

## **BUDGET COMMITTEE MEETING**

May 3, 2017

7:00 p.m.

The meeting was called to order by Vice Chairman Hickey with John Handler, Curt Lorenz and Mike Sims. Owen Nicholson was excused. Also present were Budget Committee Members David Dillon, David Wilson, Scott Krueger, Ann Morgan and Chuck Winkelman. Others present were Budget Officer Bruce Halverson, Keri Scott and Janet Lease. There were no other members of the public present.

### **ELECTION OF CHAIRMAN**

David Dillon made a motion to nominate Ann Morgan as Chairman of the Budget Committee. The motion was seconded by Jim Hickey. The motion passed unanimously.

### **DELIBERATION**

Budget Officer Halverson began by thanking everyone for taking the time to serve on the Budget Committee. He then continued by reading the Management Discussion and Analysis (MD&A)/Budget Message aloud. Highlights from the MD&A include the funding for seven full time employees with the possibility of hiring a temporary summer worker if needed. The Personnel Committee recommended and the Board of Directors approved a 2.5% cost of living increase based on the personnel committee methodology set up in 2007. The NBWA continues to be a part of the Special District Association of Oregon (SDAO) health insurance program which is a self-funding program. SDAO reported there will be a 2% decrease in the health & vision premiums and a 8% in dental premiums. There are no changes in the health insurance policy parameters from the current fiscal year. The NBWA continues to be a member of the Oregon Public Employees Retirement System with the employees continuing to pay their 6% contribution.

Budget Officer Halverson reviewed the General Fund highlights noting the resources are projected to be \$2,243,952.00 with a cash carry forward estimated at \$750,000.00. There will be no increase in the monthly user fees currently at \$24.00/month per Equivalent Dwelling Unit. The permanent tax rate for the NBWA is \$0.4088/1000 of assessed value. All investments are held with the Oregon State Investment Pool with the interest rate as of March 2017 at 1.3%.

Budget Officer Halverson reported the NBWA uses the 2014-2034 Master Plan as a guide for projects for the System Development Fund. The Capital Improvement Plan was developed from the Master Plan and all projects are evaluated to be prioritized on a yearly basis to determine whether a project needs to be done sooner than projected or can be delayed. The engineer is recommending raising the user fees over the next 20 years to help offset the cost of the projects from the current rate of \$24.00 to \$33.00. The plan is to implement the increase in \$3.00 increments with the first increase tentatively scheduled for July 1, 2018. A financial plan currently being done by the engineers will assist in determining increases in the monthly user fees and the System Development Charge. All increases will be dedicated to the System Development Fund not for the General Operating Fund.

## **BUDGET COMMITTEE MEETING**

**DELIBERATION CONTINUED**

GENERAL FUND/RESOURCES: As stated, the resources are projected at \$2,243,952 which includes all income from user fees, taxes, RV dump fees, interest, permit and inspection fees, lab fees, land sales and miscellaneous revenues along with the Cash Carry Forward estimated to be \$750,000. Chairman Morgan asked if the main source of income for the miscellaneous revenue is from SDAO refunds. The NBWA does receive refunds through SDAO through the insurance program with longevity credits, workers' comp credits and the best practices program. These refunds do represent the majority of the miscellaneous revenue. TOTAL RESOURCES FOR THE 2017-2018 General Fund budget are \$2,243,952.

GENERAL FUND HIGHLIGHT: The highlights page is a summary of overall budget showing the expense totals for Personal Services, Materials & Services, Contingency, Health Insurance Reserve, the annual transfers to the Improvement & Replacement and System Development Fund along with the minimum needed to fund the beginning of the next fiscal year of \$200,000 in the Unassigned Fund Balance line. Mr. Winkelman asked why the Contingency line is budgeted higher than the current fiscal year. The Contingency line is funded yearly in case of an unexpected need. The Board has asked that at 4% of the budget amount be placed in contingency. The Contingency amount is the difference between projected income and projected expenses. Typically, nothing is expended from this line and anything not used is carried forward to the next year. Chairman Morgan noted, all budget lines are not a use or lose type of funding. Unused funds are carried forward from year to year.

GENERAL FUND/PERSONAL SERVICES: The Personnel Committee recommended and the Board of Directors approved a 2.5% adjustment in the cost of living for the pay range table. The insurance premiums for health & vision are being decreased by 2% with the dental premiums increasing by 8%. SDAO began a self-insuring program three years ago and since then, premiums rates have stabilized without the drastic increases of the past. TOTAL PERSONAL SERVICES for the 2017-2018 budget are \$658,123.

GENERAL FUND/MATERIALS AND SERVICES: All items in the Materials and Services portion of the budget are adjusted based on historical, current or known increases or decreases know as of March 31, 2017. Chairman Morgan asked about the increase in the water line. Budget Officer Halverson explained the City of Manzanita raised their rates this current fiscal year which just about doubled our expense for them. The NBWA pays water to the City of Nehalem, City of Manzanita, NKN Water District and Tideland Water Co-op. Scott Krueger asked about the telephone line increase. RTI raised rates for business accounts 90% for this current fiscal year. No new rate increases from RTI has been reported for the next fiscal year.

**BUDGET COMMITTEE MEETING**

**DELIBERATION CONTINUED**

David Dillon asked about capacity noting there are 3751 EDU's now and with all the new construction including the two new subdivision areas east side of Hwy 101 and the driving range property. Budget Officer Halverson reported the NBWA has plenty of capacity even if the EDU's doubled. Part of the long range planning is developing a biosolids plan to dredge the ponds. Each pond can hold up to 9 feet with the levels in Pond A at 6-7 feet, Pond B at 4 feet and Pond C at 3 feet. The NBWA permit parameters allows pumping into the river until May 25<sup>th</sup> then the pond levels will slowly rise until irrigation season gets underway usually in July. The NBWA irrigates our own fields and also Cowan's fields. It is a beneficial use program where Cowan gets water for his fields then he harvests the grass. The permit parameters consist of a calculation of river flows taken at Foss along with lab results of the outflow.

David Dillon also asked about the conversion process from chlorine/sulfur dioxide to sodium hypochlorite/sodium bisulfite. Budget Officer Halverson explained the cost of chlorine gas continues to rise, along with the difficulty in obtaining chlorine gas and the extreme hazardous conditions surrounding utilizing chlorine made the decision to find another process pertinent. The new method is similar except that Sodium hypochlorite/Sodium bisulfate is a liquid and less expensive. The byproduct of both processes is water which is either used in the irrigation process or pumped into the river. The new method was hoped to be online by July, however DEQ is requiring a engineering plan along with their usual review and fees. Kennedy/Jenks is currently working on the conversion plan which will be submitted to DEQ. The new time line is to have it in place by August or September. Until then, chlorine/sulfur dioxide will continue to be used.

Scott Krueger inquired on our insurance coverage. For the most part, our coverages are at replacement level. SDAO gives us guidelines for coverages and all NBWA property, buildings and equipment are inventoried and reviewed yearly with the insurance agent and updated. Budget Officer Halverson explained it is difficult to say if insurance will completely cover the "big event" since the 'big event' cannot be predicted. Chairman Morgan commented on the vehicle expense line item which remains at \$45,000. The vehicle expense covers all vehicles including tires, fuel, repairs and routine maintenance. The Vac Con is the main expense in this category with tires alone costing \$6,000. For the current fiscal year, there was the plan to get new tires but that was delayed and will be done in the next fiscal year, therefore, the budgeted line was not changed. TOTAL MATERIALS AND SERVICES for the 2017-2018 budget is \$514,500.

**IMPROVEMENT & REPLACEMENT RESERVE FUND:** (Previously known as the Equipment Reserve Fund). The proposed improvement and replacement projects include the purchase of two E-One Pumps for the Nehalem Point Subdivision and a Traveler for the irrigation. The E-One pumps are personal home pumps that each Nehalem Point home has to have installed as that subdivision is a force main system which is pumped to a gravity line. The NBWA is required to maintain the pumps for each house and the purchase is to keep pumps in stock for a potential failure. The new Traveler will be the 3<sup>rd</sup> Traveler purchased and has been found to make the

## **BUDGET COMMITTEE MEETING**

May 3, 2017

Page Four

### **DELIBERATION CONTINUED**

irrigation process less labor intensive and fits into the new irrigation process for Cowan's fields. The Travelers are motorized and used only by NBWA staff. Chairman Morgan stated the review of the Improvement and Replacement Reserve Fund every ten years is not considered an informal review but a formal review as the Resolution is passed to re-establish the fund. The budget will be corrected to say formal review. TOTAL IMPROVEMENT & REPLACEMENT FUND for the 2017-2018 budget is \$940,036.

SYSTEM DEVELOPMENT FUND: The Facility Master Plan of 2014-2034 created the Capital Improvement Plan (CIP) found on page 19. All projects in the CIP are reviewed yearly to determine if a project needs to be done sooner or later than the projected year. Also, when a project is completed, the cost estimate column is updated to show actual costs. Chairman Morgan suggested to add a column, keep the Cost Estimate column and add an Actual Cost column for comparison. The CIP will be changed to accommodate this suggestion. The projects outlined for the upcoming fiscal year include possible costs related to the current ODOT NKN Creek project and realignment of Hwy 101 near Manzanita, continuation of the I & I repairs focusing on Nehalem Road, installing a 3<sup>rd</sup> pump at Dean's Point Lift Station and installing a new pump at Fire Station Lift Station, Aerators for A Cell, and the Disinfection System Conversion as previously discussed along with any engineering costs related to these projects. The Administration Building Force Main project is near completion and the committee noted the cost of the project did not require any bonds, loans or user fees increases. Owen Nicholson who is excused and on vacation is very proud of the fact that the project has been paid for with cash. TOTAL SYSTEM DEVELOPMENT FUND for the 2017-2018 budget is \$1,955,714.

BUDGET NOTES: Chairman Morgan asked who the NBWA attorney is now since the retirement of William Canessa. Budget Officer Halverson reported the NBWA attorney is Chris Hooley, who was an attorney in William Canessa's office prior to the retirement.

### **VOTE ON BUDGET**

Chairman Morgan noted the total for entire budget for 2017-2018 is \$5,139,702. Since no changes were made to the proposed budget, a motion can be made to done approving the proposed budget as presented. David Dillon made a motion to approve the 2017-2018 proposed budget as presented. The motion was seconded by Scott Krueger. The motion passed unanimously.

**BUDGET COMMITTEE MEETING**

May 3, 2017

Page Five

**APPROVAL OF TAX RATE**

Chairman Morgan noted the permanent tax rate for the NBWA is \$0.4088/1000 of assessed value. David Dillon made a motion to approve the full permanent tax rate of \$0.4088/1000. The motion was seconded by David Wilson. The motion passed unanimously.

There being no further discussion and business regarding the 2017-2018 proposed budget, Chairman Morgan adjourned the Budget Meeting at 7:44 p.m.

---

Ann Morgan, Chairman  
NBWA Budget Committee