



**DEVILS LAKE WATER IMPROVEMENT DISTRICT
BUDGET MEETING
DLWID OFFICE
May 11, 2009
10:00 A.M.**

Budget Committee

PRESENT: Don Sell
Otis Winchester
Smokey Aschenbrenner
Doug Pirie
Brian Green
Mitchell Moore
Jim Park

AUDIENCE: Tom Moore, Larry Brown

STAFF: Paul Robertson

Green called the meeting to order at 10:00 a.m.

Green called for Election of Officers.
Green asked for the nominations for Chair.
Aschenbrenner nominated Green.
Winchester seconded the nomination.
Winchester moved that the nominations be closed.
Park seconded the motion.
Vote: Unanimous. Motion carried.
Vote for Green: Unanimous

Green asked for nominations for Vice Chair.
Park nominated Doug Pirie.
Winchester seconded the nomination.
Brian moved to close nominations.
Aschenbrenner seconded.
Vote: Unanimous. Motion carried.
Vote for Pirie: Unanimous

Budget

General Fund

Robertson walked through the budget, explaining as he went along. (The budget is on the website).

Page 4 listed the six priorities that were established in 2008 as objectives.

Investigation of the funding for SolarBees includes three pending applications. Part of the improvement fund includes a \$100,000 loan for septic tank revitalization.

Measures 5 and 50 do affect the finances for the District somewhat; however, real property values will remain above assessed values, therefore, increases in taxes should continue to climb 3% annually. \$172,000 will be generated from current taxes and another \$5,611 in back taxes may be received by year end.

Page 8 summarizes resources. 2009-2010 estimate is \$183,260 that will be received from assessor—down slightly because of unpaid taxes.

Appendix A is a detailed budget overview for the general fund.

Mitchell Moore asked if there is any maintenance amount established for SolarBees. He mentioned two instances of vandalism in Blue Lake on their SolarBees. He said something might have to be set aside for moving the SolarBees in place after a storm.

Robertson replied that there is insurance in the budget for SolarBees.

Moore asked about the lights, other items that might require replacement or maintenance. No claim could be made for such a small amount.

Robertson said larger scale vandalism would be covered by insurance. Green asked about the small item expenses. Moore said that the larger expenses might be re-anchoring of the units.

Robertson said they would be anchored; if they weren't anchored, they would not remain in place. He said a permit would be required.

Moore insisted that a contingency needs to be placed in the budget for maintenance.

Green asked about these expenses being taken from the materials and services budget.

He said the budget is not rigid and is flexible. Robertson said such a line item could be created. Robertson said there the machines have a high durability level.

Park asked about the time line on the placement of SolarBees. Since they are included in this budget, is it a “done deal?” Robertson said one-third of the funds are available. The decision will be made for this summer when it is determined if the funds will be granted. Green said the District needs to budget for the SolarBees in the event the funds are granted. It is not mandatory that the funds be spent.

Robertson said in this upcoming year, the potential for utilization of the funds will become higher.

Moore said it appears that the funds would be used immediately upon granting of the monies.

Green said you have to place in the budget all expenditures you anticipate might be made. If the monies are not used, that's okay; however, an entirely new budget process would be required if you wish to spend funds that are not in the budget.

Pirie said usually 10 percent of the operating cost should be considered for maintenance. He said also replacement costs should be considered. Pirie said he believes long-term consideration should be made. He said there would be high winds and a salt-water environment. There will be heavier degradation than if they were in a milder

environment. He said the weather might indicate they should be removed in the winter. Robertson said they would remain in the lake all year round. Pirie said some maintenance funds should be considered.

Robertson continued with budget explanations. He said there would be an increase in insurance if the SolarBees were installed—up to a 300 percent increase because of the SolarBees investment.

A new lake contractor will need to be hired after October. The contractor's could include duties relating to the SolarBees. Robertson said that a competitive bid should allow for decreased or level funding in the position.

Legal fees are allocated at about one hour per month.

Robertson noted that *E. coli* and cyanobacteria monitoring will begin this month.

Pirie asked if water column temperature is being measured-thermocline, and Robertson replied, "yes."

Robertson noted that postage will be increasing by \$2000.

For transportation, funds have been allocated for a increased maintenance which could also be rolled into a new line item in reserve for a replacement vehicle.

Improvement Funds.

This includes monies from existing savings, transfers from the expiring year's General Fund, grants, loans, and septic program loan repayments.

Robertson summarized the four applications; the Improvement fund would receive all of them. Three overlap for funding the same thing.

Revenues could be as high as \$1.5 million.

Whole Lake Circulation.

SolarBees.

Moore said he has walked around the lake and out of 70 people, only 4 people have heard of the SolarBees. The vast majority of these people do not know about it.

Robertson said the people who do not live on the lake are harder to communicate with.

The website is a good resource.

The cost of SolarBees are just under \$1 million. The District has about one-third of the monies set aside.

Table 9 includes other expenditures for the SolarBees project.

Park asked what the "easement" issue includes.

Robertson said this pertains to the state parcels in which they would be installed.

Green noted that the District will need only one easement—not 20.

Septic Tank Revitalization.

This is something that has come out of the Devils Lake plan. It could include a loan program by the District to have funds available if property owners show a need to restore their septic tanks with a loan to be repaid over five to ten years for the balance. Details would need to be determined.

RARE Internship. This would be through the Improvement Fund to help attain the goal of water quality through a watershed protection program. This would help educate the public. It is sponsored by the U of O and would cost \$19,000 for an 11-month program,

35 hours per week for a masters-degree student intern. Fifty percent of the time would be allocated to the septic tank revitalization program, 20 percent to shoreline vegetation education and the balance of 30% would go to monitoring cyanotoxins and bacteria during the summer.

Pirie asked if the boat is still leaking. Robertson said it is not. It was apparently the gasket. Pirie asked about the life expectancy of the marine equipment. Robertson said that the boat is a 1992 model, with a 2004 motor and is okay at this time.

Pirie asked about monitoring and if better equipment would be required and what type of vessel might be required in the future. Pirie said if a new vessel is required, it would cost about \$20,000. Robertson said it is a good suggestion. Pirie suggested placing \$5,000 a year toward a replacement boat and trailer.

Moore asked if the insurance quote from the current provider is for one year. Robertson replied that it was.

Moore asked about the lake level manager? Robertson said \$6,300 had been budgeted.

Moore asked if this was realistic. Robertson said Steve was with the lake for many years; although a new person would have a few more tasks, there would be a learning curve, so the cost would be similar. Green asked if there was a way to increase it.

Moore said he is concerned about underestimating the complications of the District's collecting loan payments, monitoring of SolarBees, etc. He also feels the \$6,300 is a low-ball figure on the lake manager and the insurance might not be sufficient.

Green said the investment of time to make the grant applications may be equal to the actual administration of the monies. He feels that time might be allocated to management of the funds.

Moore said another area that might be considered for an increase would be the legal costs.

Moore said he does not understand how the budget is compiled.

Discussion ensued regarding the formatting of the budget, the methods used to figure the grants vs. the loan amount and the balance on hand.

Robertson said that on Page 27, \$381,000 is the actual net for the grant and half of it is a loan. The balance of the \$381,000 will be from other grants.

Moore asked what the Board's stand is if the application total is less than the total project? Will the balance of the funds be from the Improvement Funds? What if no grants are coming from others except from DEQ grant? He asked what happens if the two grants are not awarded and the District receives only the DEQ grant—will the project move forward?

Green said it is not something that needs to be decided yet.

Moore said he needs to know if he is to vote for this budget.

Green said if the Board decides to move forward with the project, they are budgeting for the contingencies. Whether they actually vote for SolarBees is not to be considered today. He thinks that if it is felt that the SolarBees are the only affordable mechanism that will meet the challenges, the funds that are on deposit and the money from the DEQ grant should indicate a move forward.

Moore said the question he has is on the mechanics of the budget. Listing certain expenditures and expense items indicate that certain things are expected to happen.

Robertson said that in order for the budget to balance, resources need to equal expenses. He said it might be feasible to have a designation of Refund to NOAA or a Refund to EPA for funds that are not received.

Moore said one budget scenario leaves the District in good financial shape. There is a nice reserve. But there is a concern about all the reserves being sunk into this project if the grants are not received.

Robertson said he needs to figure out how a way to budget for resources and if they are not received, designate them as such. One-third is from cash, one-third from a loan and one-third from grants. It is necessary to identify the rejected surplus grant or failed grants.

Moore said his assumption is that the District would have one-third of the amount remaining.

Discussion ensued regarding designating the amount between the \$320,000 and \$307,000 as reserve dollars.

Green asked about using state money for the 50% match?

Robertson: If it met the federal criteria that would be possible. There are criteria that need to be met. The DEQ money is actually Fed money.

Green said that there is no doubt that the budget is going to be stretched. The premise is that this is the one-shot opportunity to do the only thing that will address the two main problems—the cyanobacteria problem and also correct the invasive weeds. He said that there are more discretionary funds than the \$13,500. Other items may need to be cut.

Moore asked where the fluff is.

Robertson said that last year, there was money remaining—as much as \$47,000 in May of 2008 was surplus.

Green said that the District just does not budget for a surplus.

Park asked if it was his understanding that the District was over-budgeting, but that was not the goal?

Robertson said there is listed \$20,000 for interns, dredging of about \$4,000.

Some taxing districts budget exactly and others do not budget as detailed.

Green reminded the group that if they do not approve this budget, there will be no SolarBees.

Moore asked again if the District can afford the SolarBees.

Green said that if the Board needs to make the decision for the SolarBees, the budget needs to be approved.

Robertson explained some of the contingencies that would allow extra funds for extra expenses.

Pirie asked if Robertson applied for operations costs in the grants. He does not feel that operations costs are covered.

Robertson replied that the grant applications are for capital expenditures only.

Green stated that there is a warranty on the SolarBees and the price is not set in stone. He feels that some negotiation is possible.

Brown expressed concern about the dangers of kids on the lake on innertubes. Boating and public safety is an issue. He said he wouldn't consider taking somebody out on the lake with the SolarBees towers along with other boats on the lake. No matter how much they might clean up the lake for 60 days or so, is the risk worth it? Brown also said that "nobody has any idea what is going on." He said that the SolarBees is like putting the cart before the horse. He does feel that Pump Systems, Inc. the manufacturer of the SolarBee has a good product. He finds that they are exceptional at reducing cyanobacteria and have many valuable applications. He said that on Steilacoom, seven criteria were set out and six of the criteria were not met. He asked why Robertson did not post a link to nosolarbees.com so that people could at least see both sides. Then they can vote.

Green said the Board would like to get more information on the web site; however, he has seen no information about any problems with SolarBees on recreational lakes.

Green said he has seen no problems with recreational lakes.

Moore said every couple of years, somebody's kids are hurt on the lake. This is one more hazard that will be on the lake. Maybe someone will hit another boater.

Tom Moore said there were things in the past that caused unrest about what the District was doing. For instance, the District promised a newsletter every quarter. Only one newsletter came out.

Green said that people have been informed. The Board will try to inform them again.

Brown said 90% of the people who have homes on the lake live someplace else.

Tom said that placing an insert in the newspaper does not communicate. He asked if there is anything in the budget for anything other than SolarBees.

Green responded that Whole Lake Circulation is the line item designation.

Robertson said there have been open ears and knowledge being sought. There is no exclusion of information. There might be something on the horizon; but documentation is scarce.

Tom asked if there a list of property owners.

Robertson said there is a GIS layer; he has a computer-generated map that has links to property owners from which a mailing list can be created. Mailings have been done in the past.

Park said that every time there is a planning action on his properties, he receives a notice and he asked if there were funds in the budget for a direct mailing.

Robertson said there was \$2,000 in the budget for postage.

Brown asked if that was the best method of informing property owners. He suggested that meetings should be held at times on weekends when people can attend.

Robertson said that in December he found the opportunity to apply for grants and the circumstances have created the time constraints for applying for grants. He said the District has always made the intention of making the public and the community aware of projects to encourage community involvement.

Green said that the District will hold Saturday meetings and the public will have input.

He said that, hopefully, rational people will understand that we could not slow down for the public input and we will just budget in case we decide to do it.

Park said that what he is hearing is there is a lot of opposition to SolarBees. There is a lot of public relations work to make this possible. Under the grants, if all of them come through, do they require expenditure in this short time frame, or can they be expended this year?

Robertson said that the NOAA Fisheries grant does require an immediate expenditure. It is from stimulus funds (the Recovery Act) and must be used as soon as possible. They do not want the funds tied up in meetings. The other grant does not have this component.

The DEQ funds are targeted for June, 2009.

Green said the Board has looked at the entire list of options that Robertson created. At some point a decision needs to be made. He said the Board has looked at every possible alternative and the other items are not feasible. There is a consensus after two years of study that there is no other solution that the District can afford that will work.

Moore said if the mass opinion is that these are the right thing to do, he has no problem.

Everybody needs to know about them and that this project is feasible

He said that approval of this budget with pending funding seems to him to be approval of the project.

Robertson said that Moore's nosolarbee.com website has not been entirely fair and objective.

He feels it will make it more difficult for the public process to take place.

Green said that A) the SolarBees is potentially the best solution for the two main problems and B) the District can afford it. He said the Board now feels it is the best thing to do for the lake. And, public input is part of the decision process. We think they can be convinced that this is the right thing to do.

Park said he thinks the budget committee is serving the purpose of their role. This is not a hearing to determine the installation of the SolarBees. This may or may not apply depending on your decisions. There is a lot of effort required to get public support.

Park: I move that this budget be submitted to the Board with additional notes added and to make it clear that the decision has not been made for the SolarBees as the only option and that additional meetings be held for informational hearings regarding the whole lake circulation project.

Green seconded Park's motion.

Discussion: Park said that in June, if the board approves the budget, that document will be tweaked with the committee's requested changes. He said that the expenditures contained in this budget will depend upon future decisions by the board. This is not a budget to purchase SolarBees. One is based upon the receipt of one or more of the grants. And another is dependent upon the Board's decision to purchase the SolarBees. Robertson replied that if the District does not receive the funds, it will not make the decision to purchase. The decision is pending.

Park said that when a member of the public sees the budget, they will believe the decision has been made to purchase the SolarBees is there.

Moore moved to amend the motion as follows: I propose to remove the SolarBees project from the budget, retaining the septic tank project, and forward the budget with the comments made today by the committee.

Pirie seconded the amendment to the motion.

Discussion: Aschenbrenner asked what would be the process for approving an amended budget. Green said there would be the same process as the regular budget hearing.

Discussion ensued regarding awarding of the grants if the budget is not passed.

Green said he feels that jeopardizing the grants by not passing the budget is a horrible idea.

Park said that as a member of the budget committee, he would vote "No" on the amendment to his motion. It would be best to accept the budget and allow the Board to choose not to spend the funds and to go to Plan B.

Moore said that he thinks the Board needs a more accurate budget. If it is passed as is, he does not feel the District can afford it.

Moore: I think you need to see a more accurate budget. If it passes, he does not feel the district can afford it.

Brown does not feel that one month is enough time to get public input.

Green does not believe the grants have to be spent within the shortest period. We are not going to have to buy the SolarBees within 120 days.

Robertson reminded that there is a pretty tight timeline for the grants. The opportunities did not exist before March; the District had full intention of spending the funds within this budget. All the funding opportunities are based on matching funds.

Green said the stimulus money will not be available in the next budget cycle, causing some urgency. The summer will be the perfect time to make the decision. Everybody needs to understand the impact if the SolarBees are eliminated from our budget. Park said that if the NOAA grant comes through, it is still possible to reject it.

Green called for a vote on the amendment:

Vote on the amendment: Park, Winchester, Green, Aschenbrenner and Sell voted No on the amendment. Moore and Pirie voted Yes.

The amendment was defeated by a vote of 5 to 2.

Green asked for a vote on the main motion:

All voted yes, except Moore, who voted No.

The original motion carried by a Vote of 6 to 1.

Moore said there are no funds in the budget for public hearings.

Robertson said the \$2,000 for postage will be used to notify the public of the hearings.

Moore said he is still concerned about the maintenance on the SolarBees and feels that an amount of \$20,000 minimums should be considered for maintenance.

Green said if there is nothing budgeted for maintenance, that issue can be used as a negotiating point with the SolarBees people.

Brown asked if there is an obligation to return the grant if the SolarBees are removed?

Green said it would depend on the details of the grant funds.

Aschenbrenner brought up the issue of the financial oversight committee. He said that between now and July it would be necessary to meet with Robertson, then once a month to meet with him to peruse the bank statements and reconciliations. He would like to see at least two people from the budget committee consider it.

Pirie offered his services, as did Park. Mitchell Moore will make the decision after he learns what the requirements are.

Moore said that as a supplement to the budget, he would like to see a cash flow analysis created with the balancing of inputs and outputs. He asked if the Board was planning for contingencies. The question could be answered: Do I have more or less at the end of the year?

Robertson said that this information was in the financial report each month.

Winchester moved to end the budget committee meeting.

Green seconded the motion.

Vote: Unanimous.

The budget meeting adjourned at 1:45 p.m.

Respectfully submitted,
Linda Burt