

CORBETT WATER DISTRICT

APPROVED MINUTES

Budget Meeting: 7:00 P.M.

Tuesday, March 7th, 2006
Corbett, Oregon

Commissioners Present: Malcolm Freund, Lee Wyatt (arrived late), Robert Gaughan, Bob Colclessler, and Marion Kirkham.

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

Also present were District Manager Frank Sterzinar and District Clerk Jamie Simms.

Audience Members Present: None.

The consensus of the Committee was to proceed with last years Chairman, Dave Mysinger.

Budget Committee Chairman Mysinger called the budget meeting to order at 7:12 p.m. at the Corbett Fire Hall.

Frank 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 that is being used to construct a 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 to 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.

The proposed budget was developed using two major priorities as a driving force: Water loss reduction and a Long Term Financial Plan.

The Public Employees Retirement System (PERS) percent has risen. Currently the District pays 19.8%; this could reach up to 22% in the near future. Malcolm Freund said PERS forces the District to pay a certain amount. Payroll overall has decreased do to a decrease in staff, so the percentage the District paid

had to be increased to compensate for the loss of employees. Brian James said the prior employees benefits would have to be paid into PERS until their last beneficiary passes away.

Net Working Capital (accrual basis), or carry over from the current 2005-2006 fiscal year, is expected to be **\$30,000**. Also reflected in this line item is **\$10,000** from Contingency, **\$20,000** for the Unappropriated Ending Fund Balance. Frank said that in prior years this category was typically much higher than the projected amount of \$30,000.

Previously Levied Taxes are estimated at **\$4666**. These are taxes levied in previous years that are being paid during the 2005-2006 budget year.

Water Sales are estimated for the 2005-2006 fiscal year at **\$501,556**.

Three new **Service Connections** are estimated to generate **\$8,500**. Frank explained that this item would need to be increased if the Board approved the proposed Resolution to increase installation fees. Currently a ¾" meter to install is \$1,700 and it has been proposed to increase this fee to \$5,000. Currently it cost the District \$2,800 to install a new meter. Lee Wyatt wanted to know where in the budget she could find the new meter installation loss of \$1,100 in the budget. Frank replied that it was a loss under meters. Barb Adams questioned who the higher fees would affect. Frank replied that only new customers would be affected by the increase. Lee Wyatt asked what the cost would be if a current customer wished to upgrade their meter. Frank said the customer would pay time and materials to upgrade their meter. Marion Kirkham asked if larger meters would also go up in installation cost. Frank said it would be the same increase across the board.

Interest, the money generated by the General Fund is estimated at **\$2,100**.

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 **\$108,725**. 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.

Taxes may change before the next committee, because Frank is waiting on some more data from Multnomah County. The amount of \$108.725 is a conservative estimate.

The Personnel Services category provides funding for District Employees' wages and benefits. Personal Services are budgeted at **\$210,600**. This account decreased by \$13,000 from last year.

Mains are proposed at **\$8,300** for maintenance and repair of the distribution system and pressure controls.

Meters are planned at **\$10,000** for maintenance and replacement of old defective meters. Frank plans to replace a number of meters that are not reading accurately and some are not reading at all.

Buildings & Grounds are projected to be **\$2000**. This provides funding of maintenance and repair on the shop and office building. The Building needs to be painted and a metal roof needs to be sealed before next winter. The bathroom has been remodeled and the material needed to remodel the field crew office has already been purchased.

Reservoirs are proposed at **\$8000**. This provides funding for cleaning and minor repair of our reservoir. Frank explained that this would allow for the District to vacuum out the Cabbage Hill Reservoir. Cabbage Hill was last cleaned in 2000 and it had approximately one foot of material at the bottom of the

tank. Bob Colclessler asked if the Cabbage Hill tank was leaking. Frank does not believe the tank is leaking, but it still could be leaking under the tank where he can't see.

Filter Plant funding for maintenance is anticipated to be **\$7,000**. This item provides for required replacement parts for our various water quality monitoring instruments, sample pumps and chemical feed pumps. Frank said that in order for equipment to maintain their accuracy parts have to be replaced on a yearly basis.

Vehicles are proposed at **\$4,000**. This item covers the cost of repairs for District vehicles, including replacement of tires, regular oil changes and the cost of fuel. Frank said this item also included the cost associated with the Backhoe.

Utilities are projected at **\$15,000**. This item covers the cost of power, heat, garbage, and communication services for the District's office, shop, and treatment plant. Frank said with the upgrades made to the Treatment Plant, the electrical usage has increased.

Office Supplies & Postage are proposed at **\$12,000**. This covers the supplies normally needed for the operation of an office, the mailing of customer bills, District Newsletter and state required water quality forms. Frank explained that this line item had to be increased to reflect new State mandated forms and the postage rate had increased.

Engineering & Surveys are planned at **\$30,000**. This item covers the cost of engineering fees for engineer of record and services provided to the district on various projects. Currently Frank is shopping around to obtain a new, less expensive Engineer for the District.

Legal is proposed at **\$5,000**. This item is to pay for legal advice, opinion or letters written for the District's protection and benefit.

Insurance and Bonds are funded at **\$18,000**. 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 as well as the District Manager. Frank explained that all of the District's property is fully insured.

Elections are proposed at **\$1000**. There are three Board positions up for election in May 2007.

Chlorine and Testing are estimated at **\$21,500**. This item provides funding for purchase of Sodium Hypochlorite and Sodium Bicarbonate, the two chemicals fed at the water treatment plant for disinfection as well as corrosion control. This item includes **\$4,500** for the testing of our backflow assemblies. Backflow assemblies have not been tested for the past three years. Frank felt that whoever had worked on them at that time had not done a good job. The field crew is currently performing the testing of backflow assemblies, as opposed to a contractor.

Taxes, Interest and Other are anticipated to be **\$1,200**. This item covers any property taxes and fees to other government agencies. Frank explained that this allows the District access to the Treatment Plant and the North and South Fork Intakes.

Auditor is estimated to be **\$5,000**. This item funds the required yearly audit of our financial records, as stipulated by Oregon Budget Laws.

Computer is proposed at **\$3,250**. This covers maintenance of the District's billing program, software updates, repairs and licensing fees. Frank wants to consider purchasing CAD software. If this is done

Frank could do some of the engineering work in-house, thus decreasing the currently estimate of \$30,000 for engineering fees. Currently the District could purchase auto-CAD for \$680. Lee Wyatt asked how much the upgrades would cost. Frank said upgrades for the auto-CAD could be downloaded from the internet for approximately \$150-\$200.

Tools and Shop is proposed at **\$3,500**. This covers a variety of expenditures for replacement of worn hand tools, small power tools and maintenance of small equipment.

Safety is proposed at **\$3,000**. This item covers the purchase of safety equipment needed for proper safe job performance. The cost of one injury will more than exceed the cost of training and proper safety equipment.

System Improvement & Replace Lines are proposed at **\$201,422**. Strategic project planning is extremely important and water loss reduction through line replacement or repair is a top priority with these funds. Several projects like the Reservoir 4 Altitude installation, Christensen Road main replacement General and Engineering services are included.

Fire Hydrants are projected at **\$1,000**. This item has two purposes; one for installation of new hydrants in key locations, and two for solving flow issues plaguing the current hydrants already installed. The District currently has three fire hydrants on hand ready for installation. Chairman Mysinger asked how much it cost to replace a hydrant. Frank responded that the last hydrant replaced had cost over \$7,500. This hydrant had been struck by a car; the driver's insurance reimbursed the District. Malcolm Freund asked if the Fire Department was still willing to match the District. Frank said he was unsure.

New Equipment is budgeted at **\$4,775**. This item allows for the purchase of additional required tooling that is used to perform a specific task that the district would normally hire a sub-contractor to perform at a substantial cost. Frank would like to purchase a freeze kit for approximately \$800. It cost the District \$5,000 to pay a company to freeze the line on Reservoir 1. Barb Adams asked how long the freeze would last. Frank said a 5" line would take approximately 25 minutes to freeze and it would last an hour and a 1" line would freeze in about one minute.

(Note: The audio tape is too difficult to understand from this point forward)

Special Fund: Loan Repayment This fund was established May 14, 2002 with the adoption of the 2002-2003 Budget to document the collection of the Reservoir Rate Surcharge and repayment of the State Revolving Loan Fund (SRLF) loan.

A letter of interest was submitted to the Oregon Health Division (OHD) in May 2001, which earned the reservoir and water treatment plant improvement project enough priority points to qualify for SRLF money. On October 9, 2001, the Board of Commissioners limited any increases in revenues to service debt to an average each month of \$10 per customer. This effectively limited the amount of a 20-year term loan to \$1.5 million. Application was made for the \$1.5 million to the Oregon Economic and Community Development Department (OECDD), and subsequently approved. The District entered into a loan agreement on November 12, 2002. The loan has an annual percentage rate of 4.1% (note: actual rate is 4.06%), with a payment due every December. Water rates were increased effective July 1, 2002 by 25% in the form of a Reservoir Rate Surcharge.

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 2006-2007 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 2006-2007 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.**

Lee Wyatt said the Budget Committee had three options to consider in the budget.

1. The increase in new meter installation fees would increase the total available resources in the budget above then what was proposed by the budget officer.
2. Lump A - \$300,000 reimbursement from the OECDD for the Headwork's loan that would increase the term of the loan from seventeen years to twenty years. This money would only be used for specific projects.
3. Lump B – (Including lump A) and an additional \$300,000 to be used as a cushion for the District. As a general rule \$300,000 of this money would not be used as cash, but as a line of credit or earnings for temporary investments.

The District will be paying 4.1%% (note: actual rate is 4.06%), on these additional loan funds. Lee Wyatt would like to consider obtaining a CD that would pay the District 6% interest. Lee would like to see these funds used for future projects, like filter ponds one and three. She would like to see \$300,000 nailed down and unreachable except for interest, collateral and temporary seasonal cash flow crises. Frank will speak with the folks at TSCC to see if this would be legal.

Lee Wyatt asked Frank if he could use \$300,000 in one year for 'System Improvements.' Frank said he could use the additional funds in the proposed budget year. Lee still wanted to get the opinions of Ken Blanc, Dick Wand, and Janet Helus before she made any decisions. She has already spoken with Ed Kalberg and he agreed to borrowing additional funds.

Barb Adams asked how it was possible to use loan money designated for the Headwork's project on other projects. Lee Wyatt said these funds are being considered a reimbursement, because the District in prior years spent over \$600,000 of its own funds on the Headwork's project; this means there are no restrictions on the funds.

Brian James asked about the current permanent tax rate. Frank said the tax rate could not be changed. Bob Colclessor said the tax rate was permanent, unless it was not used for three consecutive years.

The Committee then moved the discussion on to the Reservoir Rate Surcharge. Malcolm Freund said a prior Board had approved a 25% rate increase to cover the loan repayments. This 25% rate increase was an increase on the entire water bill, not just the base rate. Currently the base rate is \$12 a month. The 25% rate increase was approximately equal to \$10 per month per customer.

Chairman Mysinger then thanked Brian James and Barbara Strasbaugh for volunteering to be on the budget committee this year.

Malcolm Freund said for the record he would like to have an official motion for Chairman of the budget committee. Lee Wyatt moved that Dave Mysinger remain as Chairman of the Budget Committee. Motion seconded by Bob Colclessor. Motion passed unanimously.

With no further discussion Chairman Mysinger adjourned the budget committee meeting at 9:55 pm.

