

# FIRST BUDGET COMMITTEE MEETING FOR 2004-2005

Former Chairman Doug Geller called the Budget Committee Meeting to order at 8:05 p.m. Budget Committee members Gordon Fulks, Doug Geller, Malcolm Freund, Ken Blanc, Bob Colclessor, Marion Kirkham, Dan Graff, Dave Mysinger and Dave Tobie were present.

### **Selection of New Budget Committee Chairman.**

Nominations were opened for Budget Committee Chairperson. Bob Colclessor nominated Dave Mysinger. Nomination seconded by Gordon Fulks. There were no other nominations. Dave Mysinger was unanimously voted Chairman of the Budget Committee.

### **Introduction of the New Budget for Fiscal Year 2004-2005.**

Gordon Fulks presented the Budget Message for the Corbett Water District. He said that the purpose of this meeting was to explain how the budget document was organized, what information it contained, and how it worked. This first meeting was an introduction only and not a discussion of the pros and cons of numbers within the budget. He also said that there was an error in the proposed budget that was discovered that afternoon; he wanted to see if anybody could spot it.

Dr. Fulks mentioned an article from *The Oregonian* about remaining financially viable. In the Master Plan, Lee Engineering said that the District needed to spend \$650,000 per year to update it's infrastructure over the next ten years. The District has three alternatives to address this situation:

1. Borrow \$6,300,000, to fix the system immediately. This would double water rates for 20 years.
2. Gradually contract repairs, over ten years and double rates to pay for them.
3. Use the 'do-it-yourself' approach with no rate increase.

He said that in order to understand the 2004-05 budget, one must first understand how the current budget was being used. The budget that the Board inherited for 2003-04 has been used much differently than originally intended. Money was saved when three employees resigned in June. The Board reduced many costs and moved a lot of money into pipe replacement. They also switched construction of a reservoir from concrete to steel with an estimated savings of \$500,000.

Dr. Fulks explained that the budget was a fiscal plan and not an accounting record. All resources are based on 'good faith' estimates. The Budget Committee must approve appropriations. Appropriations allow the District to spend money. He said that there were no major changes in financial policy. The District continues to operate on an accrual basis of accounting. The major goal for this year and for the next ten years is to complete as many projects in the Master Plan as possible, borrowing the least amount of money.

There are a number of differences in the 2004-05 budget compared to the 2003-04 budget including:

- Personal Services have decreased because of the decrease in the number of staff. This category is based on the 2003-04 anticipated actual expense.
- Capital Outlay has been significantly increased, reflecting the need for pipe replacement and now pressure reducing valve stations.
- Numbers presented have been rounded to the nearest thousand dollars where possible.

The general fund revenue sources come from water sales, property taxes, estimated carryover from current fiscal year, and reservoir rate surcharge. There is no proposed change in water rates. Under expenditures there are three categories: Personal Services, Material & Service, and Capital Outlay.

The proposed budget for Personal Services reflects the actual costs expected to be incurred in 2003-04. David Glenn (Local 701) pointed out that the budgeted amount for 2003-04 and the proposed amount for 2004-05 are not equal. Education has been moved from Material & Services to Personal Services. Overtime and Temporary help have been separated. There is a new line item added to Personal Services titled Commissioners Per Diem.

Dr. Fulks said that Personal Services are proposed as a lump sum because the breakdown was unknown. The District is considering putting most of the costs of an employee, including Salary, Social Security, Medicare, and PERS under that employee's category.

There is one big expenditure adjustment under the Material & Services category. Legal has been increased to \$35,000 to cover the cost of an additional labor attorney and labor negotiator. Woody Davis questioned why legal spending was budgeted at \$35,000 when it's already been estimated at \$30,000 for 2003-04, for a total of \$65,000 for two years. Dr. Fulks said that these were good faith estimates. Dale Burkholder wondered if the Water District had ever spent that much money?

Carolyn Davis thought the community did not understand what was going on. Gordon Fulks said that once the structure was presented, the details would be discussed.

Doug Geller said that public meetings of the Water Board have been very open to public input, but the Public Meeting Laws do not require an elected Board to allow those in the audience to speak at all. He thought that the level of audience participation required was only for attendance. At times there was difficulty maintaining order from the audience with multiple audience members speaking at the same time, and audience members speaking when not called upon by the person running the meeting. Gordon Fulks asked for questions regarding the origin of the numbers in the budget, not for comments regarding changes to those numbers at this time. Bob Colclessor said he did not understand all of the discontent expressed by the audience.

Under Capital Outlay, the main focus will be on pipe replacement projects and pressure reducing valve stations. The difference between Capital Outlay Shop & Office and Material and Services Shop & Office is that the Capital Outlay Shop & Office can be depreciated because they are improvements made to the building and shop.

Torey Redfern questioned the amount under fire hydrants because they benefit everybody. Tom Layton said that the Fire Department has budgeted for one fire hydrant per year, but they may be willing to budget more. He wanted to additional fire hydrants on existing pipe lines, not just on new construction. Marc Caldwell said that even a simple installation may cost more then \$1,000.

There is one reserve fund for the 2004-05 budget. The Capital Improvement Reserve Fund – Headworks Project is for the construction of the new one million gallon reservoir and treatment plant upgrades.

There is also one special fund for the 2004-05 budget. The Loan Repayment Special Fund was established in 2002 to repay the \$1.5 million State Revolving Loan Fund (SRLF). The Reservoir Rate Surcharge funds the Loan Repayment account.

The Budget Committee through majority action has the authority to specify the amount of tax revenue for all funds, establish a maximum expenditure total for each fund, approve the total taxes as an amount and/or rate and has the final authority to approve the budget.

The goal is to have the budget approved by the April 2004 regular Board meeting. This allows the Tax Supervising & Conservation Commission (TSCC) enough time to review the document and to make any

recommendations or changes in time for the June 2004 regular Board meeting where the Board adopts the budget.

Following the budget message, Gordon Fulks discussed details in the spreadsheets. Water sales were decreased by about \$20,000 to reflect the decrease in rates in July of 2004. Net Working Capital carryover is estimated to be \$90,000 from unused Capital Outlay. This amount may be spent in the current budget if time allows. He explained how the general fund revenues and expenditures balance.

Dr. Fulks explained how the net working capital was computed in the Headworks Project Fund. In 2002-03 more money was spent than estimated to be spent in 2003-04, so a negative \$69,000 was carried forward. He also explained that the District does not want to use all of the cash reserves, so \$50,000 was estimated to be carried forward into the 2004-05 budget.

The Reservoir Project and repainting of Reservoir #4 are scheduled to be finished in July. In order to pay for them in July some of the money needs to be carried forward into the 2004-05 budget. But, if the contractor gets behind and more work must be carried into the 2004-05 budget, the District must have appropriated funds to pay him. The Budget Committee needs to consider this error when deciding how much money needs to be carried forward into the next budget year. The Budget Committee needs to keep in mind that by adding this amount into the 2004-05 budget it also remains in the 2003-04 budget.

Jane Anderson wondered why the Superintendent who resigned in June, was still not replaced. She believed that should have been the Board's number one priority.

The possibility of having a Budget Committee meeting on April 6<sup>th</sup> was discussed. Jane Anderson questioned if the meeting on April 6<sup>th</sup> was on the Boards approved budget calendar. She also did not understand why the Board and Budget Committee meetings were on the same night both scheduled to end at 9:30 p.m.

Mrs. Anderson thought that the budget process and decisions should be made by the District Manager and not by the Board Chair or District Clerk. Gordon Fulks pointed out that the District Clerk is the Budget Officer. Mrs. Anderson said that it was obvious that the District Clerk was learning the process but it should be the District Managers responsibility to oversee the process. Commissioner Freund pointed out that the discussion was over an additional meeting and that the School Board has added additional meetings when needed. Jim Anderson (Local 701, IUOE) pointed out that his wife, Jane Anderson, is on the School Board.

At 9:40 p.m. Gordon Fulks made a motion to close the Budget Committee meeting. The motion passed unanimously.