairman Gaughan called the meeting to order at 6:05 p.m. at the Corbett Fire Hall.

Barb Adams nominated Dave Mysinger Chairman of the Budget Committee (BC). Nomination seconded by Chairman Gaughan. Nomination passed unanimously. Chairman Mysinger then presided over the rest of the meeting.

Budget Committee Chairman Mysinger thanked the Committee for volunteering the time to serve. He then asked for an update for the District Manager vacancy. Commissioner Freund said the Board had received nine applications for the position. Commissioner Hargens said the Board was currently in the interview stages of hiring.

BC Chairman Mysinger then moved the floor to the Clerk to present the budget message.

Jamie went over the following budget message with the Committee:

The budget process is a joint effort between the people affected by the budget and the appointed and elected officials responsible for providing service. The Budget Committee, composed of five elected officials and five appointed officials, bears the responsibility of deliberating the budget document, receiving public comment, and answering questions from the public. In the process of executing their duty, they establish the lawful appropriations that provide the authority to spend public money.

Appropriations are made primarily in the General Fund. The General Fund has four major sub-categories: Resources, Personal Services, Materials and Services, and Capital Outlay. These four categories document the revenue sources and expenditures needed to operate, maintain, and improve the water system that supplies safe drinking water to District customers.

The Special and Reserve Funds function outside of the General Fund for specific purposes. The Capital Improvement Fund: Headworks Project is a Reserve Fund used to construct the new 1.0 million-gallon reservoir and make improvements to the water treatment plant. The Loan Repayment Fund was established as a Special Fund to track collection of the Reservoir Rate Surcharge and payments for the State Revolving Loan Fund.

Budgeting plays a crucial role in planning and control. Budgeting allows us to spend District funds, based on our estimated allocations. The Corbett Water District budget will translate the goals and strategies of the District into financial terms.

How the FY 2007/08 Budget Proposal Differs from the FY 2006/07 Budget

Net Working Capital includes a \$3,000 safety and security matching grant received from SDAO in the 2006/07 budget.

Material & Services-Engineering & Survey has been decreased to reflect project engineering fees to be capitalized in System Improvements.

Headworks project has been zeroed out because the current WTP upgrades have been completed. However, the Board may wish to designate funds to this account to save money for completing the other two filter pond upgrades in the future.

Priorities for FY 2007/08 Proposed Budget Decisions.

The proposed budget was developed using two major priorities as a driving force.

Master Plan

The goal is to complete as many projects in the Master Plan as quickly and economically as possible.

Long Term Financial Plan

The focus is to borrow the least amount of money from the Oregon Economic and Community Development Department (OECD) and to pay that loan back as soon as possible, without overburdening the customers of the Water District.

RESOURCES – GENERAL FUND

Resource Description

Net Working Capital, or carry over from the current 2006-2007 fiscal year, is expected to be **\$608,070**. This amount reflects an additional **\$256,728** in revenue carried forward from the 2005-2006 fiscal year into the current year, documented in the audit. Also reflected in this line item is **\$100,000** from Capital Outlay, **\$139,171** from Contingency, **\$109,171** for the Unappropriated Ending Fund Balance, and **\$3,000** in a safety and security matching grant received in the 2006/07 budget year.

Previously Levied Taxes are estimated at **\$2,822**. These are taxes levied in previous years that are being paid during the 2007-2008 budget year. Commissioner Hargens questioned where this number had come from. Jamie said the number had come from Multnomah County and from the prior audit as prior taxes yet to have been received. Commissioner Hargens questioned how the District received tax revenues. Barb Adams said the tax is a part of property taxes. Commissioner Colcler said it was a permanent tax for water, just like there was a permanent tax for fire and schools.

Water Sales are estimated for the 2007-2008 fiscal year at **\$484,367**. The Board reviewed a water sales summary document that the prior District Manager Frank Sterzinar had prepared. Jamie explained that customers were billed every other month with a \$24 base rate and \$3.65 per thousand gallons used and there were currently 1072 hookups.

Jamie said that according to the document the current water loss for 2006, 2005, 2004, and 2003 prospectively were 49.7%, 31%, 40%, and 63%. Commissioner Hargens asked why the water loss had increased since 2005, when it had previously been steadily decreasing. Barbara Strasbaugh asked what the cost of lost water to the District. Jamie said the water had to be treated, but the cost was minimal.

Commissioner Freund asked about the water being filtered through filter pond No. 2. Jamie said the raw water that entered into the pond is set to filter to waste, so the water does not go through the treatment and enter into the system. Commissioner Freund believed this water did not travel through the meter at the plant. Jamie said the meter was on the far end of the Clearwell and it recorded the treated water exiting the Clearwell and entering into Reservoir No. 6.

Commissioner Hargens asked about the effect the School leak had on this water loss percentage. Jamie said the Schools leak was accounted for because although it was a leak, the School was responsible for the bills and they had paid for the water. Commissioner Hargens questioned if there might be something wrong with an instrument to account for the increased water loss. He questioned where 50% of the District's water was going. Commissioner Freund thought it might be a good idea to look at the water loss based on billing cycles instead of an annual number. Jamie will check to see if she can obtain more detailed information.

Barb Adams questioned if it was possible there was an issue of water theft. Jamie said it was possible because the fire hydrants did not have locks. She also said the Fire Department filled their water tanker from an unmetered fire hydrant. Chairman Mysinger commented that water theft had incurred in the past.

Commissioner Hargens questioned why the history of water revenues was less than the stated projected water sales in the budget. Jamie said water sales were decreased by the Reservoir Rate Surcharge and was then placed in the Loan Repayment fund to make the yearly loan payment.

Two new **Service Connections** are estimated to generate **\$10,000**. Commissioner Hargens asked about the cost of a service connection. Jamie said a new meter install cost \$5,000, and to move an existing meter or to have a meter upgraded to a larger size, the customer was charged for time and materials.

Interest, the money generated by the General Fund is estimated at **\$6,000**. Jamie said this reflected the beginning projected account balances.

Miscellaneous is determined by the annual audit and is not estimated during the budget process.

Taxes Necessary to Balance Budget are based on the permanent tax rate of \$0.5781 per \$1000 assessed value, which is expected to generate approximately **\$117,075**. This estimate takes into consideration the taxable value of property within the District boundaries as of October 2006 (per Multnomah County), a 3% rate of growth and a 94% collection rate. This method is acceptable to the Tax Supervising and Conservation Commission staff. The dollar amount shown is estimated, and is intended to represent only an approximate dollar amount that may be available from tax revenue. The Budget Committee must explicitly approve the permanent tax rate of \$0.5781 per \$1000 assessed value for calculating taxes due when approving the budget for the District to receive the maximum dollar amount allowed.

Barb Adams commented that a lot of Water District's did not impose a permanent tax. She said the tax had originally started as a temporary tax. Jamie said it was currently setup as a permanent tax rate set by the Budget Committee every year. Commissioner Colclessor said the tax had gone to a fixed levy that never would be stopped.

DETAILED EXPENDITURES: GENERAL FUND**Personal Services**

The Personal Services category provides funding for District Employees' wages and benefits. Personal Services are budgeted at **\$236,202**.

Jamie said the proposed personal services were presented at the current wages for all employees.

Barb Adams asked about the differences between Utility Worker I and Utility Worker II. Jamie said in order to become a Utility Worker II staff was required to have five years of experience and the current staff only had three years of service.

The PERS rate was calculated at the current rate of 16.33%. Barb Adams asked if this percentage was based on the employees' gross earnings. Jamie replied yes, but the rate was based on current and past employees. A portion of the percentage is applied to prior employees or their living dependents. Jamie referred to last year's workshop with PERS when they stated the percentage had increased because when staff changed and the number of employees decreased there was less gross income, creating PERS to be decreased. PERS raised their rates to reflect this decrease in income. PERS stated that the rate would go back down if the District hired another employee. Barb Adams asked if something could be done concerning PERS. Jamie said the District had previously tried to eliminate PERS, but it could not be done. Once a District is a part of PERS they cannot be removed from the retirement system. Commissioner Freund offered Barb Adams the option to review the minutes from the PERS workshop.

Commissioner Colclessler referred back to 1998 when field staff was reduced to three employees. This reduction saved \$21,000 in PERS and medical coverage. Then, in 2000 the fourth employee was added back and the cost increased.

The cost for health insurance was also based on the 2006 health insurance. The cost starting July 1, 2007 is unknown. The Board currently has placed a cap on the health insurance at \$257 per person per month. This will fund for four employees with single coverage only. Commissioner Colclessler said it would also depend on what the Board chose for dependent coverage. Commissioner Hargens asked how dependent coverage was done in the past. Commissioner Colclessler said dependents had been covered 100% by the District and that was why health insurance reached more than \$60,000 a year. Commissioner Freund said the Board recently changed the dependent care to zero. The Committee reviewed the current health insurance coverage for the District, including the cost of dependents. To add one dependent to the employee's coverage it would cost an additional \$300.

Temporary help has been budgeted at \$18,000. This allows for three part-time summer helpers to assist the field crew in projects.

Barb Adams asked if the numbers presented in the 2006/07 adopted budget reflected the current actual cost. Jamie said the column showed the approved budget from last year but the actual would be different. Included in the packet was a current budget versus actual documentation. Personal Services is currently at 60% for the entire year.

Commissioner Gaughan asked if the budget included COLA or raises. Jamie replied no, the wages presented were based on current wages. A wage and step scale was also included in the packet. Commissioner Gaughan asked how an employee moved up a step. Jamie said the District Manager was responsible for moving an employee up a step on the scale. Barb Adams said the Manager created the wage and step scale and then it had to be approved by the Board.

The Committee spoke about the history of personal services. Chairman Mysinger spoke about Personal Services being higher than Material and Services in the past years. He suggested that the Board look at rising employee cost and raising water rates to cover those increasing cost. Barb Adams felt that most of the District's funds in the past had been spent on employees and very few projects had been completed. Commissioner Hargens said currently the District was in the opposite situation. The District's employees were in the very beginning of their services and the District had funds for system improvements. Barb Adams felt the current crew had been accomplishing a lot of projects. Commissioner Colclessler said the District currently needed three employees, but once all the lines were replaced the District may only need two employees.

Chairman Mysinger asked the Board if they felt \$46,000 was reasonable for a District Manager. The Board in general did not believe \$46,000 would cover the position. Barb Adams asked what applicants had asked for pay. Commissioner Gaughan said applicants asked for between \$50,000 and \$75,000. Commissioner Hargens said he would like to have the District Manager at \$52,000. Barbara Strasbaugh also wanted to know about the applicant's health insurance needs, because if he had dependents it was not covered in the proposed budget. Barb Adams asked if the Manager received overtime. Jamie said previously the Manager received no overtime but he could take additional time off. The committee in general felt it would be best to temporarily raise the District Manager salary to \$52,000 and other line items affected by the wage increase.

The Committee talked about the work the DRC has to perform for the District. Utility Worker I can take the Treatment I exam in May and Kevin Moran would be eligible to take the Distribution II test at the end of the year. Barb Adams asked if the proposed budget included the cost to hire PACE as the DRC. Jamie replied no and Commissioner Gaughan said the short listed applicants for District Manager all met the requirements to be the District's DRC. The committee discussed the cost of outsourcing the DRC. Barb Adams questioned if the Board should look at someone besides PACE Engineers to be the DRC. Jamie suggested that the Board may also want to look for a different Treatment DRC because Phil Beverly the Treatment DRC was a level IV (the highest level possible) and the District only needed a level I Treatment to be the DRC.

Materials and Services

The Committee reviewed the prior budget numbers. The numbers listed for 2005/06 are unbudgeted. The total dollar value shown for Material and Services is the draft audit total, however the Clerk does not agree with the number. Commissioner Colclessler has asked the auditor for further explanation in writing so the Board can make their decision. Barb Adams said she also did not believe the \$31,000 listed as Material and Services was correct. She suggested the Clerk contact SDAO and see if they had an accountant that could look over the audit for suggestions. Frank has previously spoken with Roy Rogers concerning this issue.

Mains are proposed at **\$8,000** for maintenance and repair of the distribution system and controls.

Meters are planned at **\$10,000** for maintenance and repair of meters.

Buildings & Grounds are projected to be **\$2,000**. This provides funding of maintenance and repair on the shop and office building.

Reservoirs are proposed at **\$8,000**. This provides funding for cleaning and minor repair of our reservoirs.

Filter Plant funding for maintenance is anticipated to be **\$7,000**.

Vehicles are proposed at **\$5,000**. This covers the cost of repairs for District vehicles, including replacement of tires, regular oil changes and the cost of fuel. This reflects actual costs for 2006-2007. There is documentation in the packet to show the effect of the rising cost of fuel. Jamie said the prior expenses under vehicles had included the cost of major repair on several vehicles. Frank was able to complete the repair work and those cost are not projected to occur again in this budget.

Utilities are projected at **\$20,000**. This covers the cost of power, heat, garbage, and communication services for the District's office, shop, and treatment plant. Jamie explained that there would be two new PGE bills once the Cathodic protection had been installed on Reservoir Numbers 2 and 5.

Office Supplies & Postage are proposed at **\$12,000**, this covers the supplies normally needed for the operation of an office and the mailing of customer bills.

Engineering & Surveys are planned at **\$10,000**. Jamie explained that this item had been decreased to reflect Engineering cost associated with larger projects to be placed in System Improvement so they could be depreciated along with the construction cost. Commissioner Hargens said the cost for DRC would be expensed to this category, so the committee may have to look at this category in the future.

Legal is proposed at **\$6,000**. This is to pay for legal advice, opinion or letters written for the District's protection and benefit.

Insurance and Bonds are funded at **\$19,000**. This pays for property and casualty, vehicle and liability insurance. It also covers highway encroachment bonds for state and county roads and a security bond for the District Clerk, Asst. District Clerk, and District Manager.

Elections are proposed at **\$0**. There are no scheduled elections this year.

Chlorine and Testing are estimated at **\$21,000**. This provides funding for chlorine and sodium bicarbonate, the two chemicals fed at the water treatment plant, and any water quality and back flow testing.

Taxes, Interest and Other are anticipated to be **\$2,000**. This covers any property taxes and fees to other government agencies.

Auditor is projected to be **\$5,000**. This funds an audit of our financial records, as required by law.

Computer is proposed at **\$2,000**. This covers maintenance of the District's billing program and any needed repair, maintenance or purchase of the District's computer and peripherals.

Education is funded at **\$0**. This category has been moved to 'Personal Services'.

Tools and Shop is proposed at **\$5,000**. This covers a variety of expenditures for hand tools, small power tools and shop expense. It also includes a \$200 per year clothing allowance for each field employee.

Safety is proposed at **\$3,000**.

Capital Outlay

New Equipment is proposed at 5,000. This allows for one new expensive tool. The Committee would like to know what tool the crew wishes to purchase.

System Improvement & Replace Lines are proposed at **\$618,299**. This is where the District needs to put every dollar it can possibly find. This item will be decreased by the changes made earlier to Personal Services.

Shop & Office is planned at **\$0**.

Fire Hydrant is projected at **\$1,000**. This is to fund the installation of fire hydrants where needed. Chairman Mysinger asked if there were fire hydrants in-stock. Jamie replied that there are a couple in stock, but they are planned to be used during the Christensen line replacement project. The Committee would like for staff to talk with Fire Chief Tom Layton and find out specifically where hydrants need to be installed. Commissioner Freund said the fire department matched District funds to install new hydrants. Commissioner Hargens said \$1,000 would cover the cost of the hydrant, but not the additional cost of installing a hydrant on an existing line. There are some places where a hydrant cannot be installed because of low flow issues.

New Equipment-Vehicles is budgeted at **\$0**.

Other Expenditures

Operating Contingency is planned at **\$122,833**, which brings the operating contingency to **10%** of appropriations in the General Fund.

Unappropriated Ending Fund Balance: This is the dollar amount that will be carried forward into the budget year starting July 1, 2007, to provide operating capital during the first part of the next budget year. If the District brings in exactly the revenues estimated in the budget and spends all of the funds appropriated in the budget, this will leave **\$100,000** to be carried forward into the next fiscal year. This can then be used to pay bills and continue to operate until revenue from water sales is generated and collected.

Reserve Fund: *Headworks Projects*

Capital Improvement Fund

Jamie explained that this fund was proposed at zero. However if the Board wished to close this fund it would have to be done by a Board Resolution. She said if the Board chose to leave this fund open and transfer monies to this fund to save for future pond upgrades then those funds would be restricted only to that purpose. Commissioner Freund said in case of an emergency the funds in this category could not be used. The Committee spoke about leaving extra funds in Contingency and Unappropriated Fund balance as another way to save funds for future projects.

Commissioner Colclessler asked the Committee their opinion on setting aside money to finish the other two filter pond upgrades. Commissioner Gaughan and Barb Adams both commented that they would like to see the current new filter pond working first. Commissioner Hargens said the District may have to put money into the existing filter pond and then be reimbursed for the cost to fix the pond.

Special Fund: *Loan Repayment*

Jamie said interest of \$3,000 was based on current year actual. The Reservoir rate surcharge was \$138,458 which was the new adjusted minimum yearly payment for the loan. The Reservoir rate surcharge and the interest will both be applied to the loan payment. This in effect will help pay off the loan sooner.

Suggested Motions to Approve Budget

It is recommended that the Budget Committee approve this budget with either of the following sample motions:

I move that the 2007-2008 budget be approved as proposed by the Budget Officer, certifying that the permanent tax rate of 0.5781 per \$1000 of assessed value shall be used to calculate *Taxes Necessary to Balance Budget* in the General Fund Resources category.

If the Budget Committee makes changes to the proposed budget, the following sample motion can be used.

I move that the 2007-2008 budget be approved as changed by the Budget Committee, certifying that the permanent tax rate of 0.5781 per \$1000 of assessed value shall be used to calculate *Taxes Necessary to Balance Budget* in the General Fund Resources category.

The next budget committee meeting is scheduled for Tuesday, March 13, 2007 at 6:00 pm at the Fire Hall.

Jamie will mail Sue Fry and Brian James their budget committee packets to review the material prior to the next budget committee meeting.

With no other business to discuss Barb Adams moved to adjourn. Motion seconded by Barbara Strasbaugh. Motion passed unanimously. Meeting adjourned at 8:05 pm